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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 11, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- February 11: Initial jobless claims (weekly)
- February 12
  - Retail sales (Jan)
  - UoM consumer sentiment (Feb, p)

EUROZONE

- February 12: GDP (Q4, A)

GREECE

- February 9: Industrial Production Index (Dec)
- February 10: Building Activity (Dec)
- February 11
  - Eurogroup
  - U/E (Nov)
- February 12: GDP (Q415)

CYPRUS

- February 11: Eurogroup/ Ecofin (discussion about programme end in March)
- February 12: GDP (Q4, p)

SEE

BULGARIA

- February 8
  - Industrial production (Dec)
  - Retail sales (Dec)
- February 9: Trade balance (Dec)
- February 13: GDP (Q4, p)

ROMANIA

- February 8
  - Net wages (Dec)
  - 5.8% 2027 T-Bonds auction
- February 9: Trade balance (Dec)
- February 11: 3.5% 2022 T-Bonds auction
- February 12
  - Industrial production (Dec)
  - GDP (Q4, A)
  - CAD (Dec)

SERBIA

- February 11: MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

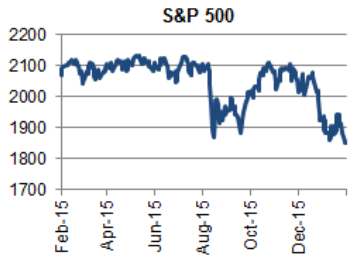
GLOBAL MARKETS: The JPY extended its recent gains across the board on Thursday and major government bonds retained a firm tone supported by increased risk aversion. Fed Chair Janet Yellen testifies before the Senate later in the day while, on the data front, key data releases are limited to US jobless claims.

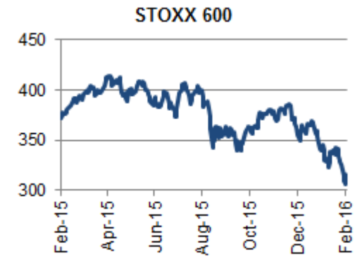
GREECE: In a speech delivered at a cabinet meeting yesterday, Greece's Prime Minister Alexis Tripras stressed that the government meets in full the conditionality underlying the new adjustment programme with priority given on the protection of the most vulnerable groups in society. Speaking before the Hellenic Parliament's Economic Affairs Committee on the same day, Bank of Greece (BoG) Governor Yannis Stournaras stressed that the 1st programme review must be completed as soon as possible as this would strengthen market confidence towards the Greek economy and would encourage a gradual return of bank deposits. The Eurogroup convenes later today and the state of play in implementing Greece's economic adjustment programme is scheduled to feature high on the official agenda.

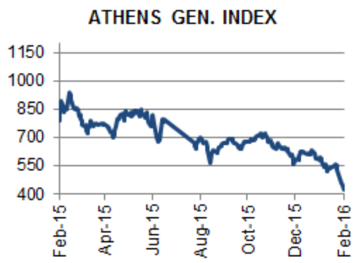
SOUTH EASTERN EUROPE

CESEE MARKETS: **Emerging stock markets** resumed on Thursday this week's downtrend after a short-lived timid respite in the prior session. The global risk-off sentiment also hit **CESEE currencies** which came under pressure earlier today. In the local rates markets, **government bonds** were mostly firmer outperforming Eurozone periphery paper. **Today's focus** in the CESEE region is on Serbia's MPC meeting. Additionally, Romania's RON500mn 2022 debt auction also lures market attention.

Latest world economic & market developments







Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The JPY extended its recent gains across the board on Thursday supported by increased risk aversion amid heightened worries over the sustainability of the global economic recovery. Market worries over the health of the global financial sector and lower oil prices, also dented market appetite for risk taking. Meanwhile, presenting the semi-annual monetary policy report to Congress yesterday, Fed Chair Janet Yellen suggested that expectations for a continued US economic recovery would allow the Fed to pursue its plan for gradual increases in the federal funds rate. Yet, she acknowledged a series of global risks to the US economic growth including tighter financial conditions and uncertainty about China's growth prospects. The USD/JPY was hovering around 11.65/70 at the time of writing, close to a 15-month low of 111.00 hit earlier today. Comments by Japan's Vice Finance Minister for international affairs, Masatsugu Asakawa, that the MoF is watching markets "to see if there are speculative moves" failed to exert a meaningful impact on the JPY. Technically, risks seem skewed for further USD/JPY downside in the coming sessions while only a sustained move above 116.00 could negate the pair's current negative trend. Elsewhere, major government bonds retained a firm tone with the 10-yr Treasury yield hovering around a one-year trough of 1.62% in European trade at the time of writing. Against this background, the 10/2-yr yield curve undertook some bullish flattening with the corresponding spread standing close to 98bps, the narrowest since late 2007. Fed Chair Janet Yellen testifies before the Senate later in the day. On the data front, key data releases today are limited to US jobless claims.

