

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 25, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- February 23: Existing home sales (Feb)
  - NAHB Index (Feb)
- February 24
  - Case Shiller house price index (Dec)
  - Consumer Conf (Feb)
  - Fed Chair Yellen testifies to Senate Banking Committee
- February 25
  - Fed Chair Yellen testifies to Senate Banking Committee
  - New home sales (Feb)
- February 26
  - Initial jobless claims (Feb. 21)
  - Durable goods (Jan)
  - CPI (Jan)
- February 27
  - GDP (Q4, 2<sup>nd</sup>)
  - Chicago PMI (Feb)
  - UoM cons sent (Feb, f)
  - Pending home sales (Jan)

### EUROZONE

- February 23: Germany's Ifo business climate (Feb)
- February 24: HICP (Jan, f)
- February 25: ECB President Draghi testifies to the European Parliament

### SEE

#### SERBIA

- February 23: HICP (Jan)
- February 25: Gross wages (Jan)
- February 27
  - Industrial prod (Jan)
  - GDP (Q4, f)

#### BULGARIA

- February 27
  - Gross external debt (Dec)
  - Budget balance (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The USD was modestly weaker in early European trade on Wednesday amid increased expectations that the Fed will probably not rush to push interest rates higher.

**GREECE:** In a Eurogroup meeting that took place via teleconference y-day, euro area finance ministers approved a first list of reforms the Greek government submitted to the intuitions shortly after midnight on Monday, as part of the February 20 Eurogroup decision for a four month extension of Greece's present Master Financial Assistance Facility Agreement (MFFA). With this hurdle out of the way, the Greek government now shifts its focus on ensuring adequate coverage for the State's considerable funding needs in the weeks ahead taking into consideration that, as suggested by the Feb. 20 Eurogroup statement, any disbursement of the available commitments to Greece under the present bailout arrangement would require its successful conclusion and be subject to approval by the Eurogroup.

### SOUTH EASTERN EUROPE

**SERBIA:** The National Bank of Serbia issued a decree on Tuesday, asking commercial banks to provide more favourable terms to borrowers of CHF-denominated loans.

**BULGARIA:** According to the latest National Bank of Bulgaria monetary statistics, deposits of the non-government sector rose by 2.4%YoY in January, while total loans fell by 8.4%YoY.

**CESEE MARKETS:** Most **emerging stock markets** and **CEE currencies** firmed in early European trade on Wednesday after Fed Chair Yellen signaled at her semi-annual testimony before the US Senate's Banking Panel yesterday that the US Central Bank is in no rush to incept its rate-hiking cycle. In a similar vein, **government bonds** strengthened receiving additional support from Central Bank monetary easing expectations.

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## Latest world economic & market developments

### GLOBAL MARKETS

The USD was modestly weaker in early European trade on Wednesday amid increased expectations that the Fed will probably not rush to push interest rates higher. Testifying before the US Senate's Banking Panel y-day, FOMC Chairman Janet Yellen supported the view that the Central Bank is about to proceed to the necessary adjustment in its forward guidance in order to prepare markets for higher interest rates sometime later this year. However, as she also suggested, a modification of the forward guidance should not be read as indicating that rate hikes will be imminent, but such a development will remain data-dependent. In the absence of key data releases across the globe today, range trading will likely prevail.

### GREECE

In a Eurogroup meeting that took place via teleconference y-day, euro area finance ministers approved a first list of reforms the Greek government submitted to the intuitions shortly after midnight on Monday, as part of the February 20 Eurogroup decision for a four month extension of Greece's present Master Financial Assistance Facility Agreement (MFFA). As also suggested by the said statement, euro area finance ministers' approval will open the way for several euro area Parliaments (Germany, Finland, Malta, Austria, Slovakia, Estonia) to proceed with the required parliamentary procedure to ratify the four month extension of Greece's loan arrangement with official creditors. With this hurdle out of the way, the Greek government now shifts its focus on ensuring adequate coverage for the State's considerable funding needs in the weeks ahead taking into consideration that, as suggested by the Feb. 20 Eurogroup statement, any disbursement of the available commitments to Greece under the present bailout arrangement (i.e., last EFSF loan tranche of c. €1.8bn and transfer of c. €1.9bn of SMP profits accrued in 2014) would require its successful conclusion and be subject to approval by the Eurogroup. The next major financial hurdle for Greece comes in the following month, when it needs to make four principal payments to the IMF amounting to c. €1.5bn in total. Among other, Greece also needs to cover budgetary expenditure, reportedly amounting ca €2.5bn per month, including public sector salary payments as well as social security costs.

