



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 24, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- February 26-27: G20 Finance Ministers meeting in Shanghai

#### US

- February 23
  - Existing home sales (Feb)
  - CB Consumer Confidence (Feb)
  - Case Shiller house price index (Dec)
- February 24: New home sales (Feb)
- February 25
  - Durable goods (Jan)
  - Jobless claims (weekly)
- February 26
  - GDP (Q4, 2<sup>nd</sup>)
  - UoM cons sent (Feb, f)
  - Personal Spending (Jan)

#### EUROZONE

- February 22: PMI (Feb, p)
- February 25
- HICP (Jan, f)
- Money supply (Jan)
- February 26: ESI (Feb)

#### CYPRUS

- February 23: CPI (Jan)

#### SEE

##### BULGARIA

- February 26: Gross external debt (Dec)

##### ROMANIA

- February 22: 3.25% 2021 T-Bonds auction
- February 24: 1.25% 2021 T-Bonds auction

##### SERBIA

- February 23: HICP (Jan)
- February 25: Real gross wages (Jan)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Risk off sentiment prevailed on Wednesday following a renewed decline in oil prices after comments by the Saudi Oil Minister casted doubts on an agreement among major oil producers for freezing output. Increased risk aversion enhanced the safe-haven appeal of both the JPY and the CHF. On the flip side, the GBP was among the main underperformers amid heightened Brexit woes.

**GREECE:** Technical staff representing Greece's official creditors is currently working in Athens on the fiscal data and other open issues pertaining to the 1<sup>st</sup> Programme review, namely social security and pension reform, income tax reform, the operation framework of the new Privatisation Fund and non-performing loans. As a first step, it is imperative that all sides involved agree on Greece's baseline macroeconomic scenario and GDP outlook for the period 2016 – 2018.

### SOUTH EASTERN EUROPE

**SERBIA:** Serbia's consumer price index rose by 0.6%MoM in January, bringing the annual rate of increase to 2.4%.

**CESEE MARKETS: Most emerging stock markets** extended yesterday's losses in European trade on Wednesday, as a further decline in global oil prices continued to weigh on energy-related shares and risk appetite. In this context, **regional currencies** were mixed in early European trade and **government bonds** were flat to firmer.

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## Latest world economic & market developments

### GLOBAL MARKETS

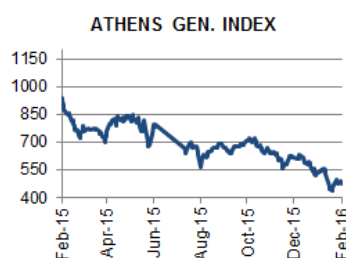
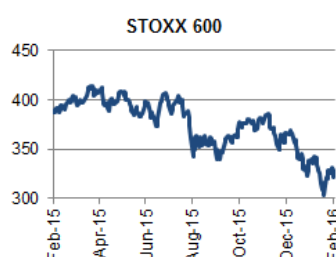
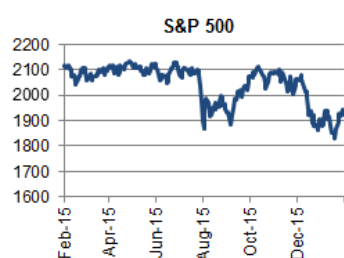
Risk off sentiment prevailed on Wednesday following a renewed decline in oil prices after comments by the Saudi Oil Minister casted doubts on an agreement among major oil producers for freezing output. Increased risk aversion enhanced the safe-haven appeal of both the JPY and the CHF. The USD/JPY hit session lows of 111.65 today, approaching a 16-month trough of 110.98 marked earlier this week with market participants shrugging off comments by BoJ Governor Kuroda that the BoJ "won't hesitate to adjust policy if needed". A drop in US February's CB consumer confidence index to a seven-month low and remarks by Fed's Kaplan overnight that the Central Bank may need to keep interest rates unchanged for an "extended period" to give inflation time to rise back to the 2% target, were also behind the USD's renewed weakness today. Elsewhere, the EUR/CHF marked multi-week lows slightly below 1.0900 after rising at 1.1060 just a week earlier with SNB President Thomas Jordan cautioning that unconventional central bank policies carry risks and lose effectiveness over time. On the flip side, the GBP was among the main underperformers with the GBP/USD dropping below 1.4000 today for the first time since early 2009 amid heightened Brexit woes. Looking at today's calendar, US new home sales take centre stage while scheduled speeches by Richmond Fed President Jeffery Lacker and Dallas Fed President Rob Kaplan are also expected to be closely scrutinized by market participants.

