

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 13, 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: Major European bourses firmed in early trade on Friday supported by a ceasefire agreement between Russia and Ukraine that comes and the unexpected decision by the Riksbank y-day to cut the repo rate in negative territory and launch a purchases program for sovereign bonds. Market optimism that the Greek government will likely reach an agreement with its creditors at the upcoming February 16 Eurogroup, also favored.

GREECE: Speaking in the press conference that followed the conclusion of the February 12 EU Summit, President Donald Tusk announced that Greece's Prime Minister and the President of the Eurogroup "asked the institutions to work on a technical assessment" in an effort to find common ground before the February 16th Eurogroup. According to Greece's statistics agency (EL.STAT.) flash estimate for Q4, real GD grew by 1.7%YoY based on seasonally adjusted figures with full-year 2014 GDP growth reaching 0.8%, exceeding an official forecast of 0.6%.

SOUTH EASTERN EUROPE

SERBIA: The National Bank of Serbia (NBS) held its fire for the third month running, at its MPC meeting on Thursday, in line with our and market expectations.

BULGARIA: According to the latest NSI preliminary data, the average monthly wage in Bulgaria increased by 2.3%YoY to BGN 847 in the last quarter of 2014.

CESEE MARKETS: The majority of **emerging stock markets** extended yesterday's gains on optimism about an eventual resolution of the crisis in Ukraine after news about a ceasefire deal as of February 15 and an agreement of ca \$40bn in financial aid to the country from official lenders. Hopes that Greece will eventually reach an agreement with its creditors also provided support. On the flipside, **CEE currencies** broadly weakened, largely shrugging off overall upbeat Q4 GDP data in the region.

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Latest world economic & market developments

GLOBAL MARKETS

Mirroring hefty gains in Asia earlier today and in Wall Street overnight, major European bourses firmed in early trade on Friday supported by a ceasefire agreement between Russia and Ukraine that comes. The unexpected decision y-day by the Riksbank to cut the repo rate in negative territory to -0.10% and launch a purchases program for sovereign bonds with maturities from 1 to around 5 years for a total amount of SEK 10bn in an effort to support the domestic economy, also favored risk sentiment. In FX markets, the EUR gained some ground across the board favored by European equity markets' improved performance. Market optimism that the Greek government will likely reach an agreement with its creditors at the upcoming February 16 Eurogroup, also supported the common currency. Favored by y-day's weaker-than-expected US initial jobless claims and January's retail sales, the EUR/USD hit a one-week high of 1.1440 earlier in European trade, having recovered from 1.1300 session lows marked on Thursday. Yet, in view of the perceived relative economic growth differentials and divergence in the Fed's and the ECB's monetary policy stance, there is little to suggest that the pair is poised for further significant and sustainable gains short-term.

GREECE

Speaking in the press conference that followed the conclusion of the February 12 EU Summit, President Donald Tusk announced that Greece's Prime Minister and the President of the Eurogroup "asked the institutions to work on a technical assessment" in an effort to find common ground before the February 16th Eurogroup. In other news, the ECB reportedly decided in an emergency conference y-day to increase the liquidity limit available to Greek banks via the ELA facility by c. €5.5bn to c. €65bn, following a relevant request by the Bank of Greece. The ECB is scheduled to reassess Greek banks' access to ELA at its next meeting on February 18/19. According to Greece's statistics agency (EL.STAT.) flash estimate for Q4, real GDP grew by 1.7%YoY based on seasonally adjusted figures with full-year 2014 GDP growth reaching 0.8%, exceeding an official forecast of 0.6%. Separately, the latest available data for the execution of the State Budget on a modified cash basis showed that the State Budget primary balance recorded a surplus of €0.443bn in January 2015, against a surplus target of €1.366bn. State Budget net revenue amounted to €3.682bn, undeforming the respective target by €0.936bn mainly due to the deferral of the VAT payment deadline to end February 2015 and the underperformance of the expected revenues from the settlement of arrears.

