

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 18, 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: Trailing gains in Wall Street overnight, major Asian equity indices advanced on Thursday helped by a second day of gains in oil prices. Elsewhere, major European bourses traded mixed at the time of writing, with the Stoxx Europe 600 index losing 0.2% on disappointing earnings' results after hitting a two-week high earlier in the session. In FX markets, higher global oil prices favoured the Canadian dollar. In the absence of new hints in the minutes of the Federal Reserve's January meeting which were released yesterday, the US dollar was little changed against its major currency peers. Looking at today's calendar, EU two-day summit begins while ECB publishes minutes of last policy meeting. In terms of macro data releases, the Philadelphia Fed index, the US Conference Board leading indicator, as well as initial and continuing jobless claims, are due later today.

GREECE: The Greek Prime Minister Alexis Tsipras met yesterday the President of the European Commission Jean-Claude Juncker and discussed developments on the 1st review of the Third Economic Adjustment Programme for Greece and the refugee crisis. With regard to the review, the Greek PM has reportedly stressed his government's commitment to implementing the programme and the importance of the swift completion of the review. According to the Bank of Greece, the Emergency Liquidity Assistance (ELA) ceiling for Greek banks was at 71.4 bn decreased by ca 0.1 bn on February 17 2016 compared with February 2 2015.

SOUTH EASTERN EUROPE

BULGARIA: The current account deficit narrowed to €227.1 from €289.7mn in December 2015, compared to a deficit of €85.6mn in December 2014. As a result, the current account surplus as a percentage of GDP remained unchanged at 1.2% in 2015 vs. 2014 (€541.6mn in 2015 compared to €495.2mn or in 2014).

CESEE MARKETS: Trailing a rally in Wall Street overnight, emerging stock markets broadly firmed earlier on Thursday thanks to recovering global oil prices. Meanwhile, CESEE currencies were little changed earlier on Thursday, though broadly holding on to yesterday's gains, while the majority of government bonds firmed.

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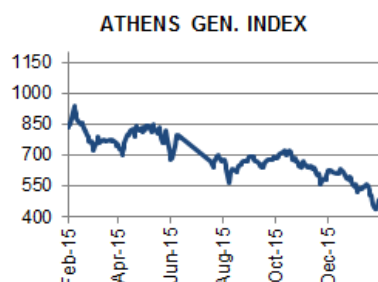
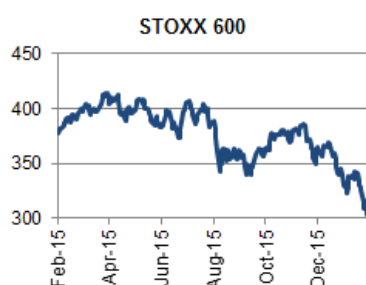
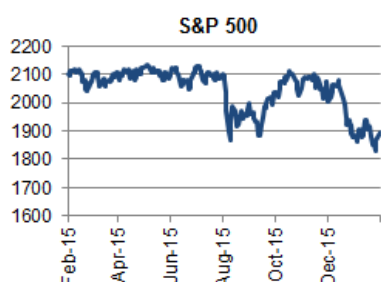
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Latest world economic & market developments

GLOBAL MARKETS

Trailing gains in Wall Street overnight, major Asian equity indices advanced on Thursday helped by a second day of gains in oil prices. Although Iran did not commit to cutting its own output production, it does support the Russian-Saudi Arabia accord to freeze output at January's levels in an attempt to deter an oil oversupply. The Brent crude oil price was hovering around levels of \$34.70/barrel in early European trade, not far from a two-week high of \$35.55/barrel hit at some point on Tuesday. Elsewhere, major European bourses traded mixed at the time of writing, with the Stoxx Europe 600 index losing 0.2% on disappointing earnings' results after hitting a two-week high earlier in the session. In FX markets, higher global oil prices favoured the Canadian dollar, with the USD/CAD hitting a two-week peak of 1.3693/94 earlier today. In the absence of new hints in the minutes of the Federal Reserve's January meeting which were released yesterday, the US dollar was little changed against its major currency peers, with the EUR/USD standing at 1.1137/38 in European trade, compared to 1.1127 on the prior session's settlement. Looking at today's calendar, EU two-day summit begins while ECB publishes minutes of last policy meeting. In terms of macro data releases, the Philadelphia Fed index, the US Conference Board leading indicator, as well as initial and continuing jobless claims, are due later today.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

