

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 24, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 23: Existing home sales (Feb)
 - NAHB Index (Feb)
- February 24
 - Case Shiller house price index (Dec)
 - Consumer Conf (Feb)
 - Fed Chair Yellen testifies to Senate Banking Committee
- February 25
 - Fed Chair Yellen testifies to Senate Banking Committee
 - New home sales (Feb)
- February 26
 - Initial jobless claims (Feb. 21)
 - Durable goods (Jan)
 - CPI (Jan)
- February 27
 - GDP (Q4, 2nd)
 - Chicago PMI (Feb)
 - UoM cons sent (Feb, f)
 - Pening home sales (Jan)

EUROZONE

- February 23: Germany's Ifo business climate (Feb)
- February 24: HICP (Jan, f)
- February 25: ECB President Draghi testifies to the European Parliament

SEE

SERBIA

- February 23: HICP (Jan)
- February 25: Gross wages (Jan)
- February 27
 - Industrial prod (Jan)
 - GDP (Q4, f)

BULGARIA

- February 27
 - Gross external debt (Dec)
 - Budget balance (Jan)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses were modestly weaker in early trade on Tuesday, pressured by market anxiety ahead of FOMC Chairman Janet Yellen's semi-annual testimony before the US Senate's Banking Panel later today. Amid expectations that the FOMC Chairman will probably provide further support to the prevailing view that the Central Bank will embark on a rate tightening later this year, the USD retained a firm tone against most of its major currency peers in European trade.

GREECE: The Greek government reportedly submitted a first list of reform measures to the country's official creditors shortly after midnight on Monday, as part of the February 20 Eurogroup agreement envisioning a four month extension of Greece's Master Financial Assistance Facility Agreement (MFFA). Euro area finance ministers will hold an extraordinary meeting later today, probably via teleconference, to assess, in line with the accompanying Feb. 20 Eurogroup statement, whether the submitted list "is comprehensive enough to be a valid starting point for a successful conclusion of the review

SOUTH EASTERN EUROPE

SERBIA: The IMF Executive Board approved on Monday a 3-year €1.2bn new Stand-By Arrangement for Serbia.

CESEE MARKETS: Emerging stock markets were mixed in early European trade on Tuesday, as caution prevailed ahead of FOMC Chairman Janet Yellen's semi-annual testimony before the US Senate's Banking Panel. Separately, **CEE currencies** were mixed and **government bonds** firmed ahead of Central Bank monetary policy meetings in the coming days.

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Latest world economic & market developments

GLOBAL MARKETS

Major European bourses were modestly weaker in early trade on Tuesday, pressured by market anxiety ahead of FOMC Chairman Janet Yellen's semi-annual testimony before the US Senate's Banking Panel later today. Amid expectations that the FOMC Chairman will probably provide further support to the prevailing view that the Central Bank will embark on a rate tightening later this year, the USD retained a firm tone against most of its major currency peers in European trade. Looking at the calendar for the remainder of the week, focus is on US January's CPI on Thursday, where consensus is for a -0.8%YoY growth rate vs. -0.2%YoY in December when the reading entered negative territory for the first time since summer 2009 mainly due to lower oil prices. In the euro area, Germany's preliminary figures for February's CPI on Friday, lure market attention with the headline expected to rise by 0.1%YoY after falling by 0.4%YoY in the prior month amid higher oil prices over that month.

GREECE

The Greek government reportedly submitted a first list of reform measures to the country's official creditors shortly after midnight on Monday, as part of the February 20 Eurogroup agreement envisioning a four month extension of Greece's Master Financial Assistance Facility Agreement (MFFA). Euro area finance ministers will hold an extraordinary meeting later today, probably via teleconference, to assess, in line with the accompanying Feb. 20 Eurogroup statement, whether the submitted list "is comprehensive enough to be a valid starting point for a successful conclusion of the review". Provided that euro area finance ministers give their approval, the said list will be submitted thereafter for ratification to a number of euro area Parliaments. According to several press reports released earlier today, the list of reforms include, among other, measures for tackling the domestic humanitarian crisis and fighting tax evasion, a new installment scheme for the settlement of outstanding tax & social security contribution arrears as well as protection of the primary residence from foreclosure, subject to certain criteria. According to comments earlier today by an unnamed European Commission source, the received list "is sufficiently comprehensive to be a valid starting point for a successful conclusion of the review" adding that "we are notably encouraged by the strong commitment to combat tax evasion and corruption".

