

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 27, 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, 2nd)
 - 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 retained a firm tone in European trade on Friday favoured by hawkish comments by a couple of FOMC members y-day which supported the view that the Central Bank may embark on a tightening cycle earlier than expected.

GREECE: Halting a two-month declining trend, the **Economic Sentiment Indicator** for Greece improved in February coming in at 98.2 from a near one-year low of 95.3 in January. The breakdown of the report showed that the February improvement was driven by the Consumer Confidence Indicator which advanced to the highest level in near five years.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold on Thursday 96.08% of the planned RSD 50bn in 3-year RSD-denominated T-bonds.

ROMANIA: The EUR/RON remained trapped within a tight range of 4.4220-4.4300 on Thursday.

BULGARIA: Domestic stock indices closed in the black for the second session running on Thursday, favoured by the Parliamentary approval of an €8bn government new debt sale plan for the next three years.

CESEE MARKETS: **Emerging stock markets** broadly retreated in early trade on Friday, on mounting market expectations that the Fed may embark on a monetary tightening cycle earlier than currently expected. Meanwhile, **CESEE currencies** and **government bonds** were mixed.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

The USD retained a firm tone in European trade on Friday favoured by hawkish comments by a couple of FOMC members y-day which supported the view that the Central Bank may embark on a tightening cycle earlier than expected. Furthermore, US January's durable orders surprised positively and core CPI rose by 0.2%mom in the same month, the highest pace of increase in the last three months. Focus today is on January's Chicago PMI and February's UM consumer sentiment index, both likely to show a further improvement. The second estimate for US Q4 GDP is expected to show a downward revision to 2.1%qoq annualized from 2.6% previously, but it seems unlikely that such a development could be enough to negate the USD's current positive momentum in view of the divergence in the Fed's monetary policy stance compared to that of most major CBs.

GREECE

Halting a two-month declining trend, the **Economic Sentiment Indicator** for Greece improved in February coming in at 98.2 from a near one-year low of 95.3 in January. The breakdown of the report showed that the February improvement was driven by the Consumer Confidence Indicator which advanced to the highest level in near five years. Separately, according to the most recent Bank of Greece data showed that euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in January for the fourth month in a row mainly due to domestic political uncertainty ahead of the January 25 general election. Specifically, private sector deposits fell by €12.24bn coming in at ca €148.04bn, the lowest level since mid-2005. In other news, presenting the Bank of Greece 2014 Annual Report, Governor Yiannis Stournaras urged the Greek government to continue negotiations with EU partners "in a spirit of cooperation and trust" so that a mutual beneficial agreement will be reached soon, a key precondition for the Greek economy to continue recovering. He also underlined the issue of non-performing loans, which are expected to have reached 34.2% of total loans in September 2014, compared to 31.9% in end-2013, to be addressed.

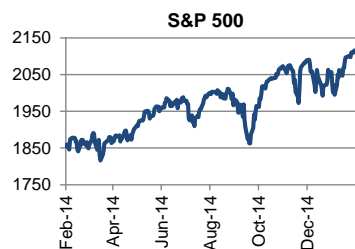
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

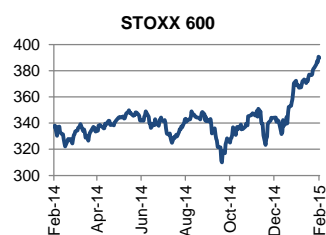
CESEE markets

Emerging stock markets broadly retreated in early trade on Friday, on mounting market expectations that the Fed may embark on a monetary tightening cycle earlier than currently expected. **CESEE currencies** presented a mixed picture, with Ukraine's hryvnia regaining significant ground from a new lifetime low of 34/USD hit earlier in the session, receiving support from Central Bank intervention in the FX markets aimed at halting the domestic currency's steep depreciation trend. The Hungarian forint hovered around a new 9-month high near 302.30/EUR hit earlier in the session, favoured by strong demand for government bonds amid persisting expectations for further monetary easing ahead. The Turkish lira eased to a new record low of 2.5170/USD earlier today, weighed down by mounting expectations for additional rate cuts ahead and President Tayyip Erdogan's comments on Wednesday criticizing the Central Bank's monetary policy. Elsewhere, **government bonds** were mixed earlier today. Hungarian paper broadly outperformed its regional peers on increasing monetary easing expectations, with the corresponding 3-year yield easing by 8bps to a new record low of 1.98%.