The Greek Prime Minister Alexis Tsipras met yesterday the President of the European Commission Jean-Claude Juncker and discussed developments on the 1st review of the Third Economic Adjustment Programme for Greece and the refugee crisis. Starting from the latter the EC President recognized the significant progress made by Greece recently to fulfill its refugee crisis commitments. With regard to the review, the Greek PM has reportedly stressed his government's commitment to implementing the programme and the importance of the swift completion of the review. Meanwhile, the EU Commissioner Pierre Moscovici said that discussions on a technical level between the Greek authorities and official creditors are "on the right track" with a view to reaching a staff level agreement by Easter. However, he avoided specifying whether he meant the Catholic (March 27th) or the Orthodox Easter (May 1st). According to press reports, the Governor of the Bank of Greece Yannis Stournaras put to consultation by the financial institutions a draft-Act on the establishment and operation of NPLs management firms. The still to-be-finalized-Act is expected to enter into force by the end of this month. Meanwhile, the Minister of Economy, Development and Tourism, George Stathakis, stated on Bloomberg that the Greek government prefers certain NPLs categories – mortgages pertaining to first residence, SMEs loans and small consumer loans – to remain exempt from the secondary market for a longer period.

According to the Bank of Greece, the Emergency Liquidity Assistance (ELA) ceiling for Greek banks was at 71.4 bn decreased by ca 0.1 bn on February 17 2016 compared with February 2 2015. According to data released yesterday by the Hellenic Statistical Authority, CPI in January 2016 recorded the 35th consecutive negative reading on an annual basis with the sub-indices for clothing and footwear (-9.5%), housing (-3.7%) and miscellaneous goods and services (-3.1%) recording the sharpest drops.

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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

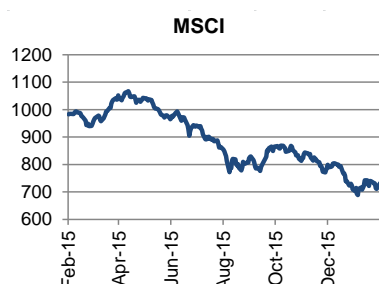
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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	0.6	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 current account deficit narrowed to €227.1 down from €289.7mn in December 2015, compared to a deficit of €85.6mn in December 2014. As a result, the current account surplus as a percentage of GDP remained unchanged at 1.2% in 2015 vs. 2014 (€541.6mn in 2015 compared to €495.2mn or in 2014). In terms of components, the current account dynamics were once driven by the further compression of the trade deficit (from 6.4% to 4.2% of GDP) in the same period. Exports expanded by 5.9% yoy in 2015 helped by the ongoing recovery of the Euroarea, the main trade partner of Bulgaria. On the other hand, imports edged up by only 1.7% yoy underpinned by lower energy imports mirroring lower world energy prices. Among other components, the primary income deficit widened to €1.7bn in 2015, or 3.8% of GDP vs. a 2.1% in the same period a year ago as a result of an increase in the profits' repatriation of foreign companies operating in Bulgaria.

In terms of financing, the capital and financial account recorded a hefty surplus which reflects improved EU funds absorption ahead of the closing of the programming period 2007-2013, increased FDI inflows and improved net external financing for the private sector. The capital account surplus widened to €1.4bn, an equivalent of 3.2% of GDP, up from €959.6 mn or 2.2% of GDP in 2014. Net FDI inflows increased by 80.6% yoy, reaching €1.5bn in 2015 compared to €836mn in the period a year ago which reflects significant less FDI investment abroad but also a 22.5% increase in incoming FDI flows to Bulgaria. Overall, the international reserves of the Central Bank climbed to €20.3bn in 2015 up from €16.5bn in 2014, covering 149% of total FX deposits.

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CESEE MARKETS

Trailing a rally in Wall Street overnight, **emerging stock markets** broadly firmed earlier on Thursday thanks to recovering global oil prices. Recent comments by Federal Reserve Bank of St. Louis President James Bullard, indicating that the FOMC may delay further interest rate hikes, also favoured risk sentiment. Against this backdrop, the MSCI Emerging Markets index rose by 1.4% at the time of writing, marking the 4th consecutive session in the black. CESEE bourses, which have broadly outperformed their global emerging market peers over the latest bout of risk aversion, lagged today's rebound as the prior session's rally appeared to be running out of steam. Most major indices in the region recorded daily gains to the tune of up to 0.8%.