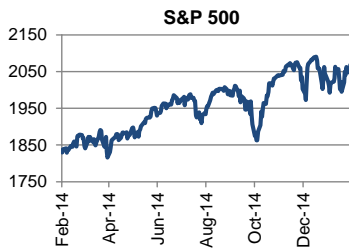
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Latest developments in the CESEE region

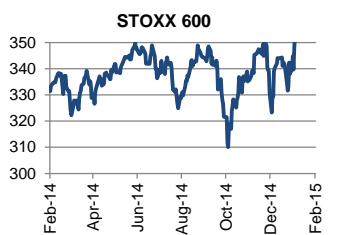
CESEE markets

The majority of **emerging stock markets** extended yesterday's gains on optimism about an eventual resolution of the crisis in Ukraine after news about a ceasefire deal as of February 15 and an agreement of ca \$40bn in financial aid to the country from official lenders. Hopes that Greece will eventually reach an agreement with its creditors also provided support. On the flipside, **CEE currencies** broadly weakened, largely shrugging off overall upbeat Q4 GDP data in the region. Hungary's real GDP growth rose by 3.4%YoY in Q4, outstripping a market consensus of 2.7%YoY and a 3.2%YoY print a quarter earlier. Meanwhile, economic activity in Romania slowed less than anticipated to 2.6%YoY from 3.3%YoY in Q3, Bulgaria's real GDP growth came in at 1.2%YoY from 1.5%YoY in the prior quarter and Poland's stood at 3.0%YoY marginally below a market median forecast of 3.1% and a 3.3%YoY Q3 reading.

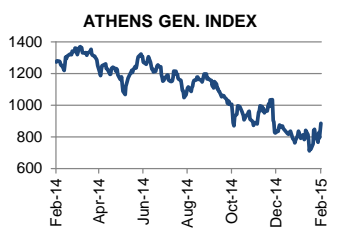
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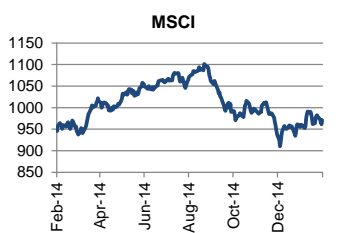
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 13/2/2015, 08:50 CET): **Latest Political & Macro Developments:** The National Bank of Serbia (NBS) held its fire for the third month running, at its MPC meeting on Thursday, in line with our and market expectations. It also adopted its quarterly updated Inflation Report. In more detail, the Executive Board decided to keep its key policy rate at 8.00%, despite below target inflation and weak economic growth prospects amid persisting geopolitical tensions and lingering volatility in international commodity and financial markets. Recall that, HICP has remained below the 4.0 ± 1.5 official inflation target since February, 2014 while real GDP growth is estimated to have remained in contraction last year. Looking ahead, the door is open for further rate cuts in the coming months. An approval of the 36-month precautionary Stand-By Arrangement with the IMF by the Fund's Management and Executive Board (discussions tentatively scheduled for late February) and some dinar appreciation are likely to provide further leeway to the Central Bank for rendering additional monetary easing to support the domestic economy. **Market Developments:** The EUR/RSD closed marginally (-0.3%) lower at 121.30/50 on Thursday, after the Central Bank decided to stay put on interest rates. Optimism about an eventual easing of geopolitical tensions in Ukraine also favoured emerging market currencies yesterday. Looking ahead, further EUR/RSD downside cannot be ruled out. Prime Minister Aleksandar Vucic said on Thursday that a takeover deal of Esmark on state-owned steel plant Zelezara Smederevo is almost closed. In addition, he expressed his full confidence that the IMF will give the final approval on the precautionary agreement on the upcoming February 23 meeting. Last but not least, a new 3Y RSD-denominated auction, scheduled for February 23 may provide an additional boost to the dinar.

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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, 12/2/2015, 17:10 CET): **Latest Political & Macro Developments:** According to the latest NSI preliminary data, the average monthly wage in Bulgaria increased by 2.3%YoY to BGN 847 in the last quarter of 2014. The breakdown of the data showed that the highest rise was recorded in administration (+7.4%YoY) and transport and storage sectors (7.3%YoY). On the flipside, the real estate sector (-14%YoY) marked the highest decline. A 4.9%YoY gain in public sector wages outpaced that of private (+1.4%YoY). **Market Developments:** The domestic stock market closed broadly lower on Thursday, with the main SOFIX index falling by 1.8% to 493.25 points after the government approved a law on penalties for foreign shareholders in the REIT sector.

