

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, April 01, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- March 30
  - Core PCE (Feb)
  - Pending home sales (Feb)
- March 31
  - CB Consumer confidence Mar)
  - Fed's Fischer, Lacker, Lockhart, Mester and George speak
- April 1
  - ADP employment (Mar)
  - ISM manuf (Mar)
  - Fed's Williams and Lockhart speak
- April 2
  - Initial jobless claims (Mar 27)
  - Fed's Yellen speaks
- April 3
  - NFP (Mar)
  - U/E rate (Mar)

### EUROZONE

- March 30: ESI (Mar)
- March 31: HICP (flash, Mar)
- April 1: PMI manuf (f, Mar)

### CYPRUS

- April 2: CPI (Mar)

### SEE

#### BULGARIA

- March 31: Budget (Feb)

#### ROMANIA

- March 31
  - MPC meeting
  - ILO U/E (Feb)
- April 3: Retail sales (Feb)

#### SERBIA

- March 30
  - Ind. Production (Feb)
  - Trade balance (Feb)
  - Retail sales (Feb)
- April 2: 2-year 8% T-Notes auction

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The negative tone in the majority of global equity markets today favored the safe haven appeal of the JPY with the USD/JPY standing close to 119.80/85 at the time of writing after hitting multi-session highs near 120.40 at some point on Wednesday. Looking at today's calendar, focus is on the US ADP private sector employment report ahead of Friday's US March non-farm payrolls survey which is expected to add to recent evidence pointing to a solid improvement in the domestic labor market.

**GREECE:** Official talks in Brussels discontinued y-day and discussions are expected to resume next week, after the Catholic Easter holiday. Speaking to reporters y-day, EU Commission spokeswoman Mina Andreeva said that negotiations between the Greece's negotiating team and the representatives of the four Institutions were constructive and confirmed that the Euro Working Group will hold a teleconference today to assess the progress made so far.

**CYPRUS:** According to media reports parliamentary vote of an insolvency bill that was supposed to be held on April 2, will be deferred for after Easter as the House Finance and Interior Committees did not have the time to review it.

### SOUTH EASTERN EUROPE

**BULGARIA:** Labour Minister Ivailo Kalfin reportedly said on Tuesday that the government plans a gradual increase in the retirement age to 65 years for both men and women by 2037.

**ROMANIA:** In line with consensus, the National Bank of Romania (NBR) cut its key policy rate by 25bps to 2.00% at its MPC meeting on Tuesday. At the same time, in an attempt to further strengthen the monetary policy transmission mechanism, the Central Bank lowered the Lombard rate by another 50bps to 3.75% and maintained the deposit rate unchanged at 0.25%, effectively narrowing the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate by 25bps to 1.75%.

**SERBIA:** Industrial production contracted by 3.3%YoY in February and retail sales turnover fell by 0.8%YoY over the same month.

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## Latest world economic & market developments

### GLOBAL MARKETS



Most major Asian equity markets moved lower on Wednesday presumably on profit taking. Bucking the trend, Chinese equities, one of Asia's best performers in the first quarter of this year, firmed amid market optimism for additional stimulus measures ahead from the domestic authorities. The negative tone in the majority of global equity markets today favored the safe haven appeal of the JPY with the USD/JPY standing close to 119.80/85 at the time of writing after hitting multi-session highs near 120.40 at some point on Wednesday. The USD also moved lower against the EUR failing to capitalize on a fresh string of positive US data releases y-day. The EUR/USD was hovering around 1.0765/70 in early European trade, gaining some ground from y-day's multi-session trough of 1.0712 favored by y-day's euro area data revealing a drop in the March unemployment rate to the lowest level since May 2012 and an increase in March CPI to -0.1%YoY from -0.3%YoY in the prior month in view of easing downward pressure stemming from energy prices. Looking at today's calendar, focus is on the US ADP private sector employment report ahead of Friday's US March non-farm payrolls survey which is expected to add to recent evidence pointing to a solid improvement in the domestic labor market.

