

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 11, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- March 12
 - Retail sales (Feb)
 - Initial jobless claims (Mar. 6)
- March 13
 - UoM consumer confidence (Mar, p)

EUROZONE

- March 9: ECB launches QE programme
- March 9-10: Eurogroup/ECOFIN meetings

SEE

SERBIA

- March 12
 - HICP (Feb)
 - MPC meeting

ROMANIA

- March 9: RON 500mn 4.75% 2019 T-bonds auction
- March 10
 - Industrial sales (Jan)
 - Wages (Jan)
 - CPI (Feb)
- March 11: Industrial output (Jan)
- March 12
 - Trade balance (Jan)
 - 4.75% 2025 T-bonds auction

BULGARIA

- March 9
 - Industrial output (Jan)
 - Retail sales (Jan)
- March 9 – 13: U/E rate (Feb)
- March 12: Trade balance (Jan)
- March 13: CPI (Feb)
-

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In FX markets, the USD retained a firm tone in European trade on Wednesday with the DXY index hitting a fresh 12-year peak amid increased expectations that the Fed may embark on a tightening cycle earlier than expected.

GREECE: Talks on a technical level between the domestic authorities and the institutions on Greece's proposed reform measures will commence in Brussels today while it is reportedly unclear when the institutions' technical teams will arrive in Athens. As a reminder, the Eurogroup of March 9 decided 'technical level' discussions between the Greek authorities and the institutions to commence in Brussels on Wednesday, March 11 while joint technical teams from the institutions would be welcomed in Athens as of the same day, with a view to support the process for a successful completion of the review.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold in an auction on Tuesday just 20% of the planned RSD 10bn RSD-denominated 1-year T-Bills, at an average accepted yield of 8.40%.

ROMANIA: In line with the market's median forecast consumer inflation came in at a new record low of 0.40%YoY in February, remaining nearly unchanged from January's reading.

BULGARIA: Bucking the broadly negative trend in emerging stock markets, domestic bourses inched up on Tuesday with blue-chips leading the way higher.

CESEE MARKETS: With the recent upbeat NFP report still in investors' ears, the majority of **emerging market bourses** extended this week's losses earlier today on revived global growth concerns after industrial production data from China disappointed expectations. On the other hand, most **CESEE indices** stood in the black in European trade and **regional currencies** broadly firmed recouping part of the losses recorded yesterday. In the **local rates markets**, government bonds also recovered some ground, on the perception that there is still room for further rate cuts by several Central Banks in the region. The recently launched ECB QE programme also provided support.

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Latest world economic & market developments

GLOBAL MARKETS

Halting a two-session falling streak, major European bourses were firmer in early trade on Wednesday supported by the launch of the ECB's expanded asset purchases program earlier this week. In FX markets, the USD retained a firm tone with the DXY index hitting a fresh 12-year peak of 99.205 earlier today amid increased expectations that the Fed may embark on a tightening cycle earlier than expected following last week's upbeat non-farm payrolls report for February. Focus is on the FOMC policy meeting next week (March 17-18) where the Central Bank is expected to drop its "patient" language, a development that, if realized, could open the door for higher interest rates in the coming months, provided that the US economy remains on a recovery path.

GREECE

Talks on a technical level between the domestic authorities and the institutions on Greece's proposed reform measures will commence in Brussels today while it is reportedly unclear when the institutions' technical teams will arrive in Athens. As a reminder, the Eurogroup of March 9 decided 'technical level' discussions between the Greek authorities and the institutions to commence in Brussels on Wednesday, March 11 while joint technical teams from the institutions would be welcomed in Athens as of the same day, with a view to support the process for a successful completion of the review. Greece will be represented in Brussels by Nikos Theoharakis, Finance Ministry's Secretary General of Fiscal Policy, and Giorgos Houliarakis, Chairman of the Council of Economic Advisors (SOE). On the data front, Greece's Harmonized Index of Consumer Prices (HICP) dropped by 1.9%YoY in January following a 2.8%YoY decline in the prior month, remaining below the euro area average for the 44th consecutive month. The breakdown of the data showed that the biggest declines were recorded in housing and transport sub-components which fell by 7.7%YoY and 3.8%YoY respectively.

