

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 10, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 12
 - Retail sales (Feb)
 - Initial jobless claims (Mar. 6)
- March 13
 - UoM consumer confidence (Mar, p)

EUROZONE

- March 9: ECB launches QE programme
- March 9-10: Eurogroup/ECOFIN meetings

SEE

SERBIA

- March 12
 - HICP (Feb)
 - MPC meeting

ROMANIA

- March 9: RON 500mn 4.75% 2019 T-bonds auction
- March 10
 - Industrial sales (Jan)
 - Wages (Jan)
 - CPI (Feb)
- March 11: Industrial output (Jan)
- March 12
 - Trade balance (Jan)
 - 4.75% 2025 T-bonds auction

BULGARIA

- March 9
 - Industrial output (Jan)
 - Retail sales (Jan)
- March 9 – 13: U/E rate (Feb)
- March 12: Trade balance (Jan)
- March 13: CPI (Feb)
-

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring losses in Asia earlier today, the majority of European bourses were weaker in early trade on Tuesday on the view that the Fed may embark on a rate tightening cycle earlier than expected

GREECE: Speaking at the press conference following the conclusion of y-day's Eurogroup, President Jeroen Dijsselbloem stated that euro area finance ministers decided discussions between the Greek authorities and the institutions to begin on Wednesday (March 11) in Brussels with a view to achieve a speedy and successful conclusion of the current review. The Eurogroup President added that, also as of Wednesday, technical teams from the institutions "will be welcomed in Athens, with a view to support this process jointly and together". In other news, the ECB will reportedly hold an extraordinary meeting through a teleconference on Thursday to reassess Greek banks' access to the ELA facility.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold in an auction on Monday 92% (or €45.7mn) of the planned €50mn €-denominated 1-year T-Bills, at an average accepted yield of 2.45%.

ROMANIA: The Ministry of Finance issued on Monday, the planned amount of RON 500mn in June 2019 T-bonds at an average accepted yield of 2.35%, which came in at the upper end of market expectations.

BULGARIA: Growth in industrial production picked up further pace for the third month running in January and turnover in retail trade increased by 4.3%YoY over the same month, but the construction production index declined by 4.2%YoY snapping a 3-month rising streak.

CESEE MARKETS: In line with the negative trend in major Asian and European stock markets, the majority of **emerging bourses** extended Monday's losses, weighed down by speculation that the Fed may start hiking interest rates earlier than previously expected. Elsewhere, most **CESEE indices** advanced and **regional currencies** were little changed probably favoured by the launch of the ECB's QE programme earlier this week.

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Latest world economic & market developments

GLOBAL MARKETS

Mirroring losses in Asia earlier today, the majority of European bourses were weaker in early trade on Tuesday on the view that the Fed may embark on a rate tightening cycle earlier than expected. In FX markets, the USD remained well supported with most of market participants expecting the Fed to drop its "patient" language at the March 17-18 policy meeting, a development that should be realized, could open the door for higher interest rates later this year, probably in June or September, at the latest, on the assumption that the US economy remains on a recovery path. For the remainder of the week, the USD is likely to strengthen further, especially if Thursday's US retail sales surprise positively, as the divergence in the monetary policy stance between the Fed and other major CBs around the world remains a key theme in FX markets.

GREECE

Speaking at the press conference following the conclusion of y-day's Eurogroup, President Jeroen Dijsselbloem stated that euro area finance ministers decided discussions between the Greek authorities and the institutions to begin on Wednesday (March 11) in Brussels with a view to achieve a speedy and successful conclusion of the current review. The Eurogroup President added that, also as of Wednesday, technical teams from the institutions "will be welcomed in Athens, with a view to support this process jointly and together". Jeroen Dijsselbloem reiterated that Greece will not be entitled to receive the pending loan disbursement until there is a full agreement and implementation of the agreed reform measures. However, he suggested that euro area creditors could consider giving the green light for an early (partial) disbursement before the conclusion of the review, should the Greek government start implementing, before the end-April deadline, some of the reforms agreed with its official creditors. In other news, the ECB will reportedly hold an extraordinary meeting through a teleconference on Thursday to reassess Greek banks' access to the ELA facility. An unnamed Bank of Greece official was quoted as saying in local press that no decision has been made yet on whether Greece will request an increase in the ELA ceiling. As a reminder, at its meeting last week, the ECB raised the ELA limit by €500mn to €68.8bn.