### GREECE

Official talks in Brussels discontinued y-day and discussions are expected to resume next week, after the Catholic Easter holiday. Speaking to reporters y-day, EU Commission spokeswoman Mina Andreeva said that negotiations between the Greece's negotiating team and the representatives of the four Institutions were constructive and confirmed that the Euro Working Group will hold a teleconference today to assess the progress made so far. Speaking in joint news conference with the French President following a joint cabinet meeting in Berlin y-day, German Chancellor Angela Merkel emphasized the need for Greece to honor its commitments and not lose valuable time. On the issue, European Council President Donald Tusk acknowledged during a press conference in Madrid y-day that official talks are "complex" but expressed his optimism that an agreement could be reached by the end of April. On his part, Greece's Minister Economy, Infrastructure, Shipping and Tourism George Stathakis said in a TV station earlier today that an agreement with the Institutions on Greece's submitted list of reforms is expected to be reached next week and revealed that the government has no plans to sell a 67% majority in the country's largest port of Piraeus but will seek instead a joint venture where the Greek State will retain a substantial stake. On the data front, the retail trade volume index, including automotive fuel, fell by 0.1%YoY in January, recording the third consecutive monthly decline.

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### CYPRUS

According to media reports parliamentary vote of an insolvency bill that was supposed to be held on April 2, will be deferred for after Easter as the House Finance and Interior Committees did not have the time to review it. An extraordinary session on the issue will reportedly be held on April 16. This development suggests that the implementation of a law on foreclosures - that was passed in Parliament late last year on the provision of the adoption of the insolvency framework- is likely to be delayed for about two more weeks. According to the same reports, Parliament wants to have concluded on both the insolvency and foreclosures frameworks before the April 24 Eurogroup. Their adoption and implementation is key for the completion of the 5<sup>th</sup> review of the country's adjustment programme by international creditors and is likely to pave the way for new government bond issuance in the Q2 2015.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	0.7
Budget Balance/GDP	-4.7	0.4	-1.2
Current Account/GDP	-1.9	-1.1	-0.8

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

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

### BULGARIA

Labour Minister Ivailo Kalfin reportedly said on Tuesday that the government plans a gradual increase in the retirement age to 65 years for both men and women by 2037. According to the same reports, a gradual increase in social payment contributions is also on the cards. The measures are anticipated to be approved by the cabinet in May following further discussions with trade unions.

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### ROMANIA

In line with consensus, the National Bank of Romania (NBR) cut its key policy rate by 25bps to 2.00% at its MPC meeting on Tuesday. At the same time, in an attempt to further strengthen the monetary policy transmission mechanism, the Central Bank lowered the Lombard rate by another 50bps to 3.75% and maintained the deposit rate unchanged at 0.25%, effectively narrowing the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate by 25bps to 1.75%. Separately, the minimum reserve requirements were left unchanged at 10% and 14% for RON and FX denominated liabilities respectively. Overall, a benign inflation environment has allowed NBR to deliver 150bps of rate cuts since last August. Annual CPI has been on a downward trend over the last few months and reached a new post-1990 low of 0.4% in February, remaining firmly below the lower bound of the NBR target interval (2.5%+1%) for the 5<sup>th</sup> month running. These developments have been largely driven by lower commodity and energy prices, low imported prices and lower food prices reflecting the carry over effect from last year's bumper agricultural harvest and the impact from a ban on exports to Russia. Yet, yesterday's rate reduction may prove to be the last under the current easing cycle, as external uncertainty lingers while inflation is likely to have bottomed out and is expected to gradually rise in H2 2015. Upside risks to the inflation forecast stem from the robust real wage growth, which recently reached multi-year highs and may feed into consumption, as well as from fiscal risks emanating from the recently announced by the government planned tax cuts. That said, further reductions in the minimum reserve requirements seems to be on the cards, if needed. Recall that, NBR reduced the minimum reserve requirements three times in 2014, but there is more room to do so in order to further align them with EU standards.

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### SERBIA

Industrial production contracted by 3.3%YoY in February, after a 2.4%YoY decline in the prior month, primarily driven by falls in the sectors of energy as well as mining and quarrying as the impact of last year's floods continues to weigh. Over the same month, retail sales turnover fell by 0.8%YoY after a 3.6%YoY increase in January, marking the first negative reading since May last year and the steepest rate of decline since September 2013. In all, the data confirms a week start into the year, with the 2014 recession likely continue in 2015 as well - albeit at a slower pace - as domestic demand dynamics appear poised to remain weak against a backdrop of ongoing fiscal tightening and the negative carry over from last year's floods is also likely to continue taking a toll. On a positive note, Prime Minister Aleksandar Vucic said on Tuesday that real GDP growth could swing into a positive territory of 1% in 2015 after last year's 1.8% contraction, as the country's fiscal position improves.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	1.8
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg,  
Eurobank Global Markets Research, local authorities