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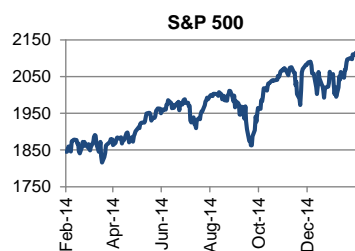
## Latest developments in the CESEE region

### CESEE markets

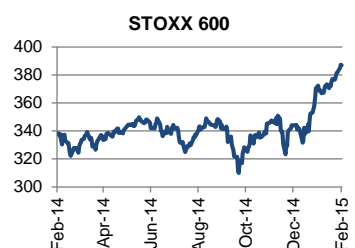
**Emerging stock markets** firmed in early trade on Wednesday after Fed Chair Yellen signaled at her semi-annual testimony before the US Senate's Banking Panel yesterday that the US Central Bank is in no rush to incept its rate-hiking cycle. The MSCI Emerging Markets index rose by ca 0.8% at the time of writing, standing close to a near 3-month peak hit earlier in the session. In a similar vein, **CEE currencies** broadly firmed. The Turkish lira firmed to a multi-session high of 2.4490 in Asia, favoured by Fed Chair Yellen's comments. The Central Bank's largely-priced-in decision yesterday to ease further monetary policy conditions appeared to have a rather limited impact. The CBT cut its overnight borrowing and benchmark (1-week repo) rates by 25bps each to 7.25% and 7.50%, respectively and the overnight lending rate by 50bps to 10.75%. The Hungarian forint was relatively flat, hovering around levels of 305.20/40 in European trade, largely unfazed by yesterday's MNB's decision which vindicated market expectations about stable interest rates at the current record low of 2.10% (key policy rate).

**Government bonds** extended their recent gains earlier today, with the corresponding 2-year Turkish benchmark yield sliding 14bps lower at 7.94%.

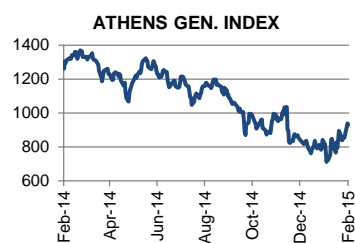
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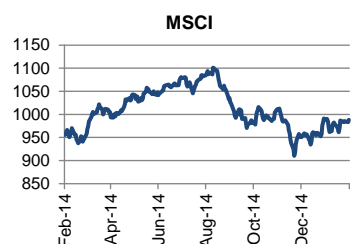
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Credit Ratings		
	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

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	-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

(Belgrade, 25/2/2015, 00:00 CET): **Latest Political & Macro Developments:** The National Bank of Serbia issued a decree on Tuesday, asking commercial banks to provide more favourable terms to borrowers of CHF-denominated loans. According to the statement, banks will be given 30 days to offer clients four different models of re-pricing their outstanding debts. These options include, conversion of CHF-denominated to EUR-indexed loans with a 5% discount or at an interest rate lower than that on regular euro-denominated loans, reduction of interest rate on CHF-indexed loans by 1ppt p.a. with the possibility of maturity extension as well as a 20% reduction on monthly payments of CHF-denominated loans and 12 months repayment period extension. The measure is anticipated to ease the financial strain of borrowers that hold Swiss franc indexed loans and limit an increase in NPLs, without significantly affecting commercial banks' balance sheets. Recall that, more than 30% of total mortgages in Serbia are denominated in CHF. **Market Developments:** The EUR/RSD closed little changed on Tuesday at 120.10/30, after the Central Bank intervened anew in the FX markets purchasing an approximate amount of €40mn in order to alleviate downside pressures on the cross. Looking ahead, the upcoming 3-year T-bond auction scheduled to take place on Thursday is likely to set the tone for the dinar's direction over the coming days.