GREECE

In a speech delivered at a cabinet meeting yesterday, Greece's Prime Minister Alexis Tripras stressed that the government meets in full the conditionality underlying the new adjustment programme with priority given on the protection of the most vulnerable groups in society. He insisted that the government has paved the way for the 1st programme review to be completed on time setting though once again red lines in discussions with official creditors. These mainly include no further cuts in main pensions, protection of the first residency and no liberalization of collective dismissals. A few hours later, speaking before the Hellenic Parliament's Economic Affairs Committee, Bank of Greece (BoG) Governor Yannis Stournaras stressed that the 1st programme review must be completed as soon as possible as this would strengthen market confidence towards the Greek economy and would encourage a gradual return of bank deposits. Citing data compiled by the Organization for Economic Cooperation and Development (OECD), the BoG Governor said that Greece overprotects third age at the expense of younger generations. He added that, although no one wants pensions to be cut, we should choose the option with the lowest cost for the entire society arguing that fiscal results are better when achieved through spending cuts rather than through tax increases. The Eurogroup convenes later today and the state of play in implementing Greece's economic adjustment programme is scheduled to feature high on the official agenda.

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BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)		1.9558	
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

** on a cash basis*

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

** ESA 2010*

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

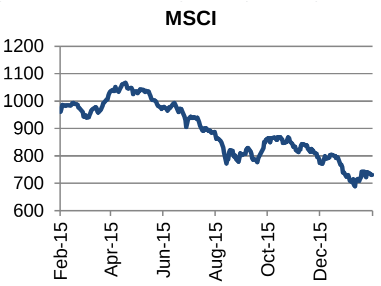
ROMANIA: Indicators	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

** on a cash basis*

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.6	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.50	4.50	4.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings

L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Emerging stock markets resumed on Thursday this week's downtrend after a short-lived timid respite in the prior session. During her semi-annual testimony before the U.S. House Financial Services Committee to Congress Federal Reserve Chair Janet Yellen seemed optimistic about the prospects of the US economy ahead, but casted a note of caution about risks stemming from China-related jitters, uncertainty over oil prices and the global financial markets turmoil which may have implications on the growth outlook. Overall, her comments suggested that the US Central Bank remains poised to continue along its gradual rate-tightening path, albeit with possible delays, in a development that is expected to further negatively impact the high yield allure of emerging market assets. A renewed decline in global oil prices earlier today also weighed on investor sentiment towards risky assets. Against this backdrop, the MSCI Emerging Markets index stood 2.2% lower at the time of writing compared to Wednesday's settlement, bringing this week's losses to 3.4% and this year's decline to 10.0%. In this context, **CESEE bourses also fell**, though seemed to fare better compared to their global emerging market peers on hopes about further ECB stimulus as soon as in March and comparably healthier economic growth prospects.

The global risk-off sentiment also hit **CESEE currencies** which came under pressure earlier today. The Polish zloty led the decline. Media reports suggesting that finance minister Pawel Szalamacha may resign and news that the EU criticized a new retail tax plan adding to concerns over the government's policies may also had an impact on the domestic currency. Meanwhile, new MPC member Eugeniusz Gatnar was quoted as saying by local media earlier today that albeit interest rates being at record low levels they still remain a policy instrument of influencing the economy, adding to speculation for a potential resumption of NBP rate easing following stable rates since March 2015. In more detail, the EUR/PLN traded at 4.4455 at the time of writing compared to levels around 4.4020 in the prior session's settlement.

