



DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, March 02, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 29
 - Chicago PMI (Feb)
 - Pending home sales (Jan)
- March 1: ISM manufacturing (Feb)
- March 2
 - ADP employment (Feb)
 - Fed beige book
- March 3
 - Jobless claims (weekly)
 - Factory orders (Jan)
 - ISM non-manufacturing (Feb)
- March 4
 - Non-farm payrolls (Feb)
 - U/E rate (Feb)
 - Average hourly earnings (Feb)
 - Trade balance (Jan)

EUROZONE

- February 29: HICP (Jan, A)
- March 1: PMI manufacturing (Feb, f)
- March 2: PMI services (Feb, f)

GREECE

- February 29
 - Retail sales (Dec)
 - GDP (quarterly, Q4, f)
- March 1: PMI (Feb)
- March 4: GDP (est, annual)

CYPRUS

- March 3: CPI (Feb)

SEE

BULGARIA

- February 29: Budget balance (Jan)

ROMANIA

- March 1
 - ILO U/E (Jan)
 - International Reserves (Feb)
- March 3: Retail sales (Dec)

SERBIA

- February 29
 - Industrial prod (Jan)
 - GDP (Q4, f)
 - CAD (Dec)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Market sentiment towards global equity markets improved on Wednesday following a string of encouraging US data. Against this background, the US currency firmed while US Treasuries weakened with long-dated paper underperforming. The US' ADP employment report lures market attention today ahead of Friday's key non-farm payrolls survey.

GREECE: According to some press reports, representatives of the IMF, the European Commission and the European Central Bank will meet for dinner in Brussels tonight in an effort to narrow their differences on the key issues attached to Greece's 1st programme review. In other news an emergency EU plan aimed at providing humanitarian aid to refugees inside the European Union is expected to be approved today. Meanwhile, at the request of Greece's Prime Minister Alexis Tsipras, the President of the Hellenic Republic, Prokopis Pavlopoulos, has called today a council meeting of political leaders ahead of the critical EU-Turkey Summit on March 7th which will focus on the refugee crisis. According to the most recent Bank of Greece data, the total amount of funding taken by Greek banks from the Eurosystem dropped in January for the seventh month in a row coming in at €106.1bn from €107.5bn in the prior month.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging stock markets moved broadly higher in European trade on Wednesday, extending the prior session's up-move following positive macroeconomic data releases from the US overnight. Separately, **regional currencies** and **government bonds** were mixed in early European trade today.

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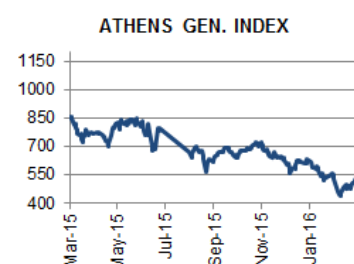
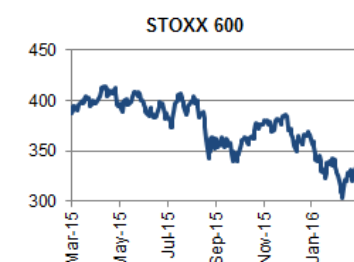
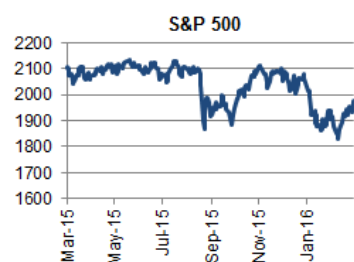
Latest world economic & market developments

GLOBAL MARKETS

Market sentiment towards global equity markets improved on Wednesday following a string of encouraging US data. Against this background, news that Moody's downgraded its outlook on China's sovereign debt to "negative" from 'stable', was broadly shrugged off. US ISM index of manufacturing activity increased by 1.3ppts in February coming in at 49.5, the highest in five months, albeit below the critical level of 50.0 for the fifth month in a row. In addition, US construction spending increased by 1.5% mom to \$1.14trn, the highest since October 2007 adding to market optimism that domestic economic activity is picking up in the first months of Q1 2016. Against this background, the US currency firmed with the EUR/USD hovering around 1.0860/65 at the time of writing in European trade, not far from a one-month trough of 1.0832 hit in the prior session. Heightened market expectations for further ECB monetary policy easing at the March 10th meeting also weighed on the common currency. In a letter to a European lawmaker, ECB President Mario Draghi was quoted saying that the Central Bank will possibly review its policy at next week's meeting in view of persistently subdued euro area inflation pressures adding that it has "a variety of instruments at its disposal" and that "there are no limits to how far we are willing to deploy our instruments within our mandate to achieved our objective". US Treasuries weakened with long-dated paper underperforming. The 10-year yield was hovering around a one-month high of 1.8476 in European trade with the 2/10-yr UST yield spread standing at 99.89bps, c. 1.3bps wider compared to yesterday's settlement and 3.8bps higher from a 7 ½ year low recorded just a couple of sessions earlier. On the data front, focus today is on the US' February ADP employment report, ahead of the key non-farm payrolls survey due for release on Friday.

