

February 17, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- February 16: Presidents' day
- February 17
  - Empire State Index (Feb)
  - NAHB Index (Feb)
- February 18:
  - PPI (Jan)
  - Housing starts & permits (Jan)
  - Industrial production (Jan)
  - FOMC minutes
- February 19:
  - Initial jobless claims (Feb. 1)
  - Philly Fed Index (Feb)

#### EUROZONE

- February 16: Eurogroup
- February 17: Germany's ZEW Index (Feb)
- February 19: January 22 ECB monetary policy minutes
- February 20: PMI manufacturing & services (preliminary, Feb).

#### SEE SERBIA

- February 18: 2-Year EUR T-Bonds auction
- February 23: HICP

#### ROMANIA

- February 16: 3.25% 2018 T-Bonds auction
- February 19: 5.75% 2020 T-Bonds auction

#### BULGARIA

- February 16: CAD (Dec)
- February 16-20: U/E rate (Dec)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Most major European equity markets reversed early losses on Tuesday, largely shrugging off news that yesterday's Eurogroup did not produce a final outcome on the Greek issue. In FX markets, the euro gained some ground in European trade today amid hopes that a deal between Greece and its creditors will be finally reached.

### SOUTH EASTERN EUROPE

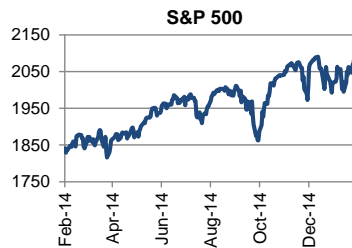
**ROMANIA:** The MoF issued on Monday RON 700mn in 3Y bonds at an average accepted yield of 1.94%, which came above expectations.

**BULGARIA:** The current account balance ran a deficit of €312.9mn in December marking a 10.5% narrowing on an annual basis. For the whole of 2014, the current account registered a surplus of €18.8mn, equivalent to 0.04% of GDP.

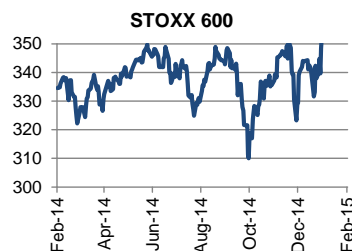
**CESEE MARKETS: Most emerging stock markets** moved modestly higher in European trade on Tuesday. However, investor sentiment remained fragile as yesterday's Eurogroup did not render a final agreement on the Greek issue and media reports suggested that infighting between government forces and pro-Russian separatists continued in Ukraine despite a ceasefire agreement that came into effect a couple of days ago. Against this background, **CEE currencies** broadly retreated and **government bonds** lost ground.

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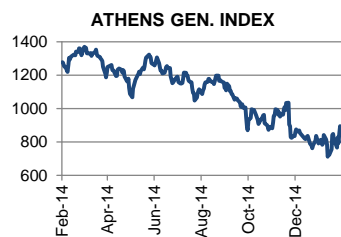
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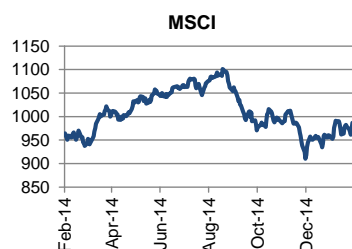
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## Latest world economic & market developments

### GLOBAL MARKETS

Most major European equity markets reversed early losses on Tuesday, largely shrugging off news that yesterday's Eurogroup did not produce a final outcome on the Greek issue. In FX markets, the euro gained some ground in European trade today amid hopes that a deal between Greece and its creditors will be finally reached. Against this backdrop, the EUR/USD was hovering around levels of 1.1415/16 at the time of writing, having hit a 1-week peak near 1.1450 earlier in the session.

### GREECE

A detailed report on the outcome of the February 16, 2015, Eurogroup to follow.

## Latest developments in the CESEE region

### CESEE markets

**Most emerging stock markets** moved modestly higher in European trade on Tuesday. However, investor sentiment remained fragile as yesterday's Eurogroup did not render a final agreement on the Greek issue and media reports suggested that infighting between government forces and pro-Russian separatists continued in Ukraine despite a ceasefire agreement that came into effect a couple of days ago.

Against this background, **CEE currencies** broadly retreated. Indicatively, the Romanian leu and the Polish zloty hit respective multi session lows near 4.4495 and 4.1925 against the euro earlier today, while the Turkish lira pulled slightly back from a 2-week intraday peak of 2.4400/USD. Further weakness in regional currencies in the coming days/weeks can not be ruled out entirely as the door seems open for interest rate cuts by the Central Bank of Hungary, Poland and Romania at their MPC meeting next month as inflation pressures remain subdued and risks to the countries' domestic growth outlooks linger.

Elsewhere, **government bonds** also lost ground, with Turkish paper broadly underperforming its regional peers. Indicatively, the 2 and 10-year benchmark yields stood ca 6bps higher each at 7.89% and 7.54%, respectively at the time of writing. Meanwhile, Polish and Hungarian government bond yields inched up ca 1-3 bps, with the yield on the corresponding 10-year paper standing at respective levels of 2.18% and 3.08% in early European trade. Looking ahead, government bonds are likely to resume their uptrend in the coming weeks amid expectations for further monetary easing in the region in the non-too distant future.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.25	2.25

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

## ROMANIA

(Bucharest, 16/2/2015, 17:30 EET): **Market Developments:** The EUR/RON and RON money markets were little changed on Monday, in thin trade due to the US holiday. In more detail, the EUR/RON closed modestly higher at 4.4453 at the session's settlement, while short term RON rates ended around 0.50%. In other news, the MoF issued on Monday RON 700mn in 3Y bonds at an average accepted yield of 1.94%, which came in several basis points above expectations. In the wake of the auction, 1 to 5-year yields moved a few basis points higher in the secondary market, however in very low trading volumes.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

