

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 09, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 11: Initial jobless claims (weekly)
- February 12
 - Retail sales (Jan)
 - UoM consumer sentiment (Feb, p)

EUROZONE

- February 12: GDP (Q4, A)

GREECE

- February 9: Industrial Production Index (Dec)
- February 10: Building Activity (Dec)
- February 11
 - Eurogroup
 - U/E (Nov)
- February 12: GDP (Q415)

CYPRUS

- February 11: Eurogroup/Ecofin (discussion about programme end in March)
- February 12: GDP (Q4, p)

SEE

BULGARIA

- February 8
 - Industrial production (Dec)
 - Retail sales (Dec)
- February 9: Trade balance (Dec)
- February 13: GDP (Q4, p)

ROMANIA

- February 8
 - Net wages (Dec)
 - 5.8% 2027 T-Bonds auction
- February 9: Trade balance (Dec)
- February 11: 3.5% 2022 T-Bonds auction
- February 12
 - Industrial production (Dec)
 - GDP (Q4, A)
 - CAD (Dec)

SERBIA

- February 11: MPC meeting

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Market risk sentiment deteriorated further on Tuesday, with major Asian equities closing in the red amid a global equity selloff. In Europe, major equity indices declined for the seventh day in a row on lingering global growth concerns, with banking stocks extending yesterday's losses spurred by concerns about the sector's profitability and credit quality. In FX markets, the US dollar fell to its lowest level against the yen since November 2014 on Tuesday, as the global risk-off sentiment boosted demand for the safe-haven Japanese currency. The testimony of US Fed Chair Janet Yellen before the House Financial Services Committee on Wednesday will be closely scrutinized by market participants for any hints about Fed's interest rate-hiking cycle.

GREECE: According to press reports, talks between the Greek authorities and the EC/ECB/IMF/ESM mission heads in the context of the 1st programme review are due to resume sometime next week. The Greek PM Alexis Tsipras held a diplomatic visit to Iran escorted by a delegation of around 60 Greek entrepreneurs, who are interested in investing in Iran in sectors such as energy, construction, pharmaceuticals, medical equipment, processed food, software and cosmetics.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold at an auction on Monday a slightly more than planned amount of RON 419.4mn (~€93.8mn) worth of 3-year treasury bonds at an average accepted yield of 3.65%.

CESEE MARKETS: Emerging stock markets broadly extended this week's losses earlier on Tuesday trailing the global equity selloff. In view of deteriorating risk sentiment, **CESEE currencies** broadly weakened extending yesterday's losses in early European trade and moving further away from recent multi-week highs hit amid increased optimism about further monetary stimulus by the ECB as soon as March. In a similar vein, **government bonds** also lost ground earlier today.

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Latest world economic & market developments

GLOBAL MARKETS

Market risk sentiment deteriorated further on Tuesday, with major Asian equities closing in the red amid a global equity selloff. In Tokyo, the Topix Index reported its largest decline since August (-5.5%), while Japan's benchmark government bond yield fell below zero for the first time ever. In Europe, major equity indices declined for the seventh day in a row on lingering global growth concerns, with banking stocks extending yesterday's losses spurred by concerns about the sector's profitability and credit quality. In FX markets, the US dollar fell to its lowest level against the yen since November 2014 on Tuesday, as the global risk-off sentiment boosted demand for the safe-haven Japanese currency. In this context, the USD/JPY was falling by 0.5% in early European trade at the time of writing hovering around levels of 115.24/25, after dropping to a 15-month low of 114.205 in Asian trade. Elsewhere, gold consolidated around levels of \$1,189 an ounce, after surging on Monday at an eight-month high of \$1,201 an ounce. The testimony of US Fed Chair Janet Yellen before the House Financial Services Committee on Wednesday will be closely scrutinized by market participants for any hints about Fed's interest rate-hiking cycle.

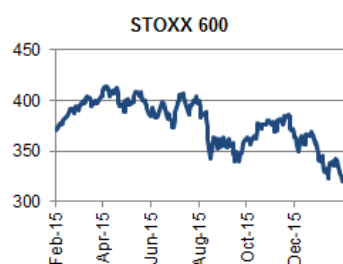
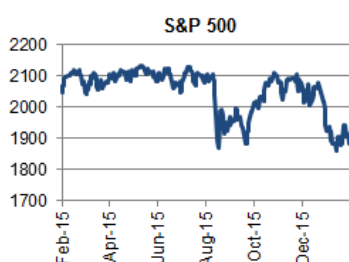
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GREECE