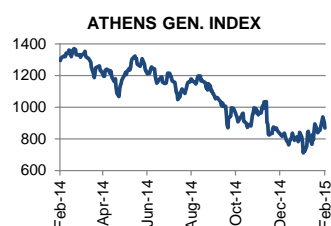
gphoka@eurobank.gr



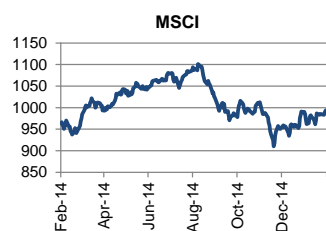
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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	-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

SERBIA

(Belgrade, 26/2/2015, 16:10 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold on Thursday 96.08% of the planned RSD 50bn in 3-year RSD-denominated T-bonds, which bore a 10% annual coupon. The auction produced a yield of 9.70%, which came in line with that achieved at a prior auction of similar maturity paper held three months ago. Taking into account the auction's good results, an increase in the amount of government securities the debt agency plans to tender in March is on the cards. According to the current schedule, the Public Debt Administration plans to sell RSD 33bn in four RSD-denominated auctions next month. **Market Developments:** The EUR/RSD closed little changed at 120.20/40 on Thursday, slightly above a 3-month low near 119.70 hit earlier in the week, as the dinar's recent rally ahead of Thursday's 3-year T-bond auction ran out of steam. Looking ahead, we anticipate a retracement of the pair in the short-term (1-2 weeks ahead). In support of the aforementioned, demand for dinars appears to be waning post-auction as the tender's good result seems to have been fully priced in, while consistent interventions in the FX markets by the National Bank of Serbia (both in cases of excessive demand or supply of hard currency) are likely to discourage EUR/RSD-bears.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

Djordje.Lucic@eurobank.rs

gphoka@eurobank.gr

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, 27/2/2015, 10:00 EET): The EUR/RON remained trapped within a tight range of 4.4220-4.4300 on Thursday. Meanwhile, the money market curve (in swaps) closed little changed in thin trade volumes, at mid-implied levels of 0.70%, 0.75%, 1.05% and 1.40%, respectively, for 1, 3, 6 and 12-month swaps. On the flipside, government bond yields moved about 5bps lower across the board, with those of 3, 5 and 10-year paper ending at respective mid-levels of 1.95%, 2.32% and 3.03%. In other news, the Ministry of Finance published yesterday March's government bond auction schedule, with the total planned amount to be issued next month estimated at RON 3.1bn (RON 1.5bn in 3 and 12 month Treasury bills and RON 1.6bn in bonds with tenors of 3, 5, 7 and 10 years).

Romulus-Daniel.Georgescu@bancpost.ro

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	
	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, 26/2/2015, 17:10 EET): **Market Developments:** Domestic stock indices closed in the black for the second session running on Thursday, favoured by the Parliamentary approval of an €8bn government new debt sale plan for the next three years. The ratification was backed by 161 MPs in the 240-seat National Assembly, with the minority government receiving additional support from the left-wing Alternative for Bulgarian Revival (ABV) and by the two opposition parties Movement for Rights and Freedoms (DPS) and Bulgarian Democratic Centre (BDC). The plan envisions a maximum bond maturity of 30 years and a yield ceiling of 10%, while the funds generated will be used to repay €6bn of debt maturing in the period 2015 – 2017, €3.5bn of which is due this year, as well as for the coverage of budget deficit and maintenance of the fiscal reserves. According to Finance Minister Vladislav Goranov, the first bond sale will be carried out in the first half of the year and another one in the autumn.