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	
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 17/2/2015, 9:05 CET): **Latest Political & Macro Developments:** The current account balance ran a deficit of €312.9mn in December marking a 10.5% narrowing on an annual basis. For the whole of 2014, the current account registered a surplus of €18.8mn, equivalent to 0.04% of GDP, vs. a surplus of €848.2mn, or 2.1% of GDP in the prior year. Meanwhile, Foreign Direct Investment in Bulgaria declined by 7.3%YoY to EUR 1,181.6mn (equivalent to 2.8% of GDP) over the January-December 2014 period. **Market Developments:** Domestic stock indices closed in a negative territory on Monday, with the main SOFIX declining by 0.61% to 493.92 points, while the real estate benchmark plunged by 1.44%.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**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	2096.99	0.4%	1.9%	EUR/USD	1.1344	-0.1%	-6.2%	UST - 10yr	2.01	-4	-16	GOLD	1223	-0.7%	3.2%
Nikkei 225	17987.09	-0.1%	3.1%	GBP/USD	1.5351	-0.1%	-1.5%	Bund-10yr	0.32	-1	-22	BRENT CRUDE	175	0.0%	#VALUE!
STOXX 600	375.70	-0.2%	9.7%	USD/JPY	118.56	-0.1%	0.9%	JGB - 10yr	0.40	-4	7	LMEX	2745	-0.1%	-5.8%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
7/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	9.18	1	10
5Y RSD	10.19	0	1
7Y RSD	11.29	0	4

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.01	-3	-25
USD Nov-24	6.49	0	-10

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	262	2	-28
10-year	287	2	-69

**STOCKS**

BELEX15	Last	ΔD	ΔYTD
	665.9	0.03%	-0.16%

**FOREX**

EUR/RSD	Last	ΔD	ΔYTD
	121.17	-0.12%	0.15%

**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	0	-4
1-month	0.72	0	-19
3-month	1.42	0	-28
6-month	1.65	0	-36
12-month	1.7	0	-32

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.95	2	-36
5Y RON	2.10	2	-61
10Y RON	2.94	2	-72

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.37	0	-36
USD Aug-23	3.40	2	-22

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	117	1	-25
10-year	162	2	-25

**STOCKS**

BET	Last	ΔD	ΔYTD
	7260.6	0.12%	2.51%

**FOREX**

EUR/RON	Last	ΔD	ΔYTD
	4.4462	-0.01%	0.84%

**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.39	0	-5
6-month	0.77	0	-3
12-month	1.41	-1	-10

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-63
5Y BGN	0.69	0	-75
10Y BGN	2.03	0	-72

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.72	-1	-44
EUR Sep-24	2.22	2	-65

**CDS**

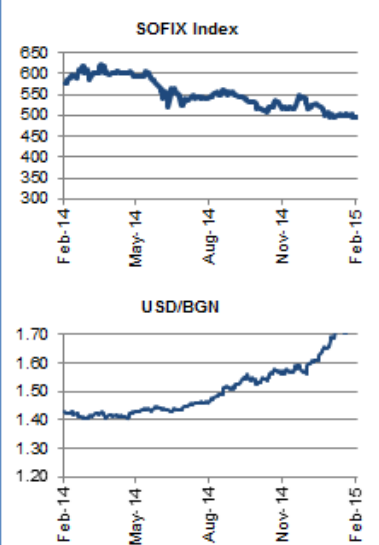
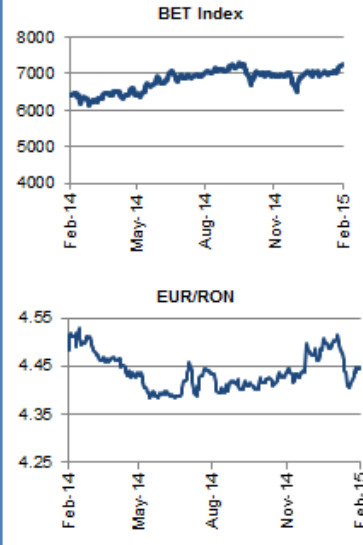
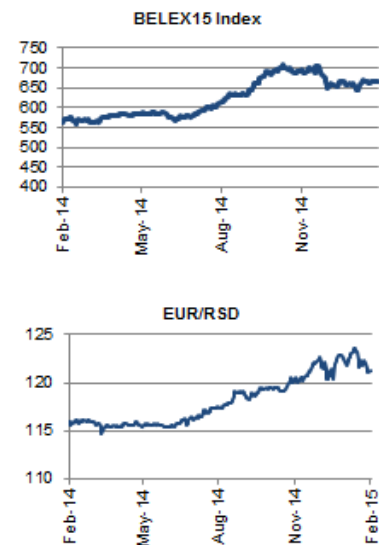
	Last	ΔDbps	ΔYTD bps
5-year	187	-6	-4
10-year	228	-1	-12

**STOCKS**

SOFIX	Last	ΔD	ΔYTD
	495.6	0.34%	-5.08%

**FOREX**

USD/BGN	Last	ΔD	ΔYTD
	1.7244	-0.10%	-6.26%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:00 EET

## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

[galatia.phoka@eurobank.gr](mailto:galatia.phoka@eurobank.gr)

### Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

## Eurobank Global Markets Research

### Global Markets Research Team

#### Dr. Platon Monokroussos:

Chief Market Economist

[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Paraskevi Petropoulou:** G10 Markets Analyst

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Anna Dimitriadou:** Economic Analyst

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 37 18 793

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales

[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales

[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis:** Head of Corporate Sales

[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales

[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales

[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales

[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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