

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 15, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 15: Presidents' day
- February 16
 - Empire State Index (Feb)
 - NAHB Index (Feb)
- February 17
 - Housing starts & permits (Jan)
 - Industrial production (Jan)
 - FOMC minutes
- February 18
 - Jobless claims (weekly)
 - Philly Fed Index (Feb)
- February 19: CPI (Jan)

EUROZONE

- February 15: ECB president Draghi to testify before the EU parliament's Economic Committee
- February 16: Germany's ZEW Index (Feb)
- February 18: January 21 ECB MPC minutes

GREECE

- February 17: HICP (Jan)
- February 19: Turnover in Industry (Dec)

CYPRUS

- February 16: HICP (Jan)

SEE

BULGARIA

- February 15
 - CPI (Jan)
 - 2019 T-Bonds auction
 - U/E rate (Jan)
- February 17: CAD (Dec)

ROMANIA

- February 15: CPI (Jan)
- February 18: 4.75% 2025 T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets kicked off the week on a firmer footing after China's Central Bank PBoC fixed the yuan higher today. Yet, global risk appetite remains fragile amid lingering worries over the growth outlook of the global economy, lower oil prices and renewed European bank jitters. Focus today is on ECB President Mario Draghi who speaks before the European Parliament's economic committee at 15:00 CET.

GREECE: Discussions between the Greek authorities and the EU/IMF/ESM/ECB mission heads continue on the open issues attached to the 1st programme review from respective headquarters and through the Athens-based technical teams representing official creditors. According to the local press, the mission heads are not expected to return to Athens to resume official discussions with domestic authorities before February 20th at the earliest, as it appears that quite diverse views continue to exist between the two sides on the above key deliverables.

SOUTH EASTERN EUROPE

BULGARIA: Trailing major global indices lower in this latest bout of risk aversion, the domestic stock market closed in the red on a weekly basis on Friday, largely shrugging off positive local macro data for December.

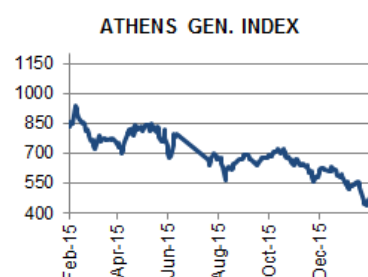
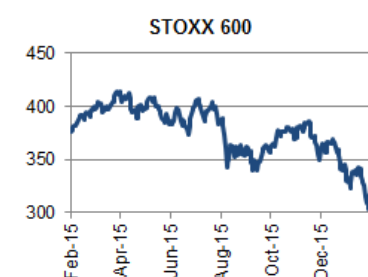
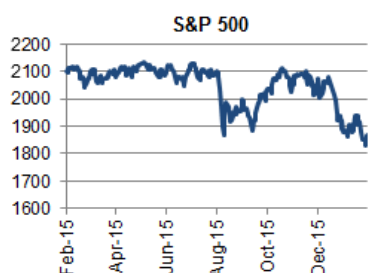
ROMANIA: The domestic currency continued along its recent appreciation trend, albeit at a slower pace, receiving additional support from Central Bank hawkish comments.

SERBIA: The euro regained ground against the local currency last week after the National Bank of Serbia (NBS) unexpectedly intervened in the FX markets last Monday buying €10mn at a EUR/RSD level of 122.25/45 in order to halt the pair's depreciation momentum. The NBS's broadly unexpected decision to render a 25bps rate cut, which pushed the key policy rate to a new record low of 4.25%, also provided support to the EUR/RSD.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Global equity markets kicked off the week on a firmer footing after China's Central Bank PBoC fixed the yuan higher today. In an interview over the weekend, PBoC Governor Zhou Xiaochuan said that there is no basis for continuing depreciation in the yuan adding that the Central Bank will use a basket of currencies as a reference and appropriately manage any daily volatility in the yuan against the USD. Yet, global risk appetite remains fragile amid lingering worries over the growth outlook of the world economy, lower oil prices and renewed European bank jitters. Adding to worries over the sustainability of the global economic recovery Japan's Q4 GDP contracted by a higher than expected 1.4%QoQ while China's January trade performance disappointed with exports and imports falling by a higher than expected 11.2%YoY and 18.8%YoY, respectively. The improved tone in global equity markets weighed on the JPY with the USD/JPY rebounding to levels around 113.75/80 in European trade at the time of writing after falling slightly below 111.00 late last week for the first time in more than a year. Yet, amid expectations that the Fed's rate tightening ahead may prove shallower and more back-loaded than currently expected, there is little to suggest that the USD is poised for further significant gains in the coming sessions. Focus today is on ECB President Mario Draghi who speaks before the European Parliament's economic committee and is expected to reinforce expectations for further monetary policy stimulus in March in view of persistently subdued euro area inflation pressures.