Meanwhile, **CESEE currencies** were little changed earlier on Thursday, though broadly holding on to yesterday's gains, while the majority of **government bonds** firmed. In FX markets, the Romanian leu remained not too far from Wednesday's 3-month low of 4.4468/EUR, while the Polish zloty received support firming to a 2-week peak of 4.3780/EUR following Deputy Prime Minister Mateusz Morawiecki's comments which somewhat soothed worries over a bill envisioning the conversion of CHF-denominated mortgages to zlotys, which is anticipated to weigh on the domestic financial sector's profits.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1926.82	1.6%	-5.7%	EUR/USD	1.1122	0.0%	2.5%	(yields)	1.82	0	-45	GOLD	1202	-0.5%	13.3%
Nikkei 225	16196.80	2.3%	-14.9%	GBP/USD	1.4368	0.5%	-2.5%	UST - 10yr	0.26	-1	-37	BRENT CRUDE	35	2.3%	-5.3%
STOXX 600	330.60	0.6%	-9.6%	USD/JPY	113.94	0.1%	5.4%	Bund-10yr	0.02	-4	-25	LMEX	2180	0.2%	-1.1%
								JGB - 10yr							

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	-2	-19
1-week	2.96	-1	-23
1-month	3.12	-1	-39
3-month	3.30	-2	-53
6-month	3.50	-2	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.21	-10	-46
5Y RSD	5.14	-1	4
7Y RSD	7.73	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.97	-3	-19
USD Nov-24	6.26	-1	-15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	288	0	14
10-year	334	0	-5

STOCKS

	Last	ΔD	ΔYTD
BELEX15	582.2	0.69%	-9.61%

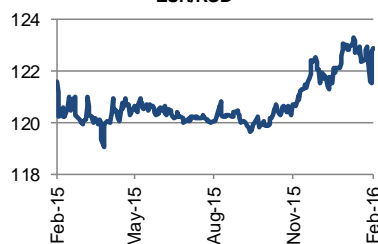
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.86	-0.09%	-1.04%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	-1	-14
1-month	0.52	-1	-17
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.19	-1	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	1	-27
5Y RON	2.47	1	-33
10Y RON	3.34	4	-44

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.59	#N/A N/A	2
USD Jan-24	3.40	0	-38

CDS

	Last	ΔDbps	ΔYTD bps
5-year	135	-3	2
10-year	180	-3	8

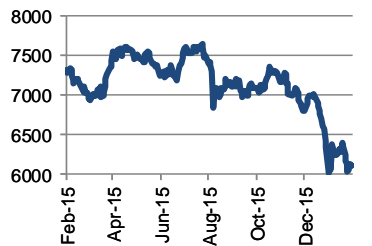
STOCKS

	Last	ΔD	ΔYTD
BET	6173.9	0.01%	-11.86%

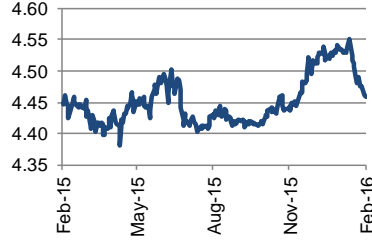
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4578	-0.01%	1.26%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.07	0	-23
3-month	0.05	0	-21
6-month	0.23	-1	-30
12-month	0.58	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.35	-2	-25
5Y BGN	1.11	0	-17
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.34	0	-41
EUR Sep-24	2.39	1	-3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	169	-5	-3
10-year	214	-4	-2

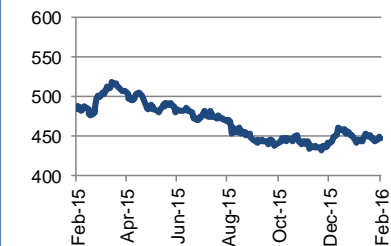
STOCKS

	Last	ΔD	ΔYTD
SOFIX	448.0	0.10%	-2.79%

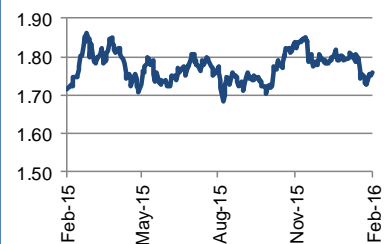
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7588	-0.07%	2.36%

SOFIX Index



USD/BGN



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

Data updated as of 13:15 EET

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