According to press reports, talks between the Greek authorities and the EC/ECB/IMF/ESM mission heads in the context of the 1st programme review are due to resume sometime next week. The pension s' reform remains at the top of the open issues between the Greek Government and the institutions. According to Finance Minister Euclid Tsakalotos, it is important that the institutions agree on the architecture of the Greek proposal. In an attempt to curb reactions and open a dialogue channel with freelancers and scientists, the Minister of Labour, Social Insurance and Social Solidarity, Georgios Katrougalos, is reportedly offering lower pension contributions conditional on their income. Meanwhile, the Greek PM Alexis Tsipras held a diplomatic visit to Iran escorted by a delegation of around 60 Greek entrepreneurs, who are interested in investing in Iran in sectors such as energy, construction, pharmaceuticals, medical equipment, processed food, software and cosmetics.

General Government arrears (including tax refund arrears) for January to December 2015 were at ca €5.4 bn lower by -7.0% on a monthly basis, on a declining trend for the second consecutive month. However, General Government arrears remain increased by €1.6 bn or 40.6% compared with the end of 2014. According to data released today by the Hellenic Statistical Authority the Production Index in Industry (IPI) for December 2015 recorded an increase of 5.2% compared to December 2014. The seasonally adjusted IPI in December 2015 recorded an increase of 1.4% compared to November 2015.

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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

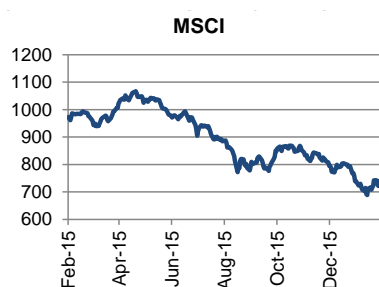
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	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

Credit Ratings			
L-T ccy	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

ROMANIA

The finance ministry sold at an auction on Monday a slightly more than planned amount of RON 419.4mn (~€93.8mn) worth of 3-year treasury bonds vs. RON 400mn initially announced. The average accepted yield came in at 3.65%, 37bps lower compared to that achieved at a prior tender of same maturity paper in late January thanks to strong investor demand that was reflected in the 2.17 bid to cover ratio. The issue matures on July 26, 2027 and bears a coupon of 5.8%.

CESEE MARKETS

Emerging stock markets broadly extended this week's losses earlier on Tuesday trailing the global equity selloff. Indicatively, the MSCI Emerging Markets index slid by ca 0.5% on a daily basis at the time of writing, falling for the second consecutive day after yesterday's 0.7% decline. The index currently stands ca 8.0% lower on a year-to-date basis and not too far from a 6 ½ year low hit in late January after a rocky start in 2016. Following the Fed liftoff late last year, risk sentiment deteriorated further by heightened global growth concerns and the steep decline in oil prices - witnessed particularly since H2 2015 and stretched into the beginning of 2016 - due to a supply glut. The majority of **bourses in the CESEE region** also fell earlier today, with Turkey's BIST 100 index leading the way lower with a 1.2% decline. On the flipside, Hungary's BUX index bucked the negative trend to stand 0.4% higher at the same time.

In view of deteriorating risk sentiment, **CESEE currencies** broadly weakened extending yesterday's losses in early European trade on Tuesday and moving further away from recent multi-week highs hit amid increased optimism about further monetary stimulus by the ECB as soon as March. Against this backdrop, the Polish zloty lost ground with the EUR/PLN rising to a 1-½ week peak of 4.4720 in Asian trade before pulling back towards 4.4480 at the time of writing, remaining though not too far from a multi-week low of 4.3700 tested earlier in February. The Romanian leu also retreated, with the EUR/RON rising to 4.4880 in Europe today from yesterday's 2-month high of 4.4673. Elsewhere, the Serbian dinar stood modestly weaker, a day after the Central bank intervened in the FX markets in order to stem the currency's appreciating momentum. Indicatively, the NBS bought euros with the dinar at 122.05 as the Serbian currency firmed ahead of two RSD-denominated auctions scheduled for this week and the next. Against this backdrop, the EUR/RSD hovered around levels of 122.25 at the time of writing, trading slightly higher compared to yesterday's 1-month trough of 121.95 hit intraday.

In a similar vein, regional **government bonds** also lost ground earlier on Tuesday. Paper of longer maturity seemed to fare worse, with Romania's and Bulgaria's 10-year benchmark bond yields rising by ca 6bps and 5bps, respectively, to 3.32% and 2.60%.

