

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 4, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- February 2
  - Personal income (Dec)
  - Personal spending (Dec)
  - Core PCE deflator (Dec)
  - ISM manufacturing (Jan)
- February 3: Factory orders (Dec)
  - Jobless claims (Jan 24)
  - Pending home sales (Dec)
- February 4
  - ADP employment (Dec)
  - ISM non-manufacturing (Jan)
- February 5: Initial jobless claims (Jan 31)
- February 6
  - NFP payrolls (Jan)
  - U/E rate (Jan)

#### EUROZONE

- February 2: PMI manufacturing (Jan, f)
- February 4: PMI services (Jan, f)
- February 5: EC winter forecasts

#### SEE

##### ROMANIA

- February 2: International reserve assets (Jan)
- February 3: Retail sales (Dec)
- February 4: MPC meeting
- February 6
  - Industrial sales (Dec)
  - Net wages (Dec)

##### BULGARIA

- February 2: International reserve assets (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian stock markets broadly firmed on Wednesday on the back of the recent recovery in oil prices which provided support to energy shares. In FX markets, the USD dollar remained under pressure in European trade on Wednesday and the euro retained a firm tone.

**GREECE:** Greece's Minister of Finance Yanis Varoufakis is scheduled to meet today ECB President Mario Draghi before he meets his German counterpart Wolfgang Schaeuble in Berlin on Thursday. In other news, Eurozone finance ministers are reportedly likely to hold an emergency meeting on February 11th, a day ahead of the next EU Summit, to discuss Mr. Varoufakis's recent proposal for swapping European rescue bonds with growth-linked bonds and replacing ECB-owned bonds with perpetual bonds.

### SOUTH EASTERN EUROPE

**SERBIA:** The Public Debt Administration sold on Tuesday RSD 39bn (€320mn) in local currency 7Y T-Bonds, less than RSD 50bn initially planned.

**ROMANIA:** The National Bank of Romania holds today its MPC meeting, where it is broadly anticipated to announce a 25bps cut which, if delivered, will push the key policy rate to a new record low of 2.25%.

**BULGARIA:** According to Eurostat data, industrial producer prices in Bulgaria declined by 0.9%YoY in December against an EU average of -3.1%.

**CESEE MARKETS:** The majority of **emerging stock markets** rose on Wednesday with energy shares leading the way higher. Meanwhile, **CEE currencies** modestly weakened earlier, ahead of Central Bank MPC meetings in Poland and Romania, expected to conclude later on the day.

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## Latest world economic & market developments

### GLOBAL MARKETS

Asian stock markets broadly firmed on Wednesday on the back of the recent recovery in oil prices which provided support to energy shares. Brent crude prices have rallied by ca 20% since Thursday, bouncing further away from a multi-year lows hit in mid-January. Upbeat quarterly earnings reports and speculation that the People's Bank of China will ease its monetary policy in the imminent future following similar action in Singapore also favoured risk sentiment. In FX markets, the USD dollar remained under pressure in European trade on Wednesday, weighed down by oil-fueled gains in commodity related currencies. Meanwhile, the euro retained a firm tone earlier today after recovering significant ground a session earlier on optimism that Greece's newly elected left-wing government will eventually clinch a deal with official creditors. The EUR/USD hovered around levels of 1.1455/57 at the time of writing, consolidating close to a near 2-week peak of 1.1532 achieved on Tuesday.

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### GREECE

According to international press reports, the ECB is unwilling to approve the Greek government's request for a €10bn temporary increase in the T-bill Issuance ceiling to €25bn so as to facilitate the coverage of general government funding needs over the next three months until a "bridge agreement" with the country's creditors is finally reached. Separately, media reports suggested today that, without a broader agreement attached to certain conditions, Eurozone finance ministers are unlikely to approve the Greek government's request for the disbursement of €1.9bn, the reimbursement of the profits accrued on the Euro system's ANFA and SMP portfolios, part of the €7.2bn loan tranche that would had been released to Greece last year if it had met certain fiscal policy and structural reform conditions. Greece's Minister of Finance Yanis Varoufakis is scheduled to meet today ECB President Mario Draghi before he meets his German counterpart Wolfgang Schaeuble in Berlin on Thursday. In other news, Eurozone finance ministers are reportedly likely to hold an emergency meeting on February 11<sup>th</sup>, a day ahead of the next EU Summit, to discuss Mr. Varoufakis's recent proposal for swapping European rescue bonds with growth-linked bonds and replacing ECB-owned bonds with perpetual bonds. In other news, the ECB meets today and a 2-week renewal of the Emergency Liquidity Assistance (ELA) for all four Greek systemic banks is expected to be a key issue of discussion.

