

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 10, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- February 10: Fed's Lacker speaks
- February 11: Fed's Fisher speaks
- February 12:
 - Retail sales (Jan)
 - Initial jobless claims (Feb 7)
- February 13: UoM consumer confidence

EUROZONE

- February 10: ECB's Praet and Costa speak
- February 11: Extraordinary Eurogroup
- February 12: EU Summit
- February 13: GDP (Q4)

SEE

SERBIA

- February 11: Floating 2017 T-Bonds auction
- February 12: MPC meeting

ROMANIA

- February 9
 - Trade balance (Dec)
 - 4.75% 2025 T-Bonds auction
- February 12: Industrial production (Dec)
- February 13
 - GDP (Q4, A)
 - CPI (Jan)
 - CAD (Dec)

BULGARIA

- February 9
 - Trade balance (Jan)
 - Industrial production (Dec)
 - Retail sales (Dec)
- February 9-13: U/E rate (Jan)
- February 13
 - GDP (Q4, A)
 - CPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most European bourses reversed early losses to stand in a marginally positive territory at the time of writing amid expectations that the People's Bank of China may adopt further monetary easing measures to support domestic economic activity.

GREECE: Today's media reports presented the main axes of a plan the Greek government is expected to unveil at tomorrow's extraordinary Eurogroup including, among other: (i) 70% of the measures/conditionality laid out in the present adjustment program will remain in place while the remaining 30% which are deemed "toxic" for the domestic economy will be replaced by 10 reforms; (ii) lowering of this year's target for the general government primary surplus to c. 1.5% of GDP compared to 3.0% envisaged in the present bailout agreement; (iii) a restructuring of public debt through a menu of debt swaps; (iv) adoption of measures for dealing with the domestic humanitarian crisis and restoring social justice.

SOUTH EASTERN EUROPE

SERBIA: The dinar under pressure, in line with the trend in other emerging market currencies.

ROMANIA: The government and the IMF did not sign a letter of intent on Monday after the conclusion of the latest round of talks on Romania's precautionary Stand-By Agreement.

BULGARIA: Industrial production rose by 0.9%YoY in December, vs. an upwardly revised 1.1%YoY increase in November, retail sales rose by 6.4%YoY over the same month, marking the highest pace of annual increase since February, 2014, while, the trade deficit widened by 13.6%YoY in 2014.

CESEE MARKETS: The majority of emerging stock markets fell and CEE currencies broadly weakened in European trade on Tuesday, as escalating geopolitical tensions in Ukraine and caution prevailing ahead of the extraordinary Eurogroup tomorrow overshadowed mounting optimism about further monetary easing by the People's Bank of China.

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Latest world economic & market developments

GLOBAL MARKETS

Most European bourses reversed early losses to stand in a marginally positive territory at the time of writing amid expectations that the People's Bank of China may adopt further monetary easing measures to support domestic economic activity. With market investors adopting a cautious tone ahead of Wednesday's extraordinary Eurogroup, range-trading is likely to be a key theme in FX markets today.

GREECE

Today's media reports presented the main axes of a plan the Greek government is expected to unveil at tomorrow's extraordinary Eurogroup in an effort to finally reach a bridge agreement with EU partners ahead of the expiry of Greece's EFSF program on Feb.28. As per the same sources the proposed plan, which will run until the end of August, instead of end-May as was previously reported, is based on the following basic axes: (i) 70% of the measures/conditionality laid out in the present adjustment program will remain in place while the remaining 30%, which are deemed "toxic" for the domestic economy will be replaced by 10 reforms. These reforms will be reportedly an issue of discussion between OECD Secretary-General Angel Gurría and domestic authorities in a meeting that will take place in Athens later today; (ii) lowering of this year's target for the general government primary surplus to c. 1.5% of GDP compared to 3.0% envisaged in the present bailout agreement; (iii) a restructuring of public debt through a menu of debt swaps; (iv) adoption of measures for dealing with the domestic humanitarian crisis and restoring social justice. According to the same sources, Greece will also ask: (i) partial return of the €7.2bn financing tranche that was earlier scheduled for release upon completion of the last program review, mainly including the return of the €1.9bn amount equivalent to profits accrued on the Eurosystem's SMP and ANFA portfolios (ii) an increase in the T-bills issue ceiling to €23bn from €15bn currently; and (iii) flexibility on the level of liquidity provision through the operation of ELA facility.