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### GREECE

Technical staff representing Greece's official creditors is currently working in Athens on the fiscal data and other open issues pertaining to the 1st Programme review, namely social security and pension reform, income tax reform, the operation framework of the new Privatisation Fund and non-performing loans. As a first step, it is imperative that all sides involved agree on Greece's baseline macroeconomic scenario and GDP outlook for the period 2016 – 2018. According to press reports, the Greek government insists that the additional fiscal measures needed for fulfilling the agreed medium term fiscal target for a primary surplus of 3.5%-of-GDP by 2018 will not exceed €3bn, whereas the Commission and the IMF estimate this amount at €6bn and €7,2 - 9bn respectively. As things stand, the mission heads of official lenders are not expected in Athens before next week at the earliest. Meanwhile, the 2012 Extended Fund Facility agreement between Greece and the IMF was annulled by joint decision of the two sides. This programme, which had de facto been rendered inactive since April 2014, would anyway expire in March 2016 and its annulment came in order for Greece to avoid additional administrative expenses. Greece has requested a new loan agreement with the IMF, the conditions and the amount of which depend, among others, on the 1st programme review. As a reminder, the 3rd Memorandum of Understanding of August 2015 was signed between Greece and EC/ECB/ESM. The IMF had not co-signed it as, at the time, the conditions for its participation were not satisfied.

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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

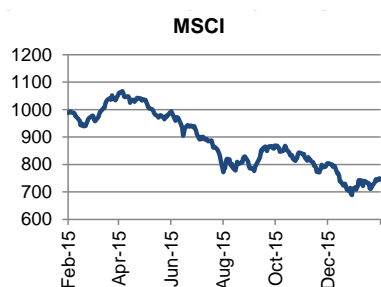
ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.6	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



L-T ccy	Credit Ratings		
	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

### SERBIA

Serbia's consumer price index rose by 0.6%MoM in January, bringing the annual rate of increase to 2.4%. The latter marks the highest YoY increase since November 2014, however remains below the 4%+/-1.5% Central Bank target and was mostly driven by temporary factors such as base effects. Looking ahead, in line with the Central Bank's (NBS) view we anticipate CPI to gradually move towards the said target tolerance band late this or early next year as domestic demand picks up further.

### CESEE MARKETS

**Most emerging stock markets** extended yesterday's losses in European trade on Wednesday, as a further decline in global oil prices continued to weigh on energy-related shares and risk appetite. Along these lines the MSCI Emerging Markets index fell by ca 0.7% at the time of writing, adding to Tuesday's 0.6% drop, fully erasing this week's earlier advance. At the same time, **CESEE bourses** seemed to fare slightly better, with most key indices in the region standing little changed on a daily basis. Regional assets have remained broadly supported compared to their global developing-country peers on comparably healthier economic growth prospects, hopes for further ECB stimulus and broadly accommodative Central Bank monetary policies. Additionally, their oil-importer status also shields CESEE markets against falling oil prices and bodes well for maintaining inflation pressures subdued.

Separately, **regional currencies** were mixed in early European trade and **government bonds** were flat to firmer. In FX markets, the Hungarian forint broadly underperformed its regional peers possibly in view of increased expectations for further rate easing in the coming months, in the wake of yesterday's MPC meeting and MNB Vice Governor Marton Nagy's comments earlier today who signaled that the Central Bank's inflation forecasts will likely shift downwards while leaving the door open for the bottom of the interest rate corridor to be cut into negative territory. In more detail, the Central Bank stayed put on its monetary policy on Tuesday maintaining the key policy rate at the current record low of 1.35%, in line with the market's median forecast. In the accompanying statement the MNB left the door open for further monetary easing in view of the March Inflation Report, while highlighting that it will closely monitor developments in global monetary conditions, particularly those regarding ECB measures. Along these lines, the EUR/HUF hit a multi-session low near 309.85, having pulled back from a 9-month trough of 306.48 earlier in the week. Elsewhere, the EUR/RSD traded little changed at 123.30 earlier today, following Central Bank intervention on Tuesday to halt the pair's upside momentum, which is being reportedly driven by increased demand from local subsidiaries of foreign banks. The NBS sold euros at a rate of 123.50 yesterday on the domestic market a day after a €10mn sale a day earlier.

