

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 20, 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: Global equity markets were little changed in early trade on Friday as investors eagerly await the outcome of today's emergency Eurogroup where the Greek situation will be the sole issue of discussion. In a similar note, major currency pairs consolidated within recent ranges.

GREECE: The Eurogroup convenes today at 14:00GMT to discuss the formal request submitted y-day by the Greek government for a 6-month extension of the Master Finance Assistance Facility Agreement for Greece. Speaking to a local TV station earlier today, Greece's government spokesman Gabriel Sakellaris said that "the Greek government has done all it should at every level in an effort to find a mutually beneficial solution".

SOUTH EASTERN EUROPE

SERBIA: The Serbian Debt Administration sold on Wednesday €92mn, vs. €100mn offered, worth of 2-year €-denominated T-Bonds, bearing a 4% coupon.

BULGARIA: Parliament approved on Thursday amendments to the Law on Bank Deposit Guarantee, which ensure faster repayment of state-guaranteed deposits.

CESEE MARKETS: Emerging stock markets broadly retreated in European trade on Friday, as caution prevailed ahead of an emergency Eurogroup, while geopolitical tensions in Ukraine persisted. In FX markets, the majority of **CEE currencies** remained under pressure as investor sentiment towards risky assets remained fragile. Expectations for further monetary easing by Central Banks in the region in the coming weeks/months also weighed.

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Latest world economic & market developments

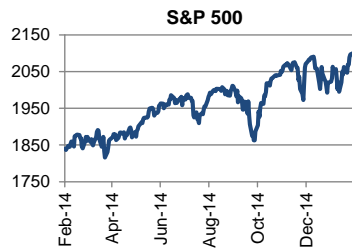
GLOBAL MARKETS

Global equity markets were little changed in early trade on Friday as investors eagerly await the outcome of today's emergency Eurogroup where the Greek situation will be the sole issue of discussion. In a similar note, major currency pairs consolidated within recent ranges. The EUR/USD was hovering around 1.1330/35 at the time of writing this report after hitting an intraday high of 1.1450 on Thursday, remaining though within the 1.1230-1.1530 range that prevails over the last three weeks. Amid market anxiety ahead of today's Eurogroup, Eurozone data showing that January's Markit Flash PMI Composite index rose more-than-expected 53.5, the highest level since mid-last year, from 52.6 in the prior month, was broadly shrugged off by FX markets.

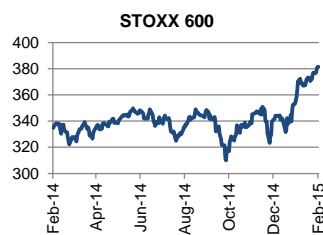
GREECE

The Eurogroup convenes today at 14:00GMT to discuss the formal request submitted y-day by the Greek government for a 6-month extension of the Master Finance Assistance Facility Agreement for Greece. Speaking to a local TV station earlier today, Greece's government spokesman Gabriel Sakellariadis said that "the Greek government has done all it should at every level in an effort to find a mutually beneficial solution" while an unnamed Greek government official was quoted as saying to local press that Greece and its euro area partners are close to a deal. In a similar encouraging tone that an agreement. In a similar encouraging tone, European Commissioner for energy and member of Germany's Christian Democratic Union party Guenther Oettinger reportedly said today that he is of the view that Greece and its creditors should be able to reach a deal "but it may take another meeting of euro area leaders next week".

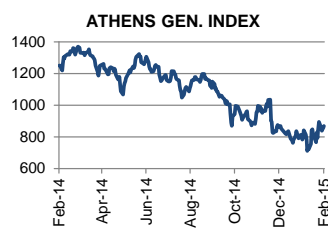
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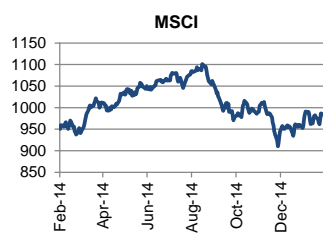
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE markets

Emerging stock markets broadly retreated in European trade on Friday, as caution prevailed ahead of an emergency Eurogroup, while geopolitical tensions in Ukraine persisted. In more detail, the MSCI Emerging Markets Index was sliding by ca 0.3% at the time of writing, poised to end the week in a marginally negative territory. In FX markets, the majority of **CEE currencies** remained under pressure as investor sentiment towards risky assets remained fragile. Expectations for further monetary easing by Central Banks in the region in the coming weeks/months also weighed. Ukraine's hryvnia led the losses plummeting to a new record low near 28/USD as fighting between government forces and pro-Russian separatists continued, despite a ceasefire agreement that came into effect on February 15th. Separately, the Turkish lira recoiled ahead of next week's MPC meeting, where the Central Bank is broadly anticipated to deliver further rate cuts despite above-target inflation and last month's higher-than-expected CPI data. Along these lines, the USD/TRY hit a 2-session high near 2.4610 in Asian trade, bouncing from yesterday's 2-week trough of 2.4300. The pair's technical picture suggests that a break above today's peak may pave the way towards 2.4680 (February 18, 2015 high) ahead of 2.5130 (February 11, 2015 record peak).