VBoteva@postbank.bg

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	2110.74	-0.1%	2.5%	EUR/USD	1.1231	0.3%	-7.2%	UST - 10yr	2.04	1	-13	GOLD	1206	-0.3%	1.8%
Nikkei 225	18797.94	0.1%	7.7%	GBP/USD	1.5405	0.0%	-1.1%	Bund-10yr	0.34	4	-20	BRENT CRUDE	174	0.0%	-0.7%
STOXX 600	389.91	-0.2%	13.8%	USD/JPY	119.38	0.0%	0.3%	JGB - 10yr	0.34	-1	1	LME X	2757	1.2%	-5.4%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	19	-19
1-week	9.87	6	-14
1-month	10.05	8	0
3-month	10.13	5	28
6-month	10.24	7	45

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.25	-2	21
5Y RSD	10.09	0	-9
7Y RSD	11.25	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.32	-3	-94
USD Nov-24	6.40	0	-19

CDS

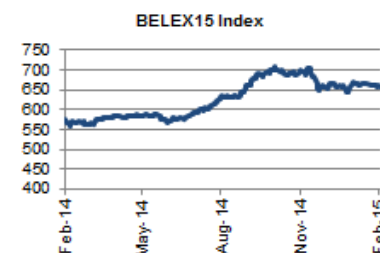
	Last	ΔDbps	ΔYTD bps
5-year	265	0	-25
10-year	293	-1	-63

STOCKS

	Last	ΔD	ΔYTD
BELEX15	659.3	-0.24%	-1.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.24	0.20%	0.92%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.71	5	14
1-month	0.78	2	-13
3-month	1.38	-2	-32
6-month	1.62	0	-39
12-month	1.67	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	0	-39
5Y RON	2.09	0	-62
10Y RON	2.83	0	-83

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.30	-1	-43
USD Aug-23	3.20	-1	-41

CDS

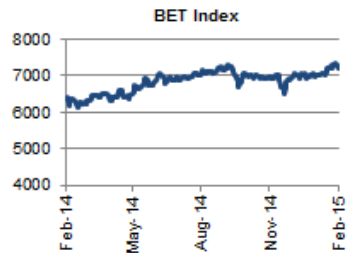
	Last	ΔDbps	ΔYTD bps
5-year	107	0	-36
10-year	150	0	-37

STOCKS

	Last	ΔD	ΔYTD
BET	7208.9	0.21%	1.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.438	-0.16%	1.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-5
3-month	0.37	0	-7
6-month	0.73	0	-6
12-month	1.38	0	-12

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.43	0	-60
5Y BGN	0.69	-1	-76
10Y BGN	1.96	0	-79

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.65	-1	-51
EUR Sep-24	2.24	-36	-62

CDS

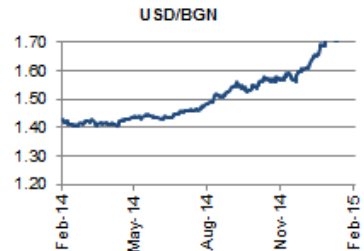
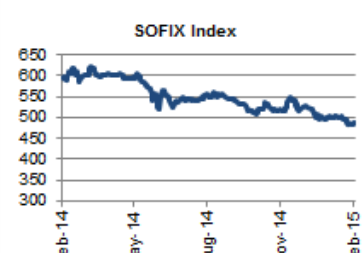
	Last	ΔDbps	ΔYTD bps
5-year	171	-4	-20
10-year	212	-5	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	487.2	0.24%	-6.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7417	0.29%	-7.19%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Romulus-Daniel Georgescu

Senior Dealer

+4021 3656292

romulus-daniel.georgescu@bancpost.ro

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Anna Dimitriadou: Economic Analyst

adimitriadou@eurobank.gr, +30 210 37 18 793

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Market International

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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>