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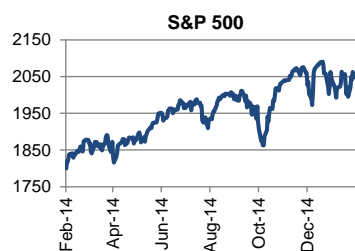
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Latest developments in the CESEE region

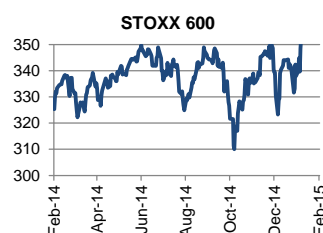
CESEE markets

The majority of emerging stock markets fell in European trade on Tuesday, as escalating geopolitical tensions in Ukraine and caution prevailing ahead of the extraordinary Eurogroup tomorrow overshadowed mounting optimism about further monetary easing by the People's Bank of China. In a similar vein, **CEE currencies** broadly extended Monday's losses, with the Hungarian forint giving back a significant part of gains recorded over the last few days on the back of recent upbeat macroeconomic data releases. The EUR/HUF hovered around levels of 309.10 at the time of writing, remaining within distance from a 1-week peak of 309.60 hit earlier in the session, having bounced away from a 2-month high near 305.30/EUR hit late last week. Separately, the Turkish lira recovered some ground to stand nearly 1% higher at the time of writing from yesterday's lifetime low of 2.5010/USD, hit amid repeated calls from government officials for Central Bank monetary easing, expectations for Fed rate hikes in 2015 which may contain capital inflows to Turkish markets and the recent recovery in oil prices (Turkey is a major oil importer). In **local rate markets**, government bonds broadly remained under pressure in view of waning risk appetite, with the corresponding 10-year Polish yield hovering near 2½-week highs of 2.32% hit in the prior session.

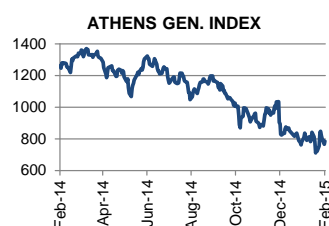
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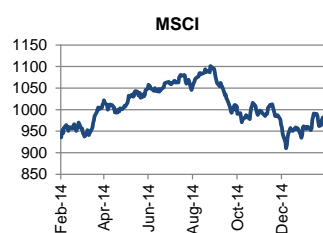
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	BBB-	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	0.0
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-5.8	-7.2	-5.7
Current Account/GDP	-5.0	-6.1	-4.7
EUR/RSD (eop)	114.57	120.50	124.50
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.00

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

SERBIA

(Belgrade, 9/2/2015, 16:15 CET): **Market Developments:** The dinar lost ground on Monday, moving in line with other emerging market currencies, with the EUR/RSD rising ca 0.5% to close at 122.25/45. Looking into the next few days, in the absence of any major macroeconomic developments, the pair is likely to trade sideways, though remain bound within its recent range of 121.50-123.00 as the prospect of renewed Central Bank intervention in the FX markets looms. Notably, the upcoming MPC meeting on Thursday is unlikely to have a major impact on the dinar. Although an environment of subdued inflation pressures (HICP has remained below the 4.0±1.5 official inflation target since February, 2014) and real GDP growth contraction argue in favour of further monetary easing ahead, the NBS is likely to stay put on rates this week and hold its key policy rate at 8.00%, as fiscal consolidation risks linger, the 36-month precautionary Stand-By Arrangement with the IMF has yet to be approved by the Fund's Management and the Executive Board (discussions tentatively scheduled for late February) and the dinar stands within distance from a record low of 123.65/EUR hit earlier this year.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.5	3.0
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	-1.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.25

