

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, March 24, 2016

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- March 21
  - Existing home sales (Feb)
- March 23
  - New home sales (Feb)
- March 24
  - Durable goods orders (Feb)
  - Jobless claims (weekly)
- March 25: GDP (Q4, 3<sup>rd</sup> est)

#### EUROZONE

- March 23: Consumer confidence (Mar, p)
- March 24: PMI manufacturing/ services (Mar)

#### GREECE

- March 22: CAD (Jan)

### SEE

#### BULGARIA

- March 25: Gross external debt (Jan)

#### ROMANIA

- March 24: 4.75% 2025 T-bonds auction

#### SERBIA

- March 22: EUR 2.5% T-bonds auction
- March 24: EUR 2-year T-bonds auction
- March 25: Real gross wages (Feb)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of European bourses were standing in negative territory in early trading on Thursday and the USD retained a firm tone following a recent flurry of relatively hawkish comments by a number of FOMC policymakers. The GBP remained under pressure amid heightened Brexit woes.

**GREECE:** In the context of the 1st programme review, the Greek government is expected to come up with additional revenues to cover a fiscal gap of 3% of GDP (i.e. around 5.5bn euro) over the period FY-2016 and FY-2018, which may come from an increase in the tax for diesel fuel, reductions in auxiliary pensions and changes in the income tax regime. According to provisional data released yesterday by the Bank of Greece, the balance of travel services recorded a surplus of 32 mil. euro in January 2016 compared to a surplus of 11 mil. euro in January 2015.

### SOUTH EASTERN EUROPE

**ROMANIA:** Credit to the non-government sector continued recovering in February driven by the robust local currency dynamics.

**CESEE MARKETS:** The majority of **emerging stock markets** fell for the second day running earlier on Thursday, as commodity prices extended Wednesday's decline. Recent hawkish comments by Fed officials also weighed on investor sentiment towards risky assets. Separately, most **regional currencies** recoiled earlier today in view of deteriorating risk sentiment. Yet, **local currency government bonds** were modestly firmer.

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## Latest world economic & market developments

### GLOBAL MARKETS

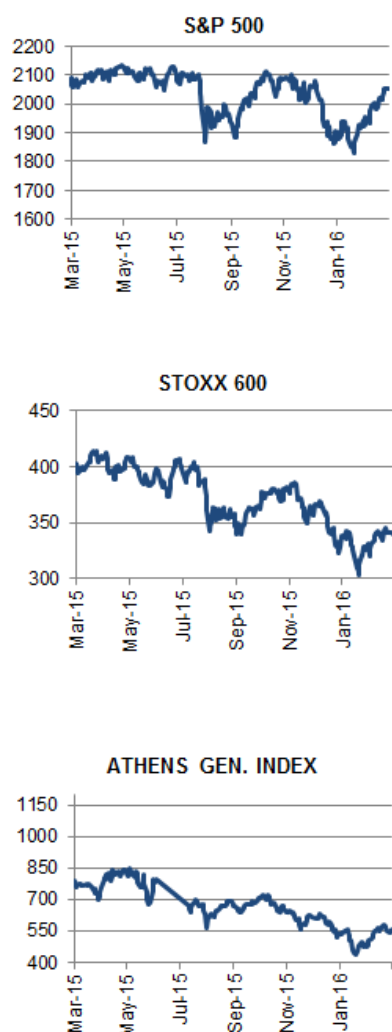
Echoing recent hawkish comments by a number of FOMC officials, Louis Fed President James Bullard was quoted saying in an interview that policymakers should consider raising interest rates at their meeting in April assuming that labor market conditions improve more than expected and inflation overshoots official targets. The prospect of higher interest rates by the Fed earlier than currently expected weighed on market sentiment towards risky assets with the majority of European bourses standing in negative territory in early trading on Thursday. In FX markets, the USD retained a firm tone for the fifth session in a row with the DXY index hovering around 96.260 at the time of writing, close to a one-week high of 96.364 hit earlier in the day. Yet, market participants seem far from convinced that the Fed is poised to hike interest rates any time soon with the fed funds futures currently assigning almost a zero chance for a move in April and a probability of c. 90% for a 25bps rate hike by the end of this year. That said, positioning squaring ahead of the Catholic Easter may also have an impact on the USD's upward move over the last few sessions. Elsewhere, the GBP remained under pressure amid heightened Brexit woes. The GBP/USD hit multi-session lows of 1.4055 earlier today following a spike at one-month highs of 1.4514 last week. Amid heightened uncertainty about the outcome of the June 23rd referendum on the country's EU membership the prospect of the GBP/USD remaining under pressure revisiting levels below 1.4000 in the coming sessions in the way to 1.3833 (Feb. 29 trough) cannot be ruled out should upcoming opinion polls suggest that the Brexit campaign has taken a lead.