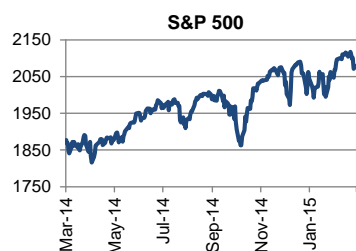
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Latest developments in the CESEE region

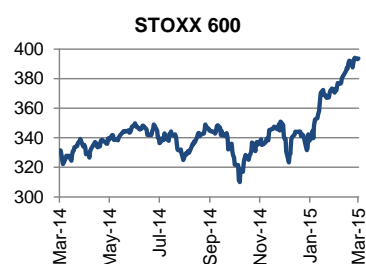
CESEE markets

In line with the negative trend in major Asian and European stock markets, the majority of **emerging bourses** extended Monday's losses on speculation that the Fed may start hiking interest rates earlier than previously expected. Elsewhere, most **CESEE indices** advanced and **regional currencies** were little changed probably favoured by the launch of the ECB's QE programme earlier this week. With yesterday's rebound proving short-lived, the Turkish lira resumed its downtrend in European trade today standing ca 0.7% weaker near 2.6180/USD. According to sources at Prime Minister Ahmet Davutoglu's office the Premier and nine cabinet members will meet today with Central Bank (CBT) governor Erdem Basci to discuss the lira's recent weakening. The currency has lost more than 10% of its value against the USD so far this year, having hit a record low near 2.6470/USD late last week. Separately, the forint gained some ground to stand marginally firmer at 305.15/EUR shortly after the release of February's CPI which came in slightly higher than anticipated (-1.0%YoY), but did little to douse expectations for another rate cut at the upcoming MPC meeting on March 26.

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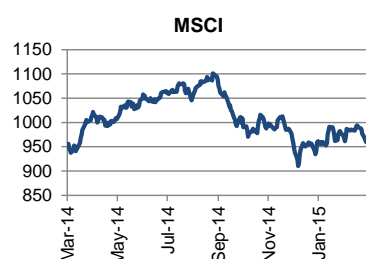
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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: Reuters, Bloomberg, Eurobank Global Markets Research

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	-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

SERBIA

(Belgrade, 9/3/2015, 17:00 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold in an auction on Monday 92% (or €45.7mn) of the planned €50mn €-denominated 1-year T-Bills. The average accepted yield came in at 2.45%, 5bps lower than that produced at a prior tender of similar maturity paper held in December last year. **Market Developments:** The EUR/RSD closed modestly higher at 120.85/121.05 on Monday, remaining though within its recent trading range of 119.90-121.00 as caution prevails ahead of Thursday's February's CPI and MPC meeting. With regards to the latter, we reiterate that we anticipate a 25bps cut in the NBS key policy rate to 7.75%, in line with the market's median forecast, as inflation stands persistently below the target tolerance band of 4±1.5% over recent months (HICP slid to a record low of 0.1%YoY in January) and domestic demand dynamics remain weak. A higher (50bps) reduction can not be ruled out either as earlier depreciation pressures on the dinar appear to have waned and the ECB launched its QE programme this week. That said, we reiterate that the NBS is likely to ease monetary conditions in a cautious pace this year as it anticipates annual inflation to return within the target tolerance band around mid-year, due to the slowly waning impact of temporary disinflationary factors, while fiscal consolidation as well as external risks linger. Also, the high level of Euroization in the domestic economy impedes the functioning of the monetary policy transmission mechanism.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP	-2.3	-2.2	-2.2
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

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

ROMANIA

(Bucharest, 10/3/2015, 09:00 EET): **Market Developments:** The Ministry of Finance issued on Monday, the planned amount of RON 500mn in June 2019 T-bonds at an average accepted yield of 2.35%, which came in at the upper end of market expectations and 36bps higher than that achieved at a previous auction of similar maturity paper held last month.

