

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, March 30, 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: Taking their cue from the positive tone in Wall Street on Friday, major Asian equity markets were firmer today favoured by market expectations for the adoption of further policy stimulus by Chinese authorities to support domestic economic activity. Elsewhere, US Treasuries were modestly firmer in early trade on Monday while the FOMC Chairman's mildly hawkish remarks assisted the USD to move higher.

GREECE: Discussions between Greek authorities and the Brussels Group on a fully costed list of reforms the Greek side submitted late last week are reportedly expected to continue on Monday for the third consecutive day. Local press reports suggested today that a number of issues still remain open. On the latter, local newswires quoted an unnamed high level euro area official as saying that the Euro Working Group will likely assess Greece's reform proposals later this week (reportedly on Wednesday) but euro area finance ministers are not expected to convene before all the details are ironed out. Meanwhile, Prime Minister Alexis Tsipras has reportedly requested an extraordinary plenary session to be held today at 8pm Greek time to inform the Hellenic Parliament about the progress of ongoing discussions with the Institutions.

CYPRUS: Standard & Poor's revised on Friday the outlook on the Republic of Cyprus sovereign credit rating to positive from stable, affirming the country's B+/B long- and short-term foreign and local currency sovereign credit ratings.

SOUTH EASTERN EUROPE

BULGARIA: Domestic stock markets closed in the black on a weekly basis on Friday, with the main SOFIX index touching a 3-month intraday peak near 512 points to end the week 1.6% higher.

SERBIA: After repeated Central Bank interventions in the week before in order to mitigate downside pressure, the EUR/RSD closed modestly higher last week.

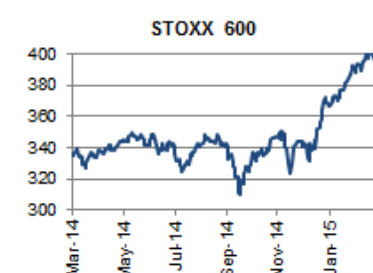
CESEE MARKETS: Emerging market assets closed broadly weaker last week, as the dollar regained ground on expectations about Fed tightening later in the year. Persisting geopolitical tensions in the Middle East also weighed on investor sentiment. **Looking into this week,** Romania's MPC meeting lures market attention in the CESEE. NBR is broadly anticipated to deliver a 25bps cut in its key policy rate to a new record low of 2.00%.

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Latest world economic & market developments

GLOBAL MARKETS



Taking their cue from the positive tone in Wall Street on Friday, major Asian equity markets were firmer today favoured by market expectations for the adoption of further policy stimulus by Chinese authorities to support domestic economic activity. FOMC Chairman Janet Yellen's comments late last week which reaffirmed that the Central bank is likely to start raising interest rates later this year but the pace of tightening will be gradual and data-dependent, also helped. Elsewhere, US Treasuries were modestly firmer in early trade on Monday while the FOMC Chairman's mildly hawkish remarks assisted the USD to move higher. Looking at this week's global calendar, focus is on the euro area's preliminary inflation report for March on Tuesday, China's March PMI manufacturing on Thursday and the US' March non-farm payrolls report on Friday which is expected to add to recent evidence pointing to a solid improvement in the domestic labor market.

GREECE

Discussions between Greek authorities and the Brussels Group on a fully costed list of reforms the Greek side submitted late last week are reportedly expected to continue today for the third consecutive day. According to the same sources, the said reform proposals include, among others, sales of online gambling licenses, launch of tenders for podcasting permits and measures aiming at improving tax collection and targeting tax evasions. The said reforms are reportedly estimated to boost State budget revenue by c. €3.2bn in 2015 to facilitate fulfilment of a 1.5%-of-GDP general government primary surplus. However, local press reports suggested today that a number of issues still remain open. On the latter, local newswires quoted an unnamed high level euro area official as saying that the Euro Working Group will likely assess Greece's reform proposals later this week (reportedly on Wednesday) but euro area finance ministers are not expected to convene before all the details are ironed out. Meanwhile, Prime Minister Alexis Tsipras has reportedly requested an extraordinary plenary session to be held today at 8pm Greek time to inform the Hellenic Parliament about the progress of ongoing discussions with the Institutions. In other news, Fitch ratings agency downgraded Greece's sovereign long-term foreign and local currency credit rating by 3 notches to CCC on Friday. In the accompanying statement, the ratings agency stated that "uncertain prospects of timely disbursement from official institutions, tight liquidity conditions in the domestic banking sector and lack of market access have put extreme pressure on Greek government funding".