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### GREECE

In the context of the 1st programme review, the Greek government is expected to come up with measures to cover a fiscal gap of 3% of GDP (i.e. around 5.5bn euro) over the period FY-2016 and FY-2018, as it is estimated by the European Commission. According to press reports, additional revenues could be sought from an increase in the tax for diesel fuel, which according to government sources may bring an additional 400 mn euro, reductions in auxiliary pensions and changes in the income tax regime with a potential decrease of the tax-free threshold. It should, however, be noted that the IMF insists in its estimation of the fiscal gap at 4% - 5% of GDP over the same period and as a result requests more drastic measures on behalf of the Greek government and probably a relaxation of the medium term fiscal target of 3.5% of GDP along with a potential debt relief. The differences among the institutions are expected to be resolved at the Eurogroup level. Meanwhile, at a press conference yesterday, the German Minister of Finance Wolfgang Shaeuble appeared more conciliatory with regard to the 1st programme review reportedly stating that if the current proposals for the pension reform are politically impossible, alternative solutions must be worked out by the institutions and the Greek government. In other news, according to provisional data released yesterday by the Bank of Greece, the balance of travel services recorded a surplus of 32 mil. euro in January 2016 compared to a surplus of 11 mil. euro in January 2015. This development is attributed to a decrease in travel payments by 18.2%, which more than offset the decrease in travel receipts by 4.7%. Net receipts from travel services contributed 14% to the surplus in the balance of services in January 2016.

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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

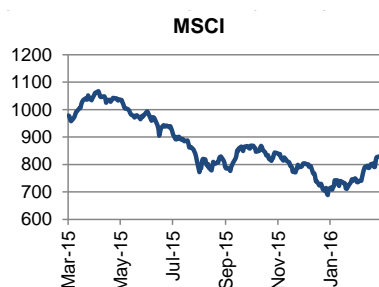
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator	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	0.7	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)	4.25	4.25	4.25

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	B1	BB-	B+

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

## Latest world economic & market developments in the CESEE region

### ROMANIA

Credit to the non-government sector continued recovering in February driven by the robust local currency dynamics. Non-government credit edged down to -0.4% MoM/+2.4% YoY in February compared to -0.7% MoM/+2.8% YoY vs. -0.4 MoM/+3.0% YoY in December. RON denominated credit accelerated to a new post-crisis high at +1.2% MoM/+20.7% YoY in February up from -0.3% MoM/+20.1% YoY in January vs. -0.7% MoM/+19.7% YoY in December. Lending to households expanded briskly by +2.3% MoM/+33.5% YoY compared to lending to the corporates lagging behind at +0.2% MoM/+10.6% YoY in February. FX denominated lending continued shrinking by -2.1% MoM/-11.9% YoY in February down from -1.1% MoM/-10.6% YoY in January, which reflects the lack of new FX-lending as a result of the macro-prudential regulations in place but also the disposal of NPLs by the domestic banking sector at the end of last year. Summing up, lax monetary and credit conditions together with strong households' appetite for the state guaranteed mortgages scheme have supported the dynamic recovery in domestic credit expansion. On the other hand, deposits of the non-government sector expanded by +0.1% MoM/+9.5% YoY in February compared to -1.2% MoM/+8.8% YoY in January supported by the FX-denominated segment of corporate deposits.

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### CESEE MARKETS

The majority of **emerging stock markets** fell for the second day running earlier on Thursday, as commodity prices extended Wednesday's decline. Recent hawkish comments by Fed officials also weighed on investor sentiment towards risky assets. In this environment, the MSCI Emerging Markets index slid further below a 4-month high hit intraday in the prior session.

Separately, most **regional currencies** recoiled earlier today in view of deteriorating risk sentiment. The Hungarian forint remained under pressure continuing to be amongst the worst performers in the CESEE space so far this week, as the surprise rate cuts announced by the Central Bank at its MPC meeting a couple of days ago and dovish comments by Deputy Governor Nagy yesterday continued to have an impact. In more detail the EUR/HUF hovered around levels of 313.75 at the time of writing, not too far from a 2-month high of 314.25 hit in early European trade.