GREECE

Discussions between the Greek authorities and the EU/IMF/ESM/ECB mission heads continue on the open issues attached to the 1st programme review from respective headquarters and through the Athens-based technical teams representing official creditors. According to the local press, the main stumbling blocks are: (i) the social security pension reform with the IMF insisting that a cut in main pensions is unavoidable for securing the long-term viability of the system; (ii) fiscal issues. The IMF estimates that the adoption of measures worth c. 4-5%-of-GDP is required for securing fulfilment of the agreed medium-term target for a general government fiscal surplus of 3.5%-of-GDP by 2018; (iii) the new privatization fund as the relevant bill required for its operation is still pending; and (iv) finalization of outstanding issues related to the NPL resolution framework. On the issue, some press reports suggested that official creditors have adopted a more liberalized view insisting on the repurchase of all NPL portfolios by non-banking institutions apart from those granted to individuals belonging to the most vulnerable social and economic groups. According to the local press, the mission heads are not expected to return to Athens to resume official discussions with domestic authorities before February 20th at the earliest, as it appears that quite diverse views continue to exist between the two sides on the above key deliverables.

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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

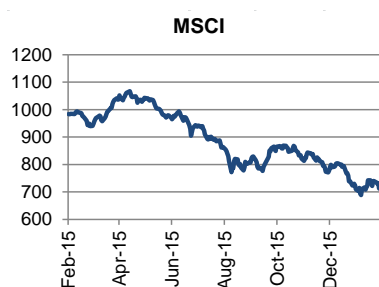
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Trailing major global indices lower in this latest bout of risk aversion, the domestic stock market closed in the red on a weekly basis on Friday, largely shrugging off positive local macro data, such as industry production, retail trade and exports for December. In more detail, the main SOFIX index lost 1.6% to 442.86 points. At the same time, the local-currency denominated sovereign yield curve remained largely unchanged compared to a week earlier, except for some steepening undertaken in the long-end. We expect the forthcoming auction on Monday (BGN 200mn in 3-year notes) to meet strong investor demand as overall supply in the primary market for 2016 is expected lower than in previous years in light of the new Eurobond issue.

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ROMANIA

The domestic currency continued along its recent appreciation trend, albeit at a slower pace. Against this backdrop, the EUR/RON moved over the week from the previous Friday's close around 4.4920 to a week's low around 4.4725 before ending at 4.4750 on Friday. At a press conference presenting the new Inflation Report on Monday, the Central Bank was surprisingly hawkish citing increased inflation pressures and raising the 2016 inflation forecast from 1.1% to 1.4%. The 2017 inflation forecast was set at 3.4%, almost touching the upper end of the target range of 2.5 +/- 1%. While still plentiful RON liquidity in the money market is keeping RON rates largely unchanged near their recent historic lows, the Central Bank's comments seem to have marked the end of this downtrend. In more detail, the implied 3M RON rate from swaps remained unchanged at 0.55%, the 12M however increased from 0.65% to 0.75% over the week. RON government bonds have also given up some of their recent gains, mostly as a result of regional and global developments. Compared to last week's close, the 3Y yield increased some 10bps to 1.65%, while the 10Y yield rose by around 7bps to 3.32%.

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SERBIA

The euro regained ground against the local currency last week after the National Bank of Serbia (NBS) unexpectedly intervened in the FX markets last Monday buying €10mn at a EUR/RSD level of 122.25/45 in order to halt the pair's depreciation momentum. In this context, the pair closed at 122.70/90 on Friday, with the NBS's broadly unexpected decision to render a 25bps rate cut, which pushed the key policy rate to a new record low of 4.25%, also providing support to the EUR/RSD. Looking ahead, potential renewed downside pressures on the cross are likely to prove limited as the NBS may intervene anew in the FX markets in order to halt any significant dinar appreciation. On a technical level, strong EUR/RSD resistance currently stands at 123.00, ahead of 123.20 with further upside likely to trigger new Central Bank action aimed at mitigating significant fluctuations in the FX markets.