In other news, Turkey's Central Bank also left interest rates unchanged at its MPC meeting on Tuesday as was broadly anticipated, keeping the benchmark repurchase rate at 7.50% and the overnight lending and borrowing rates at 10.75% and 7.25% respectively. Today's focus in the region is primarily on Romania's €500mn auction of 5-year Eurobonds. News that Hungarian Prime Minister Viktor Orbán will hold a snap press conference at 12:00 GMT may also lure market attention, though the subject of the said event has not been specified.

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February 24, 2016

## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	2	-17
1-week	2.97	1	-22
1-month	3.13	1	-38
3-month	3.30	0	-53
6-month	3.51	1	-52

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	-3	-22
5Y RSD	5.21	-1	8
7Y RSD	7.73	0	3

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.95	-1	-21
USD Nov-24	6.19	0	-23

#### CDS

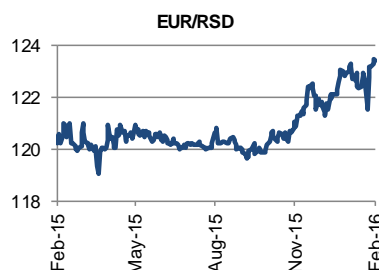
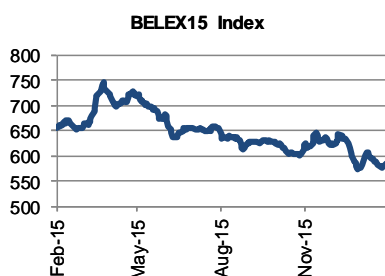
	Last	ΔDbps	ΔYTD bps
5-year	288	0	14
10-year	334	0	-5

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.9	0.59%	-9.20%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.40	0.05%	-1.47%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	1	-13
1-month	0.55	0	-14
3-month	0.76	0	-26
6-month	1.03	1	-31
12-month	1.18	0	-34

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.71	0	-22
5Y RON	2.55	0	-25
10Y RON	3.36	-2	-42

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.48	0	-9
USD Jan-24	3.43	3	-36

#### CDS

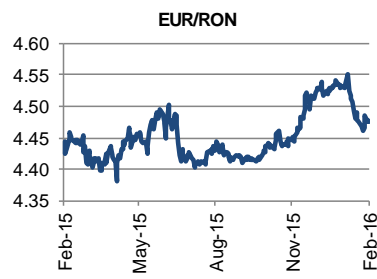
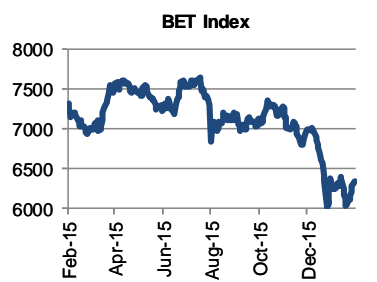
	Last	ΔDbps	ΔYTD bps
5-year	132	-1	-1
10-year	177	-1	5

#### STOCKS

	Last	ΔD	ΔYTD
BET	6302.3	-0.91%	-10.02%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4759	0.02%	0.85%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-9
1-month	-0.08	0	-23
3-month	0.05	0	-22
6-month	0.26	3	-26
12-month	0.70	0	-27

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	0	-24
5Y BGN	1.12	3	-15
10Y BGN	2.63	0	-3

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.38	0	-45
EUR Sep-24	2.45	-55	3

#### CDS

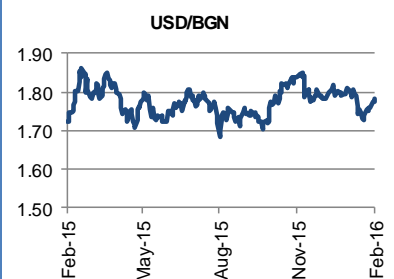
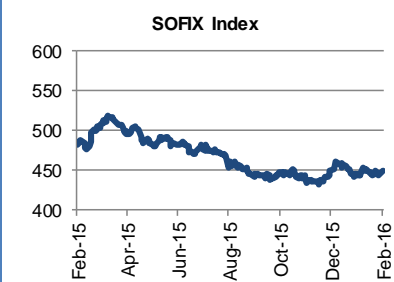
	Last	ΔDbps	ΔYTD bps
5-year	174	-1	2
10-year	221	-2	5

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	448.4	0.34%	-2.71%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7811	-0.34%	1.08%



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

Data updated as of 11:50 EET

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