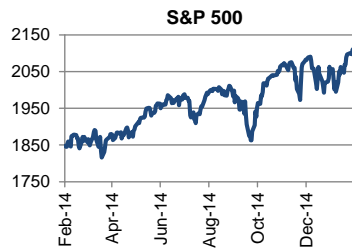
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Latest developments in the CESEE region

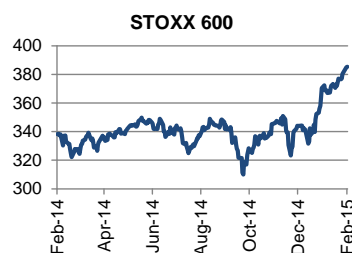
CESEE markets

Emerging stock markets were mixed in early European trade on Tuesday, as caution prevailed ahead of FOMC Chairman Janet Yellen's semi-annual testimony before the US Senate's Banking Panel. In FX markets, **CEE currencies** were mixed ahead of Central Bank monetary policy meetings in the coming days. The Turkish lira stood 0.3% weaker at the time of writing, hovering near yesterday's 1-1/2-week trough of 2.4850/USD ahead of the CBT meeting (announcement due at 12:00GMT) today. The Central Bank is broadly anticipated to cut its overnight lending and benchmark (1-week repo) rates by 25bps each to 11.00% and 7.50% and the overnight borrowing rate by 50bps to 7.00%. Elsewhere, the Hungarian forint was flat, trading at 305.50/EUR in Europe today, with market participants broadly expecting the Central Bank to maintain its benchmark rate at the current record low of 2.10% later on the day. Against this background, **government bonds** modestly firmed, with the corresponding 10-year benchmark yield standing 3bps lower at 7.78% at the time of writing.

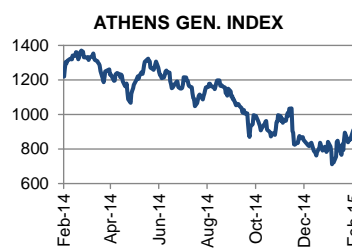
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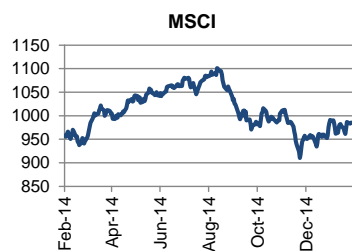
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	-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	-4.6
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.50

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

(Belgrade, 24/2/2015, 09:15 CET): **Latest Political & Macro Developments:** The IMF Executive Board approved on Monday a 3-year €1.2bn new Stand-By Arrangement for Serbia. According to the Fund's statement, the program will be based on three main pillars; namely, restoring public finances, enhancing stability and resilience of the financial sector and implementing comprehensive structural reforms aimed at boosting competitiveness as well as the country's medium-term growth potential. The IMF also called on Serbian authorities to deal effectively with the high levels of NPLs, boost dinarization of the economy and create space for gradual easing of the monetary policy. The new programme will be subject to quarterly reviews. Recall that, Serbia's previous IMF deal was frozen in early 2012 as a result of fiscal slippages ahead of general elections later that year. On the data front, annual HICP eased to a record low of 0.1% in January from 1.7% in the prior month, sliding further below the lower bound of the Central Bank (NBS) inflation target tolerance band ($4 \pm 1.5\%$). The aforementioned decline came on the back of lower oil prices globally +in tandem with weak domestic demand dynamics. Looking ahead, inflation is likely to pick up some pace later in the year as regulated price hikes come into effect and domestic economic activity gradually recovers. **Market Developments:** The EUR/RSD advanced on Monday, to close at 121.30/50 after opening at 119.90/120.10, moving higher by Central Bank intervention in the FX markets (with purchases of €60mn) aimed at halting the dinar's steep appreciation momentum which was stirred over recent days by mounting expectations over a final IMF deal approval.