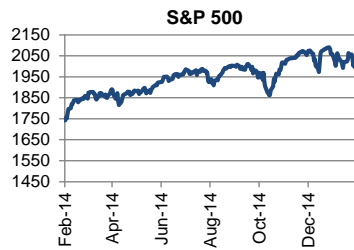
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## Latest developments in the CESEE region

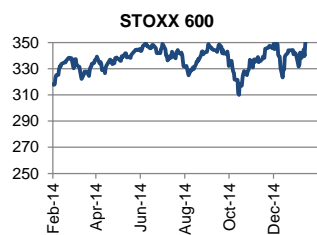
### CESEE markets

The majority of **emerging stock markets** rose on Wednesday with energy shares leading the way higher. **CEE currencies** modestly weakened earlier today, ahead of Central Bank MPC meetings in Poland and Romania, expected to conclude later on the day. The former is broadly anticipated to stay put on interest rates and maintain its key policy rate at the current record low of 2.00%, while the market consensus for NBR is for further monetary easing. The Romanian leu gave back some of its recent gains, with the EUR/RON hovering around levels of 4.4100 at the time of writing, having hit a 5-month trough of 4.3860 earlier in the week. The pair's technical picture suggests that immediate resistance lies at today's peak of 4.4145 ahead of 4.4345 (120-day MA). A retest of the recent lows can not be ruled out entirely, especially if the Central Bank disappoints market expectations for monetary easing.

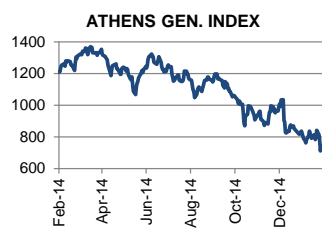
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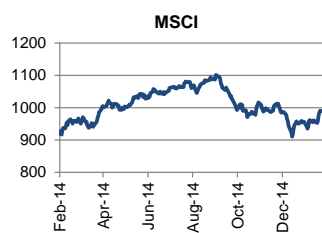
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	8.00	7.00

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

## SERBIA

(Belgrade, 3/2/2015, 16:00 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold on Tuesday RSD 39bn (€320mn) in local currency 7Y T-Bonds, less than RSD 50bn initially planned. The aforementioned tender was the largest RSD amount auctioned over the past five years. Its subscription rate was at 78% and the average accepted yield came in at 12.34%, 35bps above that achieved in a prior auction of similar maturity paper in mid-December. **Market Developments:** Vindicating our expectations, the EUR/RSD extended its recent downtrend on Tuesday on the back of the successful T-bond auction hitting a 1-month trough of 121.15/35 intraday before ending at 121.55/75 at the session's settlement after the Central Bank intervened in the FX markets. In more detail, the NBS purchased €10mn yesterday so as to prevent high daily fluctuations in the FX markets.

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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	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.50	2.25

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

## ROMANIA

(Bucharest, 03/2/2015, 17:20 EET): **Latest Political & Macro Developments:** The National Bank of Romania (NBR) holds today its MPC meeting, where it is broadly anticipated to announce a 25bps cut which, if delivered, will push the key policy rate to a new record low of 2.25%. In addition, or as an alternative to a rate cut, the NBR may opt for a reduction in the minimum reserve requirements ratio on leu-denominated liabilities, which currently stands at 10%. Recall that, after holding its fire in four consecutive meetings since March 2014, the Central Bank resumed its rate-cutting cycle in August last year, having rendered a total of 100bps reductions. The door is open for further monetary easing this year, as inflation stood firmly below the 1.5-3.5% annual official target almost throughout 2014, hitting a record low of 0.66%YoY in June. Also arguing in favour of further rate cuts ahead are lingering risks to the domestic growth outlook and accommodative monetary policies around the globe. **Market Developments:** The EUR/RON closed just above 4.4000 on Tuesday, consolidating near a multi-month low of 4.3860 hit in the prior session, as the leu's recent multi-session rally that resulted in a near 3% cumulative appreciation of the currency vs. the EUR (from Jan 21 lows to Feb 2 highs), appeared to be running out of steam. Similarly, money market rates were little changed on Tuesday, with short term RON rates remaining significantly below the Central Bank's key policy rate of 2.50%. The 1-week implied rate from swaps consolidated near 0.45% and the 1-month rate stood largely unchanged on the day at 0.60%. Government bonds presented a mixed picture on Tuesday, with some profit taking being evident.