In the **local currency sovereign debt markets**, government bonds were modestly firmer earlier today. Hungarian paper retained a firm tone in view of the recently delivered Central Bank monetary easing earlier this week. Romanian yields were little changed earlier on Thursday ahead of a 2025 T-bonds auction scheduled for later on the day.

**Today's focus** is on the MPC meeting in Turkey, where the market's median forecast is for stable interest rates.

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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	2043.88	-0.3%	0.0%	EUR/USD	1.1174	-0.4%	2.9%	UST - 10yr	1.92	-2	-35	GOLD	1218	-2.4%	14.8%
Nikkei 225	17000.98	-0.3%	-10.7%	GBP/USD	1.4115	-0.6%	-4.2%	Bund-10yr	0.23	2	-40	BRENT CRUDE	41	-2.2%	9.6%
STOXX 600	340.26	0.0%	-7.0%	USD/JPY	112.79	-0.4%	6.4%	JGB - 10yr	-0.11	-2	-38	LMEX	2339	-0.1%	6.2%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	283	-5	-20
1-week	2.95	-4	-24
1-month	3.12	-3	-39
3-month	3.26	-5	-57
6-month	3.47	-6	-56

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.31	#N/A N/A	-28
5Y RSD	5.30	0	17
7Y RSD	7.66	0	-3

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	2	-11
USD Nov-24	6.20	1	-21

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	260	0	-14
10-year	333	-1	-6

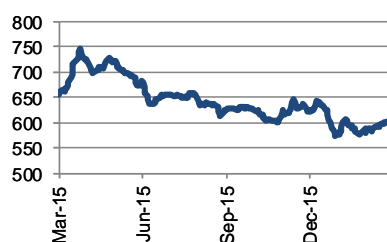
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	605.8	0.43%	-5.94%

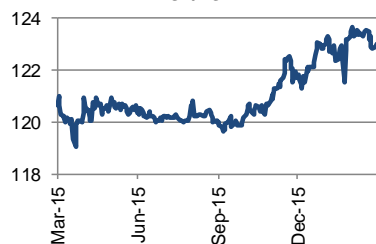
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.03	-0.11%	-1.18%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	0	-13
1-month	0.56	0	-13
3-month	0.8	1	-22
6-month	1.03	-1	-31
12-month	1.21	0	-31

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.77	-3	-16
5Y RON	2.59	0	-21
10Y RON	3.32	0	-46

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.33	-1	-45

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	162	0	-9

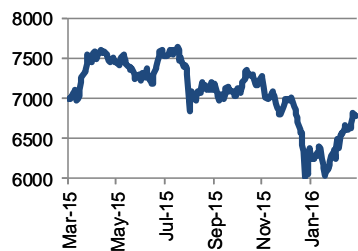
## STOCKS

	Last	ΔD	ΔYTD
BET	6773.1	-0.13%	-3.30%

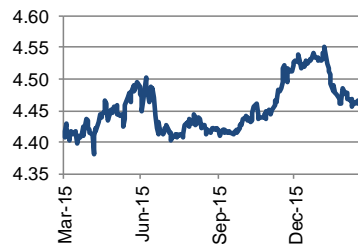
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4649	0.09%	1.10%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.13	0	-29
3-month	-0.02	-1	-28
6-month	0.13	-1	-40
12-month	0.44	-2	-53

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	1	-20
5Y BGN	1.09	6	-19
10Y BGN	2.62	0	-4

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	5	-1
EUR Sep-24	2.39	-8	-3

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	165	2	-7
10-year	216	2	0

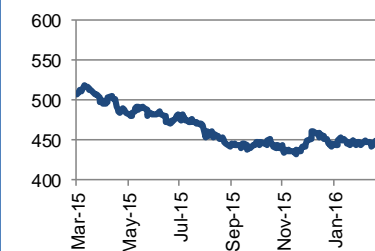
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.2	-0.15%	-3.18%

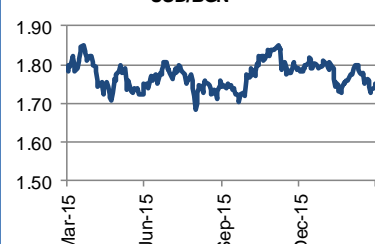
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7501	-0.35%	2.87%

SOFIX Index



USD/BGN



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

Data updated as of 16:30 EET of previous session

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