GREECE

According to some press reports, representatives of the IMF, the European Commission and the European Central Bank will meet for dinner in Brussels tonight in an effort to narrow their differences on the key issues attached to Greece's 1st programme review. The above meeting will follow Monday's EuroWorking Group which failed to set a date for the return of the ECB/IMF/EC/ESM mission heads to Athens to resume discussions with the Greek authorities in the context of the review. Unless a decision is reached today, the issue regarding the return of the mission heads will be reverted to the upcoming Eurogroup on March 7th. In other news an emergency EU plan aimed at providing humanitarian aid to refugees inside the European Union is expected to be approved today. Budget-wise, the European Commission estimates that €700mn is required over the next three years in order to address humanitarian needs in Europe "particularly in EU countries along the Western Balkans route. Speaking to reporters, EC spokesperson Mina Andreeva elaborated that the said plan will address the current and future needs of Greece and other countries on the Balkan corridor that receive refugees and will come in the form of human resources, financial and material support. Meanwhile, at the request of Greece's Prime Minister Alexis Tsipras, the President of the Hellenic Republic, Prokopis Pavlopoulos, has called today a council meeting of political leaders ahead of the critical EU-Turkey Summit on March 7th which will focus on the refugee crisis. Greece's Premier has threatened to exercise a veto power unless all member states agree to participate proportionately in the relocation and resettlement of refugees in the forthcoming EU summit. According to the most recent Bank of Greece data, the total amount of funding taken by Greek banks from the Eurosystem dropped in January for the seventh month in a row coming in at €106.1bn from €107.5bn in the prior month. ECB and ELA funding stood at €37.3bn and €68.8bn respectively, down by €1.35bn and €80mn compared to the prior month's level.



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Emerging stock markets moved broadly higher in European trade on Wednesday, extending the prior session's up-move following positive macroeconomic data releases from the US overnight. Against this backdrop, the MSCI Emerging Markets index rallied 1.8% at the time of writing compared to Tuesday's settlement, following a 1.7% jump in the prior session. The index hit a 2-month peak in late Asian trade. It currently stands nearly 10% higher from a 6-½-year trough hit in late January on the back of global growth concerns, China-related jitters and falling global oil prices. Most bourses in the CESEE region trailed behind thanks to improving risk sentiment. Turkey's BIST 100 and Romania's BETI led the gains in the region firming by ca 1% each on the day.

Separately, **regional currencies** and **government bonds** were mixed in early European trade today. That said, many currencies remained near recent multi-session/week highs. Most firmed yesterday, with some extending their gains earlier today, after February's PMI manufacturing data confirmed robust growth in the sector in several regional economies. Indicatively, Poland's PMI manufacturing index revealed acceleration in the sector's expansion in February. The headline index rose to a 7-month peak at 52.8 last month coming in vs. January's 50.9 print and confounding market expectations for a modest slowdown of manufacturing activity to 50.6. In a similar vein, the corresponding index in Hungary showed an increase to 54.8 in February from 53.1 in the prior month.

Under this environment, the Polish zloty hit a new 2-month peak of 4.3230/EUR in Asian trade today. The currency has fully recovered the losses from the January sell off, post the unexpected S&P decision to cut Poland's sovereign credit rating by 1-notch to BBB+ with Negative Outlook, on the back of concerns of the new government's policies on the independence of the country's institutions. Elsewhere, the Hungarian forint lost some ground earlier today, possibly on profit taking following yesterday's rally. The EUR/HUF hovered around levels of 309.75 at the time of writing, remaining not too far from a multi-session trough of 308.28 hit in the prior session.

The Serbian dinar was little changed at the time of writing compared to Tuesday's settlement. That said, the currency remains within distance from a recent 1-year low near 123.70/EUR, while the Central Bank intervened in the FX markets anew yesterday selling euros in order to support it. On this note, the Central Bank Governor reportedly highlighted yesterday that interventions in the interbank market will continue despite a recent IMF call recommending higher flexibility on the exchange rate. In other news, media reports quoted Serbian Prime Minister Aleksandar Vucic as saying that the upcoming snap elections will most likely be held on April 24.