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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	1864.78	2.0%	-8.8%	EUR/USD	1.1203	-0.5%	3.2%	UST - 10yr	1.75	0	-52	GOLD	1208	-2.4%	13.9%
Nikkei 225	16022.58	7.2%	-15.8%	GBP/USD	1.4484	-0.2%	-1.7%	Bund-10yr	0.26	0	-37	BRENT CRUDE	33	0.1%	-10.5%
STOXX 600	320.85	2.7%	-12.3%	USD/JPY	113.96	-0.6%	5.4%	JGB - 10yr	0.09	0	-18	LMEX	2155	1.0%	-2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	285	-4	-18
1-week	2.95	-5	-24
1-month	3.11	-9	-40
3-month	3.31	-9	-52
6-month	3.51	-9	-52

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.51	-2	-16
5Y RSD	5.09	0	-3
7Y RSD	7.72	-1	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	-1	-13
USD Nov-24	6.37	1	-4

CDS

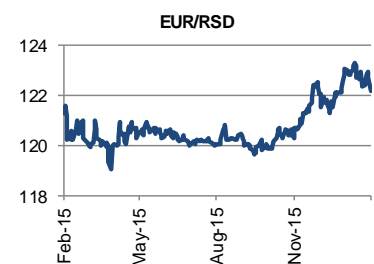
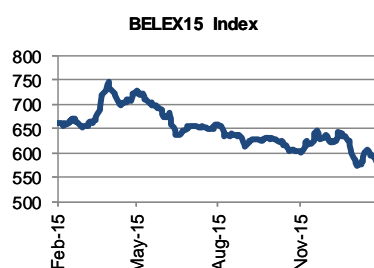
	Last	ΔDbps	ΔYTD bps
5-year	289	1	15
10-year	335	1	-4

STOCKS

	Last	ΔD	ΔYTD
BELEX15	583.1	-0.77%	-9.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.81	0.11%	-1.00%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	-2	-13
1-month	0.54	-1	-15
3-month	0.81	-1	-21
6-month	1.04	0	-30
12-month	1.22	-1	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	-1	-27
5Y RON	2.48	-1	-32
10Y RON	3.30	-1	-48

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.41	0	-16
USD Jan-24	3.46	1	-33

CDS

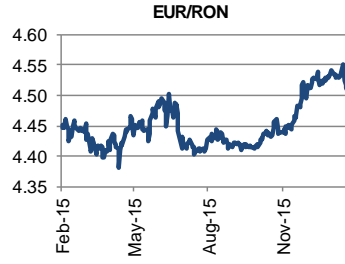
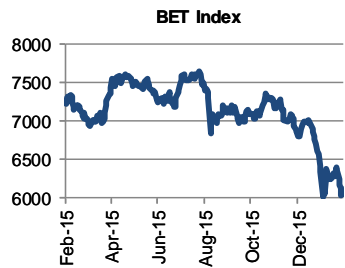
	Last	ΔDbps	ΔYTD bps
5-year	136	9	3
10-year	181	9	9

STOCKS

	Last	ΔD	ΔYTD
BET	6166.5	1.68%	-11.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4711	0.10%	0.96%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.07	0	-22
3-month	0.04	-1	-22
6-month	0.24	1	-29
12-month	0.59	1	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.43	3	-17
5Y BGN	1.10	0	-17
10Y BGN	2.64	0	-2

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.04	0	-3
EUR Sep-24	2.40	35	-2

CDS

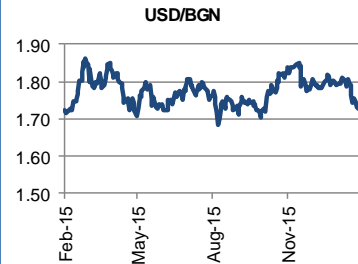
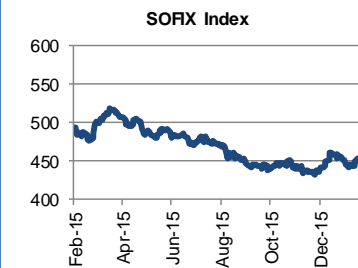
	Last	ΔDbps	ΔYTD bps
5-year	180	-8	8
10-year	226	-8	10

STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.7	-0.04%	-3.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7458	-0.45%	3.12%



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

Data updated as of 12:00 EET

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