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.00

\* on a cash basis

Source: EC Economic  
Forecasts, Reuters,

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-6.0
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	7.50	7.50

Source: EC Economic Forecasts, Reuters, Bloomberg,  
Eurobank Global Markets Research, local 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	B+	B-

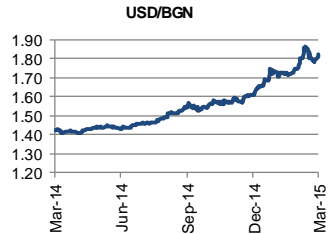
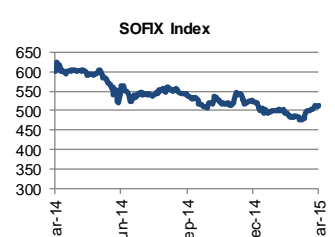
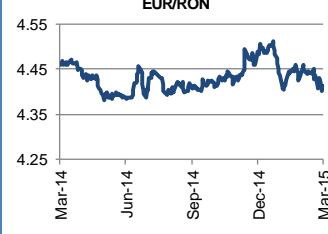
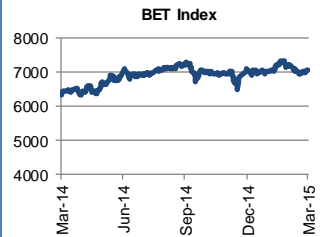
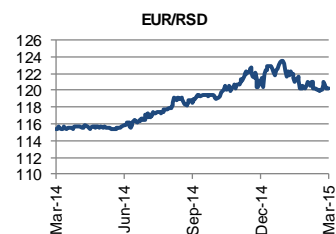
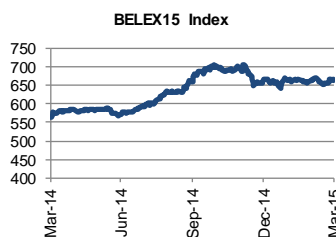
Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Economic Analysis and  
Financial Markets Research

## 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	2078.28	-0.4%	0.9%	EUR/USD	1.0744	-0.8%	-11.2%	UST - 10yr	1.94	-1	-23	GOLD	1187	0.1%	0.2%
Nikkei 225	19206.99	-1.1%	10.1%	GBP/USD	1.485	0.3%	-4.7%	Bund-10yr	0.18	-3	-36	BRENT CRUDE	175	0.5%	0.1%
STOXX 600	397.30	-0.6%	16.0%	USD/JPY	119.95	0.1%	-0.2%	JGB - 10yr	0.41	3	8	LMEX	2779	0.3%	-4.6%

## CESEE

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	on	-20	-387	O/N	2.38	10	181	LEONIA	0.01	0	-1
1-week	6.78	-23	-323	1-month	1.52	3	61	1-month	0.16	0	-5
1-month	7.52	-24	-253	3-month	1.48	1	-22	3-month	0.36	0	-7
3-month	7.98	-24	-187	6-month	1.69	1	-32	6-month	0.70	0	-9
6-month	8.36	-19	-143	12-month	1.71	2	-31	12-month	1.31	0	-20
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	8.80	-1	-28	3Y RON	2.08	0	-23	3Y BGN	0.55	-2	-49
5Y RSD	10.15	0	-3	5Y RON	2.35	-2	-36	5Y BGN	0.80	-4	-64
7Y RSD	10.53	-8	-155	10Y RON	3.24	-1	-42	10Y BGN	2.05	0	-70
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	1	-63	EUR Sep-20	1.33	1	-40	EUR Jul-17	0.76	-1	-40
USD Nov-24	6.43	1	-16	USD Aug-23	3.36	-2	-26	EUR Sep-24	2.29	11	-58
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	247	0	-43	5-year	110	5	-33	5-year	161	0	-30
10-year	274	0	-82	10-year	155	6	-32	10-year	207	0	-33
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	666.7	0.54%	-0.05%	BET	7076.3	0.13%	-0.09%	SOFIX	514.1	0.61%	-1.53%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.13	0.10%	1.01%	EUR/RON	4.4137	-0.26%	1.58%	USD/BGN	1.8206	-0.83%	-11.21%



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

Data updated as of 18:50 EET of previous session



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