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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	2.1	2.2	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

BULGARIA

(Sofia, 9/3/2015, 17:30 EET): **Latest Political & Macro Developments:** Growth in industrial production picked up further pace for the third month running in January, with the headline index rising by 1.7%YoY following a 1.4%YoY increase in the prior month. The breakdown of the data showed that the recovery was primarily driven by robust manufacturing activity (+5.4%YoY). On the flipside, utilities (-2.3%YoY) and mining (-10.6%YoY) posted negative readings for the eighth consecutive month, possibly reflecting lower energy prices and adverse weather conditions. Separately, turnover in retail trade increased by 4.3%YoY in January after a 6.1%YoY advance in December. It is worth noting that growth in the sector remained broadly robust last year, thanks to an overall recovery in total spending which has been largely assisted by rising real wages, low global energy prices, modest gains in employment and fiscal easing (the general government deficit ended at 3.8% of GDP in 2014). On a less positive note, the construction production index declined by 4.2%YoY snapping a 3-month rising streak. **Market Developments:** Bucking the broadly negative trend in emerging markets, domestic bourses closed in the black on Monday, with the main SOFIX inching up by 0.14% to 477.05 points.

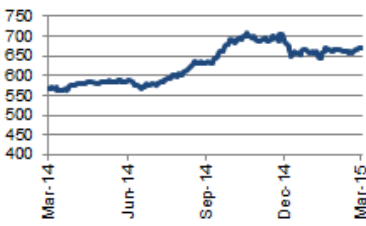
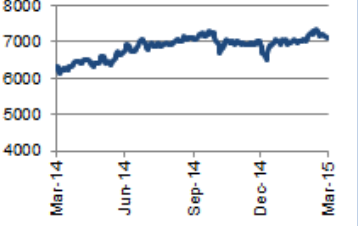

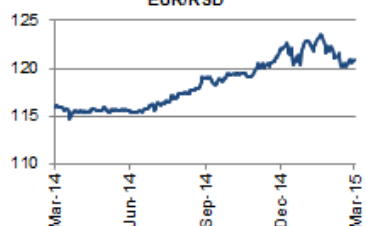


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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2079.43	0.4%	1.0%	EUR/USD	1.075	-0.9%	-11.1%	UST - 10yr	2.19	0	2	GOLD	1160	-0.6%	-2.1%
Nikkei 225	18665.11	-0.7%	7.0%	GBP/USD	1.5058	-0.5%	-3.3%	Bund-10yr	0.29	-2	-25	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	393.67	0.1%	14.9%	USD/JPY	121.85	-0.6%	-1.8%	JGB - 10yr	0.47	3	14	LMEX	2746	1.4%	-5.8%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-49	-89	O/N	0.61	0	4	LEONIA	0.01	0	-1
1-week	9.36	-46	-65	1-month	0.74	1	-17	1-month	0.17	0	-5
1-month	9.67	-39	-38	3-month	1.33	-1	-37	3-month	0.37	0	-6
3-month	9.90	-39	5	6-month	1.57	-1	-44	6-month	0.73	0	-6
6-month	9.97	-41	18	12-month	1.63	-1	-39	12-month	1.32	-6	-18
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.39	2	35	3Y RON	2.07	0	-24	3Y BGN	0.42	0	-62
5Y RSD	10.11	0	-7	5Y RON	2.31	1	-40	5Y BGN	0.68	0	-76
7Y RSD	11.28	0	3	10Y RON	3.09	1	-57	10Y BGN	1.89	0	-86
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.58	4	-68	EUR Sep-20	1.35	1	-38	EUR Jul-17	0.63	0	-53
USD Nov-24	6.41	0	-18	USD Aug-23	3.47	6	-14	EUR Sep-24	2.20	3	-67
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	269	3	-21	5-year	105	0	-38	5-year	174	1	-17
10-year	295	0	-62	10-year	148	0	-39	10-year	223	1	-18
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	668.1	-0.22%	0.16%	BET	7120.2	0.22%	0.53%	SOFIX	481.8	1.00%	-7.71%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	121.02	-0.11%	0.27%	EUR/RON	4.4413	0.00%	0.95%	USD/BGN	1.8197	-0.95%	-11.17%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:15 EET

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