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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	
	<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, 3/2/2015, 19:30 CET): **Latest Political & Macro Developments:** According to Eurostat data, industrial producer prices in Bulgaria declined by 0.9%YoY in December against an EU average of -3.1%. It is worth noting that, deflation pressures have broadly persisted since March 2013 (barring a couple of months of positive growth). **Market Developments:** Domestic stock indices traded sideways on Tuesday, to close modestly higher at the session's settlement.

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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	2050.03	1.4%	-0.4%	EUR/USD	1.145	-0.3%	-5.4%	UST - 10yr	1.77	-2	-40	GOLD	1265	0.3%	6.7%
Nikkei 225	17678.74	2.0%	1.3%	GBP/USD	1.5177	0.1%	-2.6%	Bund-10yr	0.34	0	-20	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	370.15	0.0%	8.1%	USD/JPY	117.31	0.2%	2.0%	JGB - 10yr	0.38	2	5	LMEX	2774	2.1%	-4.8%

**SEE MARKETS**

**SERBIA**

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-21	-259
1-week	7.56	-21	-245
1-month	8.08	-6	-197
3-month	8.39	-5	-146
6-month	8.62	1	-117

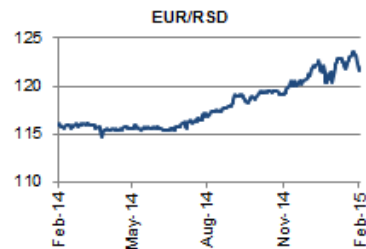
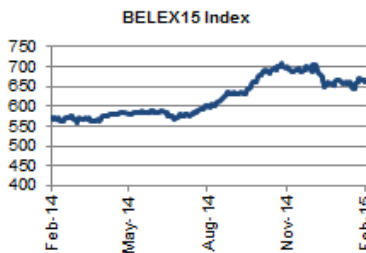
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.21	-1	17
5Y RSD	10.15	0	-3
7Y RSD	11.24	0	-1

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.76	0	-50
USD Nov-24	6.48	0	0

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	300	16	10
10-year	328	15	-26

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	662.1	0.08%	-0.74%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	121.94	-0.19%	-0.49%



**ROMANIA**

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-3	-2
1-month	0.69	0	-22
3-month	1.47	-1	-23
6-month	1.67	-2	-34
12-month	1.72	-2	-30

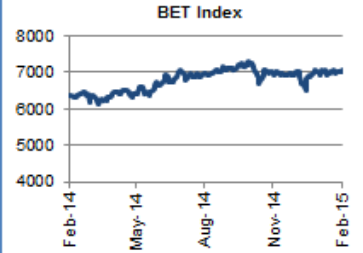
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	-3	-45
5Y RON	2.07	-1	-64
10Y RON	2.64	-1	-102

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.34	-1	-39
USD Aug-23	3.09	-4	-53

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	119	-1	-23
10-year	165	3	-22

STOCKS			
	Last	ΔD	ΔYTD
BET	7070.3	0.58%	-0.18%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4123	-0.09%	1.61%



**BULGARIA**

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.41	0	-3
6-month	0.78	0	-2
12-month	1.47	0	-3

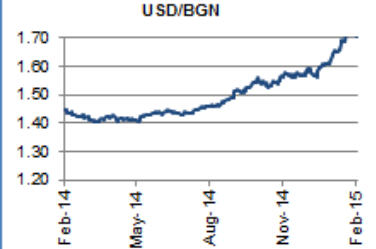
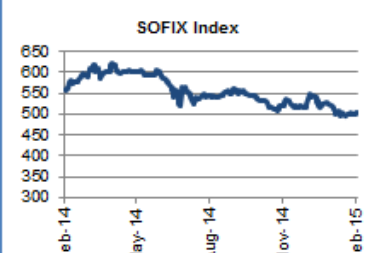
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	-1	-64
5Y BGN	0.65	-2	-79
10Y BGN	2.06	0	-69

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.74	6	-42
EUR Sep-24	2.22	37	-64

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	188	-7	-3
10-year	232	-11	-9

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	504.4	0.62%	-3.38%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7082	-0.25%	-5.37%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:30 EET

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