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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	2088.48	1.0%	1.4%	EUR/USD	1.1425	0.2%	-5.6%	UST - 10yr	2.00	2	-17	GOLD	1226	0.3%	3.4%
Nikkei 225	17913.36	-0.4%	2.7%	GBP/USD	1.5398	0.1%	-1.2%	Bund-10yr	0.35	3	-20	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	376.65	0.5%	10.0%	USD/JPY	118.81	0.3%	0.7%	JGB - 10yr	0.42	3	10	LMEX	2748	1.9%	-5.7%

SEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	on	15	-230
1-week	7.83	12	-218
1-month	8.16	7	-189
3-month	8.54	4	-131
6-month	8.79	2	-100

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.13	0	8
5Y RSD	10.19	0	1
7Y RSD	11.27	-1	2

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.05	2	-21
USD Nov-24	6.99	49	40

CDS

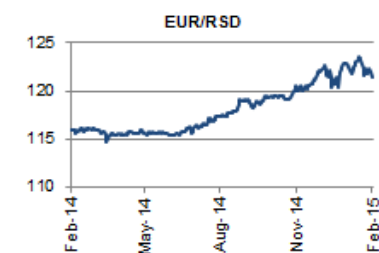
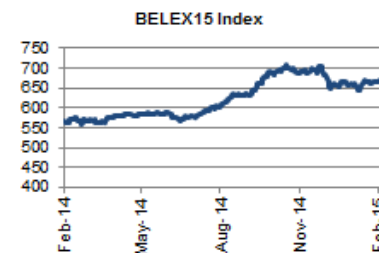
	Last	ΔDbps	ΔYTD bps
5-year	263	-2	-27
10-year	291	-3	-65

STOCKS

	Last	ΔD	ΔYTD
BELEX15	668.6	0.43%	0.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.34	0.07%	0.01%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.54	-1	-3
1-month	0.68	0	-23
3-month	1.41	-2	-29
6-month	1.65	-1	-36
12-month	1.69	-2	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	-2	-40
5Y RON	2.08	-2	-63
10Y RON	2.90	-2	-76

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.37	-4	-36
USD Aug-23	3.41	-2	-21

CDS

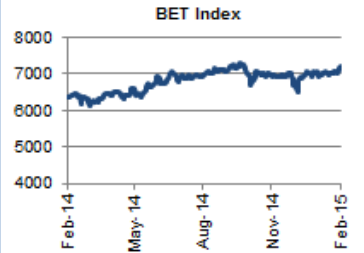
	Last	ΔDbps	ΔYTD bps
5-year	118	-3	-25
10-year	163	-4	-24

STOCKS

	Last	ΔD	ΔYTD
BET	7181.0	-0.10%	1.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.441	-0.06%	0.96%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.39	-1	-4
6-month	0.77	-1	-3
12-month	1.42	-5	-9

BG Local Bonds

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	0.39	0	-65
5Y BGN	0.69	0	-75
10Y BGN	2.08	0	-67

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.74	-2	-42
EUR Sep-24	2.25	-21	-62

CDS

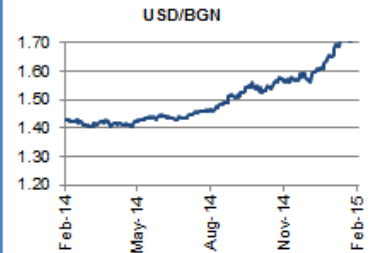
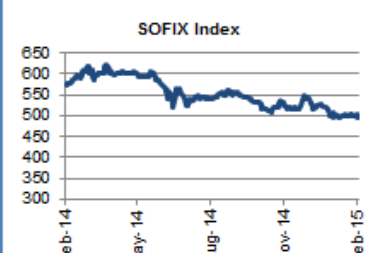
	Last	ΔDbps	ΔYTD bps
5-year	177	-3	-14
10-year	221	-3	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	495.3	0.20%	-5.13%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7121	0.19%	-5.58%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:30 EET

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