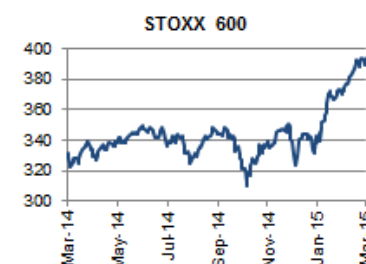
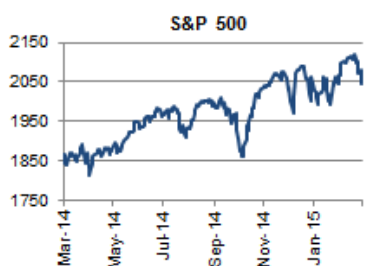
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Latest developments in the CESEE region

CESEE markets

With the recent upbeat NFP report still in investors' ears, the majority of **emerging market bourses** extended this week's losses earlier today on revived global growth concerns after industrial production data from China disappointed expectations. The MSCI Emerging Markets Index stood in a negative territory (-0.3%) for the ninth session running at the time of writing. On the other hand, most **CESEE indices** stood in the black in European trade and **regional currencies** broadly firmed recouping part of the losses recorded yesterday. The Turkish lira led the rebound receiving additional support from January's current account deficit data which showed a significant improvement. Against this backdrop, the USD/TRY hovered around levels of 2.6105 at the time of writing having eased from a near record high of 2.6460 hit in the prior session. Today's meeting between President Tayyip Erdogan, CBT Governor Erdem Basci and Deputy Prime Minister Ali Babacan, expected to take place at 14.45 GMT and to reportedly focus on the lira's recent weakening, may set the tone for the Turkish currency in the coming sessions. In the **local rates markets**, government bonds also recovered some ground, on the perception that there is still room for further rate cuts by several Central Banks in the region. The recently launched ECB QE programme also provided support. Market attention today is also on the IMF decision over a \$17.5bn 4-year financial aid deal for Ukraine.

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Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-1.8	-0.5
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-6.5	-7.1	-5.5
Current Account/GDP	-6.1	-6.1	-4.6
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.50

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

SERBIA

(Belgrade, 10/3/2015, 17:20 CET): **Latest Political & Macro Developments:** A day after the well received 1-year EUR-denominated T-bond auction, a tender of 1-year RSD paper on Tuesday saw little demand, with the Public Debt Administration selling just 20% of the planned RSD 10bn. The average accepted yield came in at 8.40%, 5bps lower than that achieved at a prior auction of similar maturity paper held a month and a half ago. **Market Developments:** The EUR/RSD closed modestly lower at 120.75/120.95 on Tuesday, after failing to break above the upper bound of its recent trading range of 119.90-121.00, continuing to trade sideways as caution prevails ahead of Thursday's CPI and MPC meeting, where a 0.25-0.50% cut in the key policy rate appears to be on the cards.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
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	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.25	2.00