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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

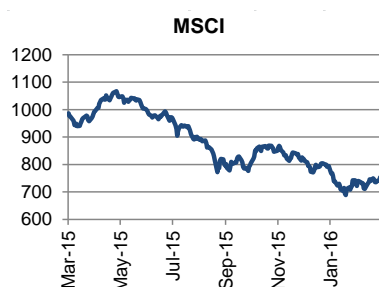
ROMANIA: Indicators	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	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	B3	BB-	B+

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

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	1978.35	2.4%	-3.2%	EUR/USD	1.0864	0.0%	0.1%	UST - 10yr	1.84	2	-43	GOLD	1230	-0.2%	15.9%
Nikkei 225	16746.55	4.1%	-12.0%	GBP/USD	1.3934	-0.1%	-5.4%	Bund-10yr	0.20	5	-43	BRENT CRUDE	37	-0.8%	-2.0%
STOXX 600	339.49	0.2%	-7.2%	USD/JPY	114.39	-0.3%	5.0%	JGB - 10yr	-0.03	3	-29	LMEX	2257	0.6%	2.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	284	0	-19
1-week	2.95	0	-24
1-month	3.11	-1	-40
3-month	3.30	0	-53
6-month	3.50	0	-53

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-3	-20
5Y RSD	5.21	0	9
7Y RSD	7.64	0	-6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.94	-1	-22
USD Nov-24	6.17	0	-24

CDS

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

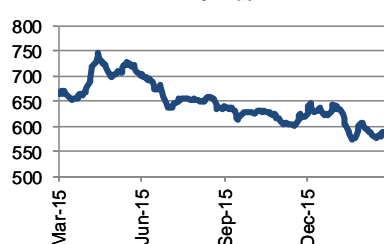
STOCKS

	Last	ΔD	ΔYTD
BELEX15	585.5	0.18%	-9.10%

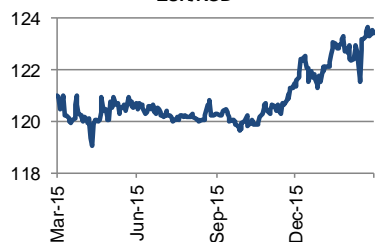
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.46	0.00%	-1.52%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	1	-11
1-month	0.54	0	-15
3-month	0.76	0	-26
6-month	1.03	0	-31
12-month	1.19	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.81	4	-12
5Y RON	2.69	6	-11
10Y RON	3.43	4	-35

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	#N/A	N/A
USD Jan-24	3.33	-5	-46

CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	-5	-10
10-year	167	-6	-4

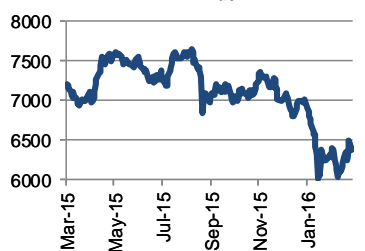
STOCKS

	Last	ΔD	ΔYTD
BET	6582.7	1.15%	-6.02%

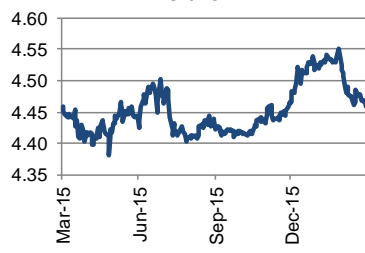
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4592	0.14%	1.23%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.07	0	-23
3-month	0.04	1	-22
6-month	0.23	0	-30
12-month	0.58	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	1	-24
5Y BGN	1.07	-2	-20
10Y BGN	2.62	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.44	0	-51
EUR Sep-24	2.40	2	-2

CDS

	Last	ΔDbps	ΔYTD bps
5-year	167	-5	-4
10-year	215	-5	-1

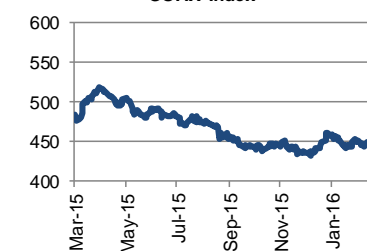
STOCKS

	Last	ΔD	ΔYTD
SOFIX	447.7	-0.49%	-2.86%

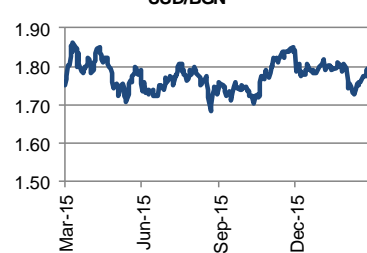
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8003	-0.03%	0.00%

SOFIX Index



USD/BGN



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

Data updated as of 12:15 EET

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