

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, February 12, 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:** Risk off sentiment prevailed in global equity markets on Friday amid persisting concerns about the health of the European banks. Lower oil prices and lingering worries over the growth prospects of China, also continued to weigh. Against this background, the JPY retained a firm tone favored by its safe-haven appeal.

**GREECE:** Speaking at the press conference that followed the conclusion of the February 11<sup>th</sup> Eurogroup, President Mr Dijsselbloem acknowledged that “good progress” has been made in official discussions between Greece and its officials creditors in the context of the 1<sup>st</sup> programme review. Yet, he noted that more work is needed for reaching a staff level agreement on the required conditionality, mostly on the social security pension reform, fiscal issues and the operation of the new privatization fund. On the data front, according to national account statistics for the fourth quarter of 2016 (flash estimate), Greece’s real GDP, in seasonally and calendar adjusted terms, decreased by 0.6%QoQ compared to -1.4%QoQ in Q3.

### SOUTH EASTERN EUROPE

**BULGARIA:** The economy picked up pace in the last quarter of the year, growing at the strongest rate since Q2-2011. According to the flash estimate, real GDP accelerated by +0.8% QoQ/+3.1% YoY in Q4-2015 up from +0.7% QoQ/+2.9% YoY in Q3-2015 vs. +0.6% QoQ/+1.8% YoY in Q4-2014.

**ROMANIA:** According to the flash estimate release, real GDP on seasonally adjusted terms expanded by +1.1% QoQ/+3.8% YoY in Q4-2015, up from +1.5% QoQ/+3.7% YoY in Q3-2015 and +0.9% QoQ/+2.8% YoY in Q4-2014.

**SERBIA:** The National Bank of Serbia (NBS) slashed its key policy rate by 0.25ppts, to 4.25% at its MPC meeting on Thursday taking investors aback.

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## Latest world economic & market developments

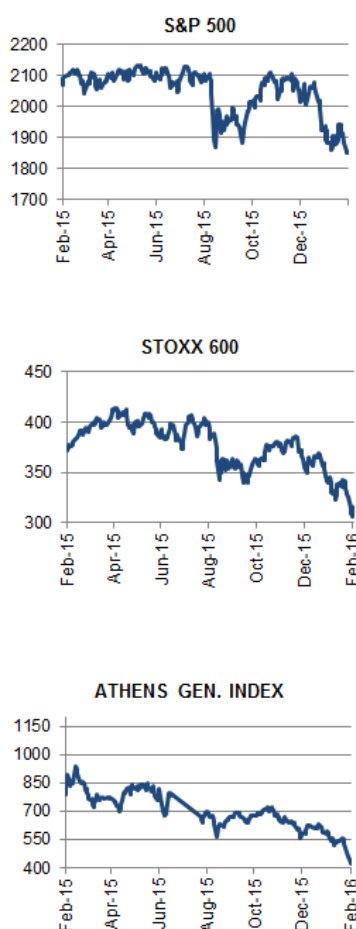
### GLOBAL MARKETS

Risk off sentiment prevailed in global equity markets on Friday amid persisting concerns about the health of the European banks. Lower oil prices and lingering worries over the growth prospects of China, also continued to weigh. Against this background, the JPY retained a firm tone favored by its safe-haven appeal. Following a short-lived drop to 110.98 overnight, the lowest since October 2014, the USD/JPY was hovering around 112.55/60 in European trade at the time of writing, having retreated from levels above 118.00 just a week earlier. Aiming to halt the JPY's upward trend, Japan's Finance Minister Taro Aso was quoted saying earlier today that the government intends to take necessary steps to deal with currency volatility while "recent foreign exchange moves have been very rough". Firmer-than-expected US initial jobless claims failed to exert a positive impact on the USD on the back of heightened market expectations that the Fed is unlikely to raise interest rates any time soon. Elsewhere, the EUR/USD was hovering around 1.1280/1.1300 at the time of writing, with the next key resistance level standing at 1.1490/1.1500 (mid-October 2015 peak), a level last seen before the ECB's dovish shift in early Q3 2015. Today's US calendar includes retail sales for January and the first release of February UM consumer sentiment index.