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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

| 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

SERBIA

(Belgrade, 19/2/2015, 15:45 CET): **Latest Political & Macro Developments:** The Serbian Debt Administration sold on Wednesday €92mn, vs. €100mn offered, worth of 2-year €-denominated T-Bonds, bearing a 4% coupon. The auction produced an average accepted yield of 3.45%, 102bps below that achieved at a prior auction of similar maturity paper on December 30th. The aforementioned decline in yields indicates increased EUR liquidity in the financial system and possibly reflects optimism about the longer-term impact of the government's fiscal consolidation plans. **Market Developments:** The EUR/RSD moved lower on Thursday, to close at 121.10/30 after hitting a 1-½-month low of 120.90/121.10 earlier in the session, reversing Wednesday's up-move that came in the wake of news about the collapse of the acquisition of state-owned steelmaker Zelezara Smederevo by US-based Esmark. Next week's much anticipated final approval on the country's 36-month €1bn precautionary Stand-By Arrangement by the IMF's Management and Executive Board, scheduled for February 23rd, will set the tone for the dinar's direction over the coming sessions.

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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, 19/2/2015, 17:25 EET): **Latest Political & Macro Developments:** Parliament approved on Thursday amendments to the Law on Bank Deposit Guarantee, which ensure faster repayment of state-guaranteed deposits. In more detail, in the event that a bank halts payments to its customers, the Bulgarian Deposit Insurance Fund (BDIF) will be obliged to redeem state-guaranteed deposits of up to €100k within 7 days rather than waiting for up to 20 days after the withdrawal of the bank's license. The annual contribution by commercial banks into the BDIF will be proportional to the sum of deposits covered by state guarantee that each of them had attracted and the risk profile of the respective bank. **Market Developments:** Domestic stock indices extended their downtrend on Thursday, with the main SOFIX index closing in a negative territory for the fourth session running, to end 0.68% lower at 483.29 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 | 2097.45 | -0.1% | 1.9% | EUR/USD | 1.1314 | -0.5% | -6.5% | UST - 10yr | 2.11 | 0 | -6 | GOLD | 1203 | -0.3% | 1.5% |
| Nikkei 225 | 18332.30 | 0.4% | 5.1% | GBP/USD | 1.5344 | -0.5% | -1.5% | Bund-10yr | 0.38 | 0 | -16 | BRENT CRUDE | 175 | 0.0% | 0.0% |
| STOXX 600 | 381.43 | 0.0% | 11.4% | USD/JPY | 118.74 | 0.2% | 0.8% | JGB - 10yr | 0.39 | 0 | 6 | LMEX | 2723 | -0.2% | -6.6% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | on | 69 | -134 |
| 1-week | 8.83 | 73 | -118 |
| 1-month | 9.10 | 67 | -95 |
| 3-month | 9.48 | 64 | -37 |
| 6-month | 9.72 | 73 | -7 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|----------|----------|
| 3Y RSD | 9.08 | #N/A N/A | 3 |
| 5Y RSD | 10.19 | 0 | 1 |
| 7Y RSD | 11.31 | -1 | 6 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 3.96 | -2 | -30 |
| USD Nov-24 | 6.48 | -1 | -11 |

CDS

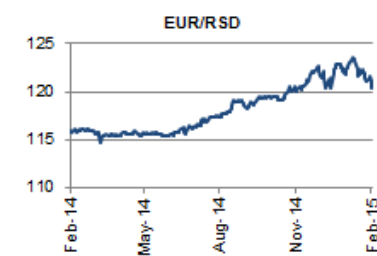
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 265 | 3 | -25 |
| 10-year | 290 | 3 | -66 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 661.2 | -0.23% | -0.88% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RSD | 120.41 | 0.50% | 0.78% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.51 | -4 | -6 |
| 1-month | 0.76 | 3 | -15 |
| 3-month | 1.41 | 0 | -29 |
| 6-month | 1.64 | -2 | -37 |
| 12-month | 1.67 | -2 | -35 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.05 | -1 | -26 |
| 5Y RON | 2.22 | 0 | -49 |
| 10Y RON | 3.04 | -1 | -62 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 1.42 | 3 | -31 |
| USD Aug-23 | 3.43 | 2 | -18 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 115 | 1 | -28 |
| 10-year | 159 | 1 | -28 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 7284.3 | -0.02% | 2.84% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.4522 | -0.14% | 0.70% |



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 | -1 | -3 |
| 12-month | 1.41 | -1 | -10 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 0.42 | 1 | -62 |
| 5Y BGN | 0.70 | 1 | -75 |
| 10Y BGN | 2.01 | 0 | -74 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.69 | -4 | -47 |
| EUR Sep-24 | 2.30 | -6 | -57 |

CDS

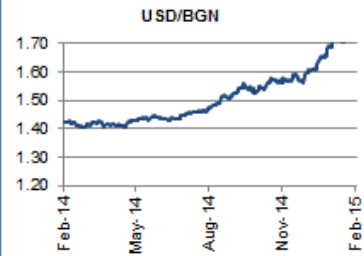
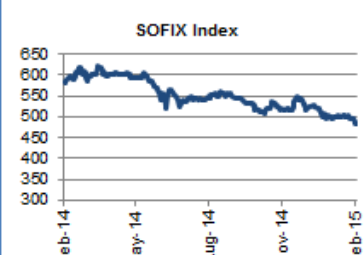
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 180 | 2 | -11 |
| 10-year | 222 | 2 | -19 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 481.2 | -0.42% | -7.83% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.7286 | -0.46% | -6.49% |



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 13:30 EET

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