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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	2109.66	0.0%	2.5%	EUR/USD	1.1309	-0.2%	-6.5%	UST - 10yr	2.08	2	-9	GOLD	1196	-0.5%	0.9%
Nikkei 225	18603.48	0.7%	6.6%	GBP/USD	1.5441	-0.1%	-0.9%	Bund-10yr	0.38	2	-16	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	385.34	0.1%	12.5%	USD/JPY	119.5	-0.6%	0.2%	JGB - 10yr	0.38	-1	5	LMEX	2690	-0.1%	-7.7%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	49	-85
1-week	9.48	65	-53
1-month	9.53	43	-52
3-month	9.81	33	-4
6-month	10.10	38	31

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.13	3	9
5Y RSD	10.18	0	0
7Y RSD	11.28	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.87	-5	-39
USD Nov-24	6.46	-3	-13

CDS

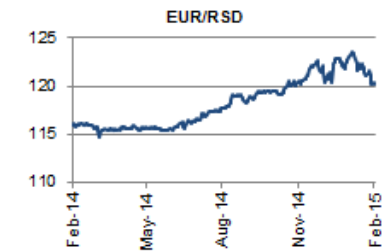
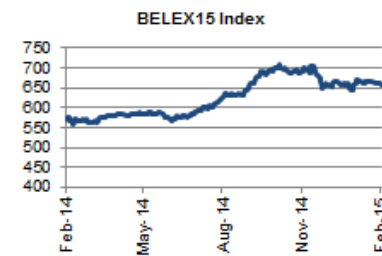
	Last	ΔDbps	ΔYTD bps
5-year	261	0	-29
10-year	290	0	-66

STOCKS

	Last	ΔD	ΔYTD
BELEX15	658.5	-0.32%	-1.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.10	0.01%	1.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.65	12	8
1-month	0.73	0	-18
3-month	1.4	0	-30
6-month	1.64	0	-37
12-month	1.68	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.02	-1	-29
5Y RON	2.20	-1	-51
10Y RON	3.00	-1	-66

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.38	-2	-35
USD Aug-23	3.41	1	-20

CDS

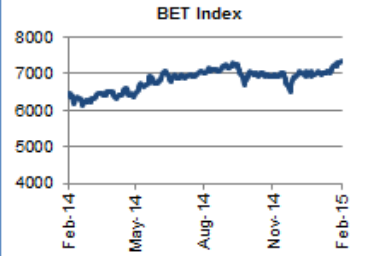
	Last	ΔDbps	ΔYTD bps
5-year	116	2	-27
10-year	160	2	-27

STOCKS

	Last	ΔD	ΔYTD
BET	7346.0	0.11%	3.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4492	0.02%	0.77%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	-1	-5
3-month	0.38	0	-5
6-month	0.77	0	-3
12-month	1.40	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.44	0	-60
5Y BGN	0.71	1	-74
10Y BGN	1.95	0	-80

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.67	-3	-49
EUR Sep-24	2.29	-9	-57

CDS

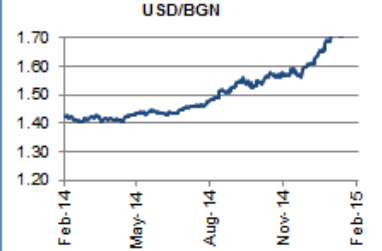
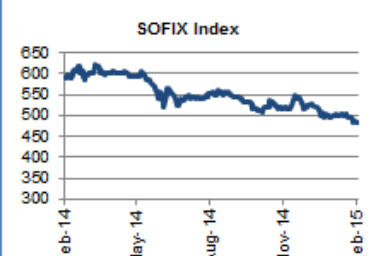
	Last	ΔDbps	ΔYTD bps
5-year	179	0	-12
10-year	220	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	484.3	-0.08%	-7.24%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7293	-0.22%	-6.52%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:45 EET

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