In the local rates markets, **government bonds** were mostly firmer outperforming Eurozone periphery paper. **Today's focus** in the CESEE region is on Serbia's MPC meeting. In line with the market's median forecast we anticipate the Central Bank to stay put on its monetary policy and maintain its key benchmark rate at the current record low level of 4.50% in view of the recent turmoil in global financial markets. Additionally, Romania's RON500mn (~€111.6mn) 2022 debt auction also lures market attention.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1851.86	0.0%	-9.4%
Nikkei 225	15713.39	-2.3%	-17.4%
STOXX 600	305.74	-3.0%	-16.4%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1314	0.2%	4.2%
GBP/USD	1.4446	-0.5%	-2.0%
USD/JPY	111.62	1.5%	7.6%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	1.63	-4	-64
Bund-10yr	0.18	-7	-45
JGB - 10yr	0.02	0	-24

Commodities

	Last	ΔD	ΔYTD
GOLD	1227	2.5%	15.6%
BRENT CRUDE	30	-1.6%	-18.6%
LMEX	2137	-0.7%	-3.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	289	0	-14
1-week	3.00	1	-19
1-month	3.20	1	-31
3-month	3.40	0	-43
6-month	3.60	0	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-13	-14
5Y RSD	5.04	-3	-9
7Y RSD	7.76	0	6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	-2	-13
USD Nov-24	6.39	-1	-2

CDS

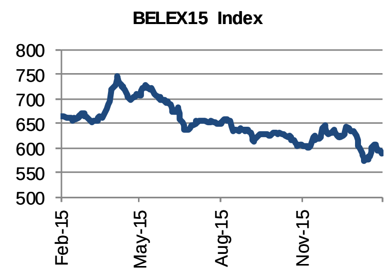
	Last	ΔDbps	ΔYTD bps
5-year	288	-2	13
10-year	334	-1	-5

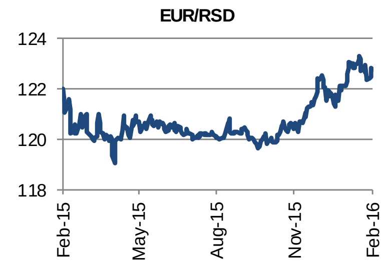
STOCKS

	Last	ΔD	ΔYTD
BELEX15	583.9	-0.84%	-9.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.74	0.05%	-0.94%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	1	-13
1-month	0.56	2	-13
3-month	0.82	0	-20
6-month	1.04	-1	-30
12-month	1.23	0	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.63	-1	-30
5Y RON	2.47	0	-33
10Y RON	3.33	0	-45

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.46	5	-11
USD Jan-24	3.49	-2	-30

CDS

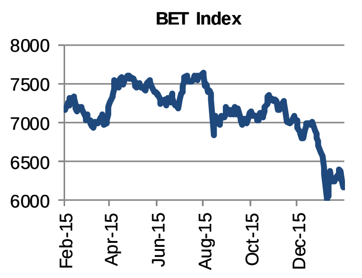
	Last	ΔDbps	ΔYTD bps
5-year	123	-1	-10
10-year	167	0	-5

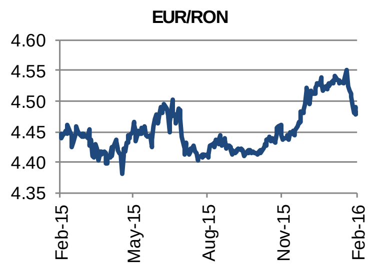
STOCKS

	Last	ΔD	ΔYTD
BET	6026.0	-1.75%	-13.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4815	-0.08%	0.73%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.06	-1	-22
3-month	0.03	-3	-23
6-month	0.24	0	-29
12-month	0.58	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-19
5Y BGN	1.11	-1	-17
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	-47	-1
EUR Sep-24	2.38	36	-4

CDS

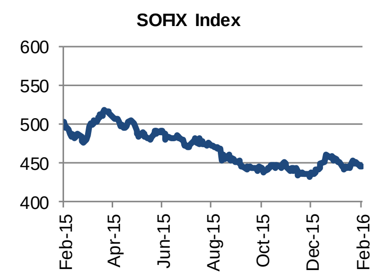
	Last	ΔDbps	ΔYTD bps
5-year	185	-1	14
10-year	231	-1	14

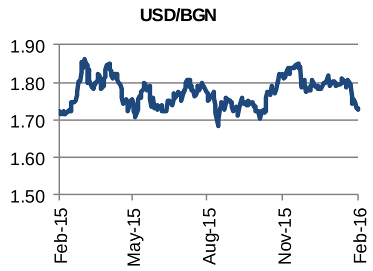
STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.6	-0.46%	-3.31%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7289	0.20%	4.13%





Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 13:20 EET

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