ppetropoulou@eurobank.gr

CYPRUS

Standard & Poor's revised on Friday the outlook on the Republic of Cyprus sovereign credit rating to positive from stable. At the same time, S&P affirmed the country's B+/B long- and short-term foreign and local currency sovereign credit ratings. The agency cited faster-than-expected fiscal consolidation and reduction in the public debt, supported by less adverse economic growth prospects than previously envisaged. In addition, the economy has proved more resilient than expected, with the output contraction narrowing to 2.3% in 2014 from 5.4% in 2013. That said, market attention has lately shifted to the adoption of an effective asset foreclosure framework in line with the programme conditionalities, which if approved will most probably pave the way for the endorsement of the 5th review of the country's adjustment programme by international creditors and a new bond issuance in Q2 2015.

IGKIONIS@eurobank.gr

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

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

Domestic stock markets closed in the black on a weekly basis on Friday, with the main SOFIX index touching a 3-month intraday peak near 512 points to end the week 1.6% higher. In the local rates markets, government bonds rallied in the wake of the successful Eurobonds auction. Paper of 7-year maturity fared better with the corresponding yields easing ca 20bps to 1.99% on Friday's settlement. Meanwhile, yields of 12- and 20-year bonds fell by 12 and 8bps respectively to 2.61% and 3.18%. The next government bond auctions are scheduled for April 6th (3-year T-notes) and April 20th (5-year T-notes) for an amount of BGN 50mn each. We expect both to be well received in view of limited supply as the last such auctions were held two months ago and a 10-year bond tender was recently cancelled.

VBoteva@postbank.bg

SERBIA

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

After repeated Central Bank interventions in the week before in order to mitigate downside pressure, the EUR/RSD closed modestly higher last week. That said, part of the cross's recent gains were trimmed after the release of the Q2 T-bond auction calendar. According to the schedule, the Public Debt Administration plans to raise RSD 81bn in April. The auction that most lures market attention, due to be held on April 23rd, is of 3-Year tenor and totals RSD50bn. Looking ahead, selling EUR/RSD pressure may intensify in the days to the aforementioned tender. Yet, in view of market concerns about renewed Central Bank interventions, the cross is likely to remain bound near 120.00. Against this background, carry trade appears as the most reasonable option at the moment.

Zoran.Korac@eurobank.rs

CESEE markets

Emerging stock markets closed broadly lower on Friday and ended the week in the red, as the dollar regained ground on expectations about Fed tightening later in the year. Persisting geopolitical tensions in the Middle East also weighed on investor sentiment. On a weekly basis, Ukraine's PFTS and Turkey's BIST 100 indices ended 2.5% and 2.0% lower respectively leading the losses in the region and the broader MSCI Emerging Markets Index marked a concomitant 1.2% decline. Against a backdrop of deteriorating risk sentiment, **CEE currencies** and government bonds closed broadly weaker last week. In FX markets, the Turkish lira was among the region's underperformers as concerns about a potential spillover impact from mounting geopolitical tensions in Yemen added to the currency's headwinds. Recall that, the TRY has come under pressure over the last few months to stand ca 8% weaker on a year-to-date basis against the USD in view of the prospect of higher Fed interest rates ahead, ongoing tensions between President Tayyip Erdogan and the Central Bank and expectations about further CBT monetary easing in the coming months. Along these lines, the USD/TRY ended the week near 2.61 standing not too far from a record peak of 2.6480 hit on March 13th. On the flipside, the Romanian leu closed marginally firmer at 4.42/EUR on the week, largely shrugging off IMF comments cautioning government tax-cut plans citing that they risk undermining the fiscal consolidation achieved over the last few years. **Looking into this week**, Romania's MPC meeting lures market attention in the CESEE. NBR is broadly anticipated to deliver a 25bps cut in its key policy rate to a new record low of 2.00%.