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

ROMANIA

(Bucharest, 10/2/2015, 13:30 CET): The leu hit a 1 week low of 4.4360/EUR in European trade today further weighed down by yesterday's news that the country's government and the IMF did not sign a letter of intent after the conclusion of the latest round of talks on Romania's precautionary Stand-By Agreement. According to media reports quoting Prime Minister Victor Ponta on Monday the two sides disagreed over gas deregulation and restructuring of the state-owned coal industry and a new IMF mission is will visit the country in April for further discussions.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.5	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, 9/2/2015, 17:10 CET): **Latest Political & Macro Developments:** Industrial production rose by 0.9%YoY in December, vs. an upwardly revised 1.1%YoY increase in the prior month. December's figure marked the 3rd month in a row of positive annual growth and brought the average annual rate of increase for the whole of 2014 to 1.7%, above a flat reading in the prior year. Separately, retail sales rose by 6.4%YoY in December, marking the highest pace of annual increase since February, 2014. For the whole of last year, retail trade grew by 4.5% on average, picking up pace from average growth of 2.7% recorded in the prior year. Meanwhile, Bulgaria's trade deficit widened by 13.6%YoY in 2014 as a 1.2%YoY to BGN 51.1bn rise in imports outstripped a 0.7%YoY of BGN 43.2bn concomitant decline in exports. In all the data adds to the view about a modest acceleration in real GDP growth last year towards 1.5% from 1.1% in 2013. **Market Developments:** In line with the trend in global bourses, the domestic stock market kicked off the week on a negative footing with the main SOFIX index shedding ca 0.21% to close at 499.32 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	2046.74	-0.4%	-0.6%	EUR/USD	1.13	-0.2%	-6.6%	UST - 10yr	1.98	0	-20	GOLD	1241	0.2%	4.7%
Nikkei 225	17652.68	-0.3%	1.2%	GBP/USD	1.5234	0.1%	-2.2%	Bund-10yr	0.35	0	-19	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	370.21	-0.1%	8.1%	USD/JPY	118.71	-0.1%	0.8%	JGB - 10yr	0.40	4	7	LMEX	2754	0.1%	-5.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-8	-234
1-week	7.62	-5	-239
1-month	8.05	0	-200
3-month	8.37	0	-148
6-month	8.56	0	-123

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.18	0	14
5Y RSD	10.19	0	1
7Y RSD	11.29	0	4

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.88	2	-39
USD Nov-24	6.48	0	0

CDS

	Last	ΔDbps	ΔYTD bps
5-year	265	0	-25
10-year	295	0	-61

STOCKS

	Last	ΔD	ΔYTD
BELX15	666.4	0.09%	-0.10%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.05	0.29%	-0.57%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	1	-4
1-month	0.67	-1	-24
3-month	1.41	1	-29
6-month	1.65	1	-36
12-month	1.7	1	-32

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	3	-41
5Y RON	2.05	1	-66
10Y RON	2.87	1	-79

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.34	0	-39
USD Aug-23	3.31	8	-31

CDS

	Last	ΔDbps	ΔYTD bps
5-year	113	0	-30
10-year	157	0	-29

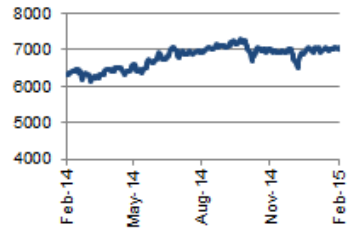
STOCKS

	Last	ΔD	ΔYTD
BET	7046.3	0.31%	-0.52%

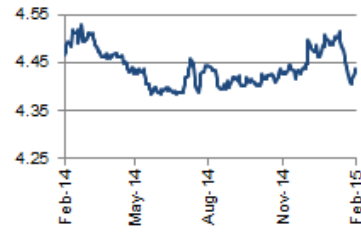
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4345	-0.16%	1.11%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.40	0	-3
6-month	0.78	0	-2
12-month	1.47	0	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.42	1	-62
5Y BGN	0.66	-1	-78
10Y BGN	2.08	0	-68

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.75	0	-41
EUR Sep-24	2.24	-4	-63

CDS

	Last	ΔDbps	ΔYTD bps
5-year	180	-5	-11
10-year	223	-5	-17

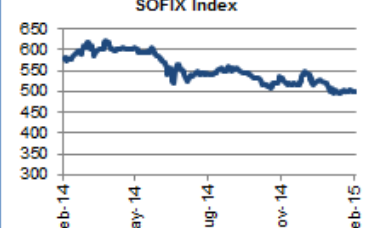
STOCKS

	Last	ΔD	ΔYTD
SOFIX	498.8	-0.11%	-4.47%

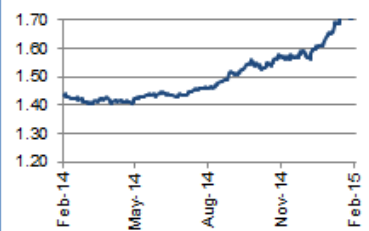
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.731	-0.23%	-6.61%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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