Today's focus in the CESEE region is primarily on the National Bank of Romania's Inflation Report, while this week's highlight is Fed chair Janet Yellen's testimony to the US Congress on Wednesday.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1853.44	-1.4%	-9.3%	EUR/USD	1.1207	0.1%	3.2%	(yields)	1.76	2	-51	GOLD	1189	0.0%	12.0%
Nikkei 225	16085.44	-5.4%	-15.5%	GBP/USD	1.4478	0.3%	-1.8%	UST - 10yr	0.26	5	-37	BRENT CRUDE	33	1.5%	-10.5%
STOXX 600	314.21	0.0%	-14.1%	USD/JPY	115.37	0.4%	4.1%	Bund-10yr	-0.03	-7	-29	LMEX	2191	0.4%	-0.6%
								JGB - 10yr							

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	289	0	-14
1-week	3.00	1	-19
1-month	3.20	1	-31
3-month	3.40	0	-43
6-month	3.60	0	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-2	-21
5Y RSD	5.07	0	-6
7Y RSD	7.78	0	9

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	0	-11
USD Nov-24	6.40	-1	-1

CDS

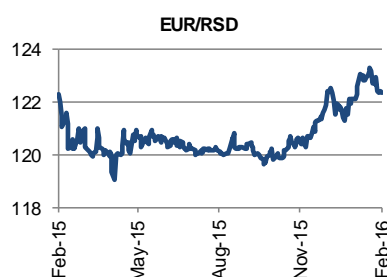
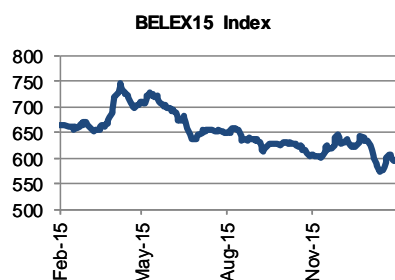
	Last	ΔDbps	ΔYTD bps
5-year	288	0	14
10-year	333	-1	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	592.8	-0.47%	-7.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.35	0.04%	-0.63%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	2	-13
1-month	0.55	3	-14
3-month	0.79	0	-23
6-month	1.03	-2	-31
12-month	1.21	1	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	2	-37
5Y RON	2.37	1	-43
10Y RON	3.29	5	-49

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	0	-12
USD Jan-24	3.49	0	-29

CDS

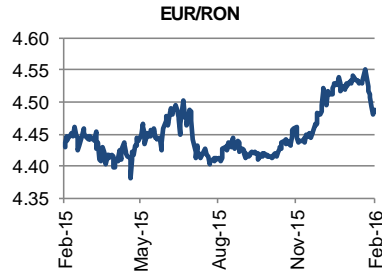
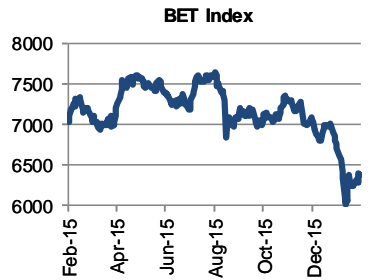
	Last	ΔDbps	ΔYTD bps
5-year	127	0	-6
10-year	171	0	-1

STOCKS

	Last	ΔD	ΔYTD
BET	6239.8	0.02%	-10.91%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.489	-0.23%	0.56%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.17	-9	-18
1-month	-0.06	0	-21
3-month	0.06	0	-20
6-month	0.24	0	-29
12-month	0.59	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	#N/A N/A	#N/A N/A	15
5Y BGN	0.20	0	-17
10Y BGN	1.78	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	0	-1
EUR Sep-24	2.39	-10	-3

CDS

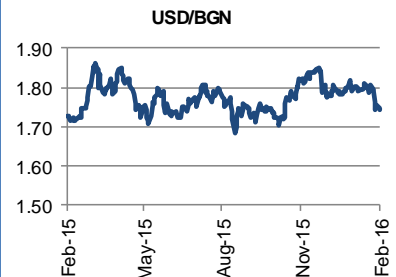
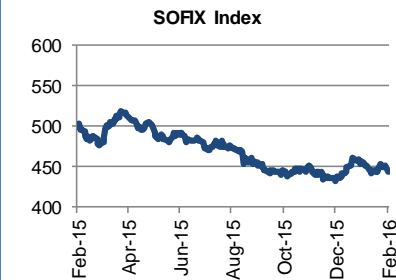
	Last	ΔDbps	ΔYTD bps
5-year	183	10	12
10-year	229	8	13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.1	-0.84%	-3.65%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7452	0.13%	3.16%



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

Data updated as of 12:45 EET

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