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

ROMANIA

(Bucharest, 10/3/2015, 18:00 EET): **Latest Political & Macro Developments:** In line with the market's median forecast consumer inflation came in at a new record low of 0.40%YoY in February, remaining nearly unchanged from January's 0.41%YoY reading. The breakdown of the data showed that food prices continued to decline for the fourth month running, while price pressures remained relatively subdued in non-foods (+0.65%YoY) as well as services (+1.53%YoY). In all, the data supports the view for further measured easing of monetary conditions as annual CPI remains firmly below the NBR's 2.5+/-1% inflation target. Furthermore, core inflation pressures are still relatively weak, while risks to the domestic growth outlook linger. RON's recovery since late January, also argues in favour of a 25bps cut at the upcoming MPC meeting on March 31st. **Market Developments:** The EUR/RON was little changed on Tuesday, remaining bound within its recent trading range of 4.4400/500. In money markets, near term rates stayed close to the deposit facility rate of 0.25%, while the 3-12 month implied rates from swaps drifted some 15bps higher on the day. In line with the negative regional trend, government bonds remained under pressure on profit taking. The yield curve moved another 10bps higher for paper of 5-10 year maturity, while that of shorter tenure fared better on the back of cheap RON funding.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	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, 10/3/2015, 17:30 EET): **Latest Political & Macro Developments:** According to Eurostat data, Bulgaria is one of the three European countries to have already reached their 2020 target on renewable energy consumption. The country's share of renewables has been firmly growing over the last years reaching 19% in 2013 against a national target level of 16% and an EU average of 15%. **Market Developments:** Bucking the broadly negative trend in emerging stock markets, domestic bourses inched up on Tuesday with blue-chips leading the way higher. The main SOFIX index was among the main outperformers closing 0.5% higher to 479.49 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	2044.16	-1.7%	-0.7%	EUR/USD	1.0615	-0.8%	-12.3%	UST - 10yr	2.14	1	-3	GOLD	1160	-0.2%	-2.1%
Nikkei 225	18723.52	0.3%	7.3%	GBP/USD	1.5051	-0.1%	-3.4%	Bund-10yr	0.23	0	-31	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	393.78	1.1%	15.0%	USD/JPY	121.45	-0.3%	-1.5%	JGB - 10yr	0.42	-5	9	LMEX	2699	-1.7%	-7.4%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-59	-148
1-week	8.86	-50	-115
1-month	9.34	-33	-71
3-month	9.63	-27	-22
6-month	9.73	-24	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.48	10	43
5Y RSD	10.11	0	-7
7Y RSD	11.25	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.69	3	-57
USD Nov-24	6.44	1	-15

CDS

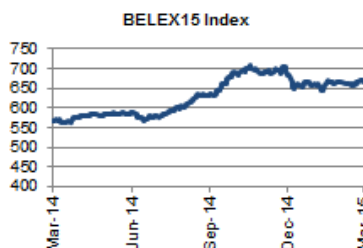
	Last	ΔDbps	ΔYTD bps
5-year	269	0	-21
10-year	294	-1	-62

STOCKS

	Last	ΔD	ΔYTD
BELEX15	665.1	-0.18%	-0.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.90	0.02%	0.37%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.6	-1	3
1-month	0.75	1	-16
3-month	1.32	-1	-38
6-month	1.57	0	-44
12-month	1.63	0	-39

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.09	1	-22
5Y RON	2.33	0	-38
10Y RON	3.12	-1	-54

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.35	4	-38
USD Aug-23	3.47	4	-14

CDS

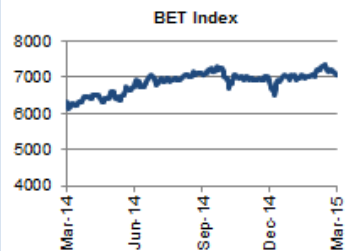
	Last	ΔDbps	ΔYTD bps
5-year	108	3	-35
10-year	151	3	-36

STOCKS

	Last	ΔD	ΔYTD
BET	7079.6	0.10%	-0.05%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4453	0.02%	0.86%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-6
3-month	0.36	0	-7
6-month	0.73	0	-7
12-month	1.31	1	-19

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-63
5Y BGN	0.67	0	-78
10Y BGN	1.87	0	-88

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.62	-4	-54
EUR Sep-24	2.17	-20	-69

CDS

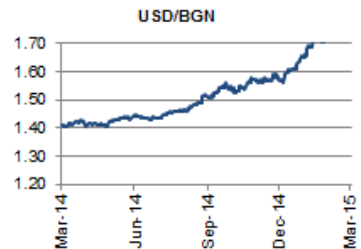
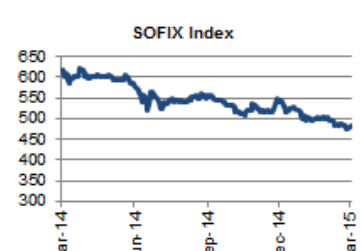
	Last	ΔDbps	ΔYTD bps
5-year	178	4	-13
10-year	226	3	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	481.7	0.46%	-7.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8425	-0.78%	-12.27%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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