### GREECE

Speaking at the press conference that followed the conclusion of the February 11<sup>th</sup> Eurogroup, President Mr Dijsselbloem acknowledged that "good progress" has been made in official discussions between Greece and its official creditors in the context of the 1<sup>st</sup> programme review. Yet, he noted that more work is needed for reaching a staff level agreement on the required conditionality, mostly on the social security pension reform, fiscal issues and the operation of the new privatization fund. On his part, EU Commissioner Pierre Moscovici underlined the resilience of the domestic economic activity last year adding that, should Greece remain stuck in the implementation of the agreed reform agenda, real GDP could switch into positive growth in H2 2016. Furthermore, the EU Commissioner suggested that official creditors are awaiting additional data related to feasible ways for closing Greece's projected fiscal gap before they return to Athens to resume official discussions with Greek authorities. Furthermore, he noted that the review could possibly be concluded ahead of (the Catholic) Easter (March 27<sup>th</sup>). Separately, Poul Thomsen, Deputy Director of the IMF's European Department, reportedly wrote on his personal blog that a fiscal gap up to €4-5%-of-GDP has to be covered to secure fulfilment of the agreed medium fiscal target for a primary surplus of 3.5%-of-GDP. The IMF high level official was also argued that part of that gap should unavoidably be covered through a cut in pensions. On the data front, according to national account statistics for the fourth quarter of 2015 (flash estimate), Greece's real GDP, in seasonally and calendar adjusted terms, decreased by 0.6%QoQ compared to -1.4%QoQ in Q3. On an annual basis, Q4 real GDP decreased by 1.9%. For the full year 2015, real GDP contracted by 0.7%, slightly worse than the 2016 Budget forecast of 0.0% but better than what was expected by the European Commission a few months earlier (-1.4%).

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Source: Reuters, Bloomberg, Eurobank Research

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

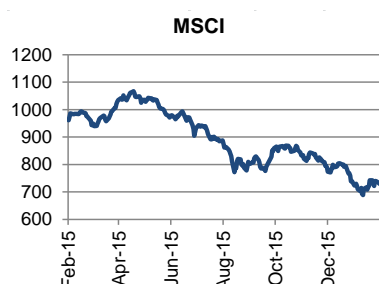
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

The economy picked up pace in the last quarter of the year, growing at the strongest rate since Q2-2011. According to the flash estimate, real GDP accelerated by +0.8% QoQ/+3.1% YoY in Q4-2015 up from +0.7% QoQ/+2.9% YoY in Q3-2015 vs. +0.6% QoQ/+1.8% YoY in Q4-2014. The released flash estimate brings full year output performance at an estimated 2.8% in 2015 up from 1.6% in 2014. As usual, there will be another estimate of the national accounts data published at a later stage and there will most probably be huge revisions and reallocations within the individual growth drivers' components. However, final consumption appeared to have made a very strong contribution to growth in Q4. Final consumption expanded by +0.7% QoQ/+2.5% YoY in Q4-2015 up from +1% QoQ/+1% YoY in Q3-2015 vs. -0.8% QoQ/+1.1% YoY in Q4-2014. The spending recovery was mainly driven by the increase in government spending mirroring the increased EU funds absorption ahead of the closing of the programming period 2007-2013 by year end. In addition, rising real wages, improving sentiment, declining energy prices- Bulgaria has the highest energy consumption intensity in EU-28- and further modest gains in employment must have helped private spending gain more speed in the last quarter.

### ROMANIA

According to the flash estimate release, real GDP on a seasonally adjusted terms expanded by +1.1% QoQ/+3.8% YoY in Q4-2015, up from +1.5% QoQ/+3.7% YoY in Q3-2015 and +0.9% QoQ/+2.8% YoY in Q4-2014. The Q4 reading brings full year growth performance at 3.7% in 2015 a notch below our 3.8% forecast compared to 3% in 2014 and 3.5% in 2013. Although the components are yet to be known, we anticipate that growth has been primarily domestic demand-driven. Despite the political fall-out, Romania stood out of the pack for a second consecutive year in 2015, and is expected to be a regional outperformer in 2016 as well. Growth is expected to accelerate further to 4.1% in 2016. However, growth dynamics are driven by a private consumption spending boom, fuelled by the unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections scheduled in late 2016. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track.