gphoka@eurobank.gr



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	2061.02	0.2%	0.1%	EUR/USD	1.085	-0.3%	-10.3%	UST - 10yr	1.97	1	-20	GOLD	1189	-0.8%	0.4%
Nikkei 225	19411.40	0.7%	11.2%	GBP/USD	1.4858	-0.2%	-4.6%	Bund-10yr	0.19	-2	-35	BRENT CRUDE	175	0.3%	-0.3%
STOXX 600	399.70	1.1%	16.7%	USD/JPY	119.69	-0.5%	0.0%	JGB - 10yr	0.37	0	5	LMEX	2772	-1.4%	-4.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-11	-367
1-week	7.01	-9	-300
1-month	7.76	-4	-229
3-month	8.22	-7	-163
6-month	8.55	-8	-124

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.83	7	-25
5Y RSD	10.14	0	-4
7Y RSD	10.83	2	-41

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	-1	-63
USD Nov-24	6.43	0	-16

CDS

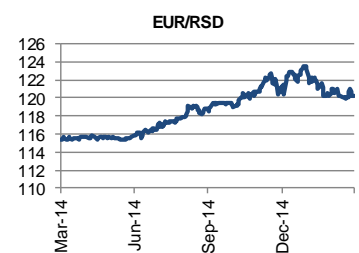
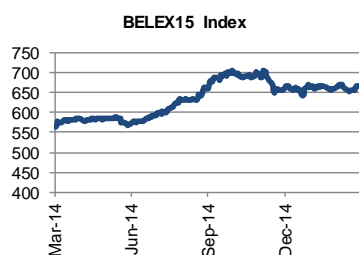
	Last	ΔDbps	ΔYTD bps
5-year	247	9	-43
10-year	274	8	-82

STOCKS

	Last	ΔD	ΔYTD
BELEX15	665.3	-0.05%	-0.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.25	0.23%	0.91%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.28	-3	171
1-month	1.49	-6	58
3-month	1.47	-2	-23
6-month	1.68	-4	-33
12-month	1.69	-6	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.08	-2	-23
5Y RON	2.37	0	-34
10Y RON	3.23	-1	-43

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.30	0	-43
USD Aug-23	3.40	0	-21

CDS

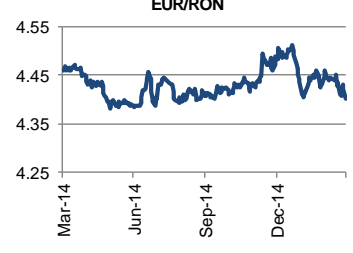
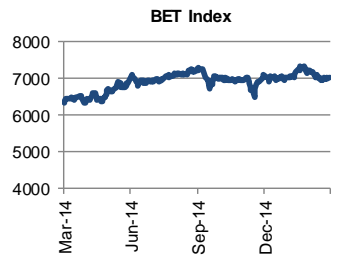
	Last	ΔDbps	ΔYTD bps
5-year	105	0	-38
10-year	149	0	-38

STOCKS

	Last	ΔD	ΔYTD
BET	7017.5	0.26%	-0.92%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4011	0.50%	1.87%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.36	0	-7
6-month	0.70	0	-9
12-month	1.31	0	-19

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	0	-51
5Y BGN	0.81	-3	-64
10Y BGN	2.03	0	-73

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.74	-1	-42
EUR Sep-24	2.30	11	-57

CDS

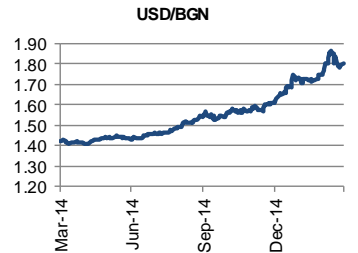
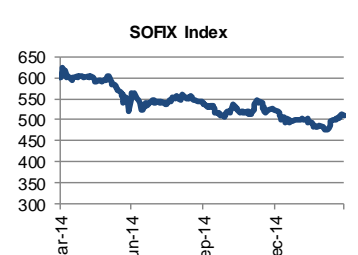
	Last	ΔDbps	ΔYTD bps
5-year	160	0	-30
10-year	207	0	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	511.1	-0.20%	-2.11%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8027	-0.38%	-10.33%



Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Ivan Radović
Head, Brokerage, Eurobank ad Beograd
+381 11 30 27 533
Ivan.Radovic@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 37 18 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 3337305

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3337004

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3337249

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 337037

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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