

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 2, 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:** The majority of European bourses were modestly weaker in early trade on Monday amid renewed concerns about the growth prospects of the world's second largest economy. The latest bout of risk aversion favored the safe-haven appeal of the JPY while commodity-related currencies, including the AUD, remained under pressure.

**GREECE:** Speaking in a joint press conference after his meeting with his French counterpart Michel Sapin in Paris on Sunday evening, Greece's Minister of Finance Yianis Varoufakis was quoted as saying that the Greek government is calling for a "breathing space" until the end of February to finalize its detailed proposals on reforms, the humanitarian crisis and public debt. On his part, France's Minister of Finance seemed to share the view over the need of a "new contract" in the form of pro-growth policies. Along similar lines, US President Barack Obama was quoted as saying in an interview to CNN y-day that "austerity is not effective" and that "at some point there must be a strategy of growth".

### SOUTH EASTERN EUROPE

**SERBIA:** Real GDP fell by 1.6%YoY in Q4 2014, according to the flash estimate, with the pace of annual decline lessening from a 3.6%YoY drop registered in the prior quarter.

**BULGARIA:** According to the latest NSI data, the Producer Price Index on Domestic Market declined by 0.9%YoY in December, reversing a 2-month positive trend witnessed in October and November.

**CESEE MARKETS:** The majority of **emerging stock markets** fell in European trade on Monday amid renewed global growth concerns in the wake of downbeat macroeconomic data from China. On the other hand, **regional currencies** broadly firmed, favoured by the USD's modest weakening.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of European bourses were modestly weaker in early trade on Monday amid renewed concerns about the growth prospects of the world's second largest economy following news that China's PMI HSBC/PMI for the manufacturing sector dropped below the 50 threshold in January for the first time in over 2 years. The latest bout of risk aversion favored the safe-haven appeal of the JPY while commodity-related currencies, including the AUD, remained under pressure. On the data front, focus this week is on the US non-farm payrolls report for January, due on Friday, which is expected to show an increase in the headline above 200k for the twelfth consecutive month.

### GREECE

Speaking in a joint press conference after his meeting with his French counterpart Michel Sapin in Paris on Sunday evening, Greece's Minister of Finance Yianis Varoufakis was quoted as saying that the Greek government is calling for a "breathing space" until the end of February to finalize its detailed proposals on reforms, the humanitarian crisis and public debt. Upon completion of the said proposals, the Greek minister said that he plans to hold discussions with institutions for the creation of a new "social contract" aiming to complete the whole process by end-May. Mr. Varoufakis added that "for that period, we are not going to ask for any more loans" and that "it is perfectly possible in conjunction with the ECB to establish the liquidity provisions that are necessary". On his part, the French Minister of Finance seemed to share the view over the need of a "new contract" in the form of pro-growth policies. Along similar lines, US President Barack Obama was quoted as saying in an interview to CNN y-day that "austerity is not effective" and that "at some point there must be a strategy of growth". The Greek Minister of Finance is scheduled to meet with the UK Chancellor later today and the Italian MinFin tomorrow. On the data front, the volume of retail trade dropped by 1.5%YoY in November marking the first decline in the last five months. The corresponding turnover index also dropped in the same month, -1.6%YoY, outpacing a 0.8%YoY increase recorded in the prior month.

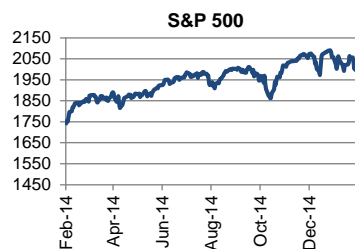
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## Latest developments in the CESEE region

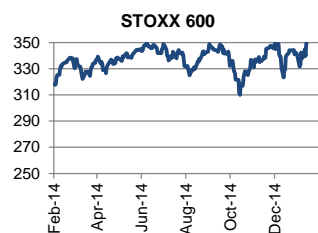
### CESEE markets

The majority of **emerging stock markets** fell in European trade on Monday amid renewed global growth concerns in the wake of downbeat macroeconomic data from China. On the other hand, **regional currencies** broadly firmed, favoured by the USD's modest weakening. The Turkish lira led Monday's gains in the CESEE region, recouping part of the recent losses suffered amid increased expectations for further policy rate cuts ahead. CBT delivered a 50bps surprise key policy rate cut in January, while government officials are becoming increasingly vocal lately in expressing their support for further monetary easing ahead of the upcoming general elections in June. Central Bank Governor Erdem Basci said earlier today that a decision on whether to hold an MPC "interim meeting" to assess the inflation outlook will be based on January's CPI data due for release tomorrow. Along these lines, the USD/TRY hovered near intraday lows of 2.4220 at the time of writing, having eased from a new record peak of 2.4490 late last week. A weaker-than-anticipated reading in January's CPI (market consensus at 6.80%YoY vs. 8.17%YoY in December) may pave the way for a retest of last week's record lows.

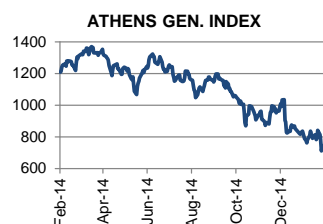
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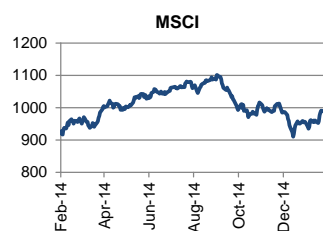
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings			
L-T ccy	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, 29/1/2015, 18:50 CET): **Latest Political & Macro Developments:** A string of rather encouraging macroeconomic data came out from the Statistical Office of the Republic of Serbia on Friday. In more detail, real GDP fell by 1.6%YoY in Q4 2014, according to the flash estimate, with the pace of annual decline lessening from a 3.6%YoY drop registered in the prior quarter. Separately, retail sales grew by 4.2%YoY in December last year, marking the highest pace of increase since July 2014. Additionally, the ongoing contraction in industrial production continued to lessen for the third month running in December, registering a 5.3%YoY decline after a marking its highest pace of decline in 5 years in September 2014 (-16%YoY) and bringing the annual rate of decrease to 6.5% for the whole of 2014. Moreover, trade balance data showed that external trade rose by 0.8%YoY to €2,6683mn in 2014, with exports rising by 1.4% to EUR 11.16bn in FY 2014, outpacing concomitant growth of 0.4% to EUR 15.53bn in imports. Importantly, exports rose by 6.5%YoY in December alone, reversing a negative growth trend witnessed over the previous four months. **Market Developments:** The EUR/RSD closed modestly lower at 123.05/25 on Friday, moving further away from a record high of 123.65/85 hit earlier in the week. Looking ahead, a break below Friday's 123.00/20 intraday low is likely to pave the way for a move towards 122.50, with upcoming T-bonds auctions in February, likely to set the tone for the pair's short-term direction.

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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, 30/1/2015, 17:00 CET): **