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### SERBIA

The National Bank of Serbia (NBS) slashed its key policy rate by 0.25ppts, to 4.25% at its MPC meeting on Thursday taking investors aback. The market's median forecast was for the Central Bank to stay put on its monetary policy in view of the recent global financial markets turmoil. Yesterday's rate cut is the first since October 2015, and follows 750bps of monetary easing since May 2013, out of which, 350bps were delivered last year. Behind its decision, the NBS cited subdued inflationary pressures primarily stemming from the international environment on the back of low global oil prices, while also noting risks on eurozone's economic growth outlook – Serbia's main trade partner – as well as the prospect of a slower than expected pace of Fed rate tightening. The Central Bank also underscored the possibility for further ECB monetary accommodation in March. With regards to inflation, the NBS acknowledged that it anticipates it to rise modestly from the middle of the year and return within the 4% +/-1.5% target tolerance band late this or early next year. The post MPC meeting statement also read that Executive Board adopted the February Inflation Report, which will be publicly released on February 19<sup>th</sup>.

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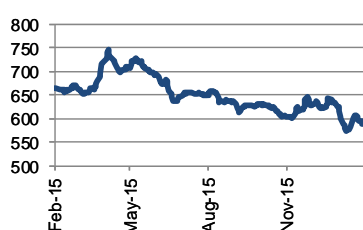
## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1829.08	-1.2%	-10.5%	EUR/USD	1.1291	-0.3%	4.0%	UST - 10yr	1.67	1	-60	GOLD	1242	-0.4%	17.0%
Nikkei 225	14952.61	-4.8%	-21.4%	GBP/USD	1.4557	0.6%	-1.2%	Bund-10yr	0.21	2	-42	BRENT CRUDE	31	3.8%	-16.3%
STOXX 600	309.12	1.8%	-15.5%	USD/JPY	112.56	-0.1%	6.7%	JGB - 10yr	0.09	7	-18	LMEX	2133	-0.2%	-3.2%

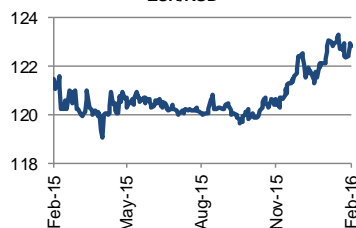
## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	285	-4	-18	O/N	0.42	2	-11	LEONIA	-0.08	0	-9
1-week	2.95	-5	-24	1-month	0.55	-1	-14	1-month	-0.07	0	-22
1-month	3.11	-9	-40	3-month	0.82	0	-20	3-month	0.05	2	-21
3-month	3.31	-9	-52	6-month	1.04	0	-30	6-month	0.24	0	-29
6-month	3.51	-9	-52	12-month	1.23	0	-29	12-month	0.58	0	-39
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	3.50	-2	-17	3Y RON	1.66	1	-27	3Y BGN	0.39	-1	-21
5Y RSD	5.09	0	-4	5Y RON	2.49	-1	-31	5Y BGN	1.13	0	-15
7Y RSD	7.73	-1	3	10Y RON	3.34	0	-44	10Y BGN	2.62	0	-4
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	-1	-13	EUR Oct-25	2.41	0	-15	EUR Jul-17	0.05	-2	-2
USD Nov-24	6.39	-1	-2	USD Jan-24	3.46	4	-32	EUR Sep-24	2.43	28	1
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	288	0	13	5-year	127	4	-6	5-year	188	3	17
10-year	334	0	-5	10-year	171	5	0	10-year	235	4	19
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	581.2	-1.09%	-9.77%	BET	6058.0	0.30%	-13.51%	SOFIX	444.4	-0.02%	-3.58%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	122.71	0.19%	-0.92%	EUR/RON	4.4745	0.06%	0.88%	USD/BGN	1.7322	-0.24%	3.93%

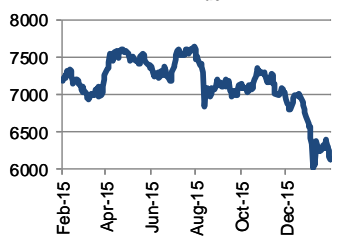
BELEX15 Index



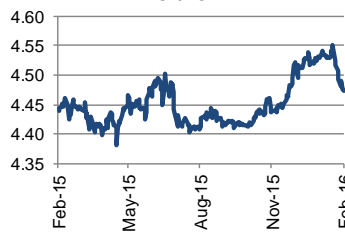
EUR/RSD



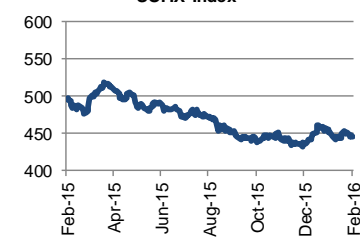
BET Index



EUR/RON



SOFIX Index



USD/BGN



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

Data updated as of 13:00 EET



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