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## BULGARIA

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

(Sofia, 24/2/2015, 17:10 CET): **Latest Political & Macro Developments:** According to the latest National Bank of Bulgaria (BNB) monetary statistics, deposits of the non-government sector rose by 2.4%YoY in January to BGN 58.950bn. Contrarily, total loans fell by 8.4%YoY to BGN 49.909bn, following an 8.2%YoY drop in the previous month. The breakdown of the data showed that the highest decrease was recorded on loans granted to non-financial and financial institutions (-11.9%YoY and -5%YoY, respectively), followed by households (-2%YoY). Meanwhile, non-performing and restructured loans (EUR 4.768bn) as share of total loan portfolio (excluding financial institutions and overdrafts) increased by 1.86 percentage points to 24.53% in January. In other news, according to Eurostat data deflation pressures in the domestic economy persisted in January, with HICP declining for the 18<sup>th</sup> month running, marking a 2.3%YoY fall after a 2.0%YoY drop in December. This was the second highest rate of negative annual inflation in EU, which compares with EU average standing at -0.5%. **Market Developments:** The domestic stock market extended Monday's losses on Tuesday, with the main SOFIX index closing 0.46% lower at 482.47 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	2115.48	0.3%	2.7%	EUR/USD	1.1368	0.2%	-6.0%	UST - 10yr	1.95	-3	-22	GOLD	1209	0.7%	2.0%
Nikkei 225	18585.20	-0.1%	6.5%	GBP/USD	1.5519	0.4%	-0.4%	Bund-10yr	0.34	-3	-20	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	386.88	-0.1%	12.9%	USD/JPY	118.74	0.2%	0.8%	JGB - 10yr	0.34	-4	1	LMEX	2732	1.6%	-6.2%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	44	-41
1-week	9.84	36	-17
1-month	9.98	45	-7
3-month	10.06	25	21
6-month	10.31	21	52

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.14	0	9
5Y RSD	10.18	0	0
7Y RSD	11.28	0	3

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.57	-16	-69
USD Nov-24	6.41	-2	-18

## CDS

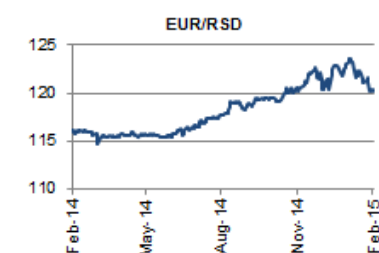
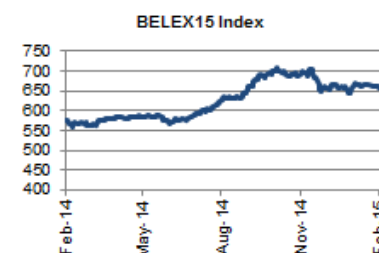
	Last	ΔDbps	ΔYTD bps
5-year	261	0	-29
10-year	290	0	-66

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	657.6	0.18%	-1.41%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.34	-0.08%	0.84%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.65	0	8
1-month	0.73	0	-18
3-month	1.38	-2	-32
6-month	1.63	-1	-38
12-month	1.67	-1	-35

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.98	-4	-33
5Y RON	2.16	-4	-55
10Y RON	2.93	-6	-73

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.37	0	-36
USD Aug-23	3.29	-11	-32

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	108	-8	-35
10-year	151	-9	-36

## STOCKS

	Last	ΔD	ΔYTD
BET	7295.2	-0.33%	3.00%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.428	0.35%	1.25%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.38	-1	-6
6-month	0.76	-1	-4
12-month	1.40	0	-10

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.44	0	-60
5Y BGN	0.70	0	-74
10Y BGN	1.94	0	-81

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.66	-1	-50
EUR Sep-24	2.25	5	-62

## CDS

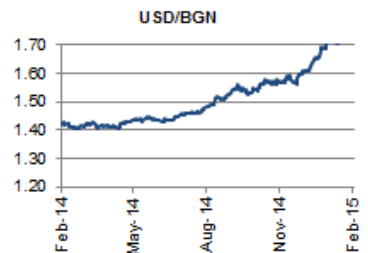
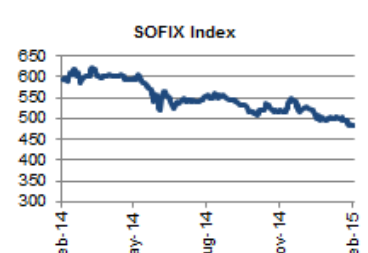
	Last	ΔDbps	ΔYTD bps
5-year	176	-3	-15
10-year	217	-3	-23

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	481.2	-0.27%	-7.84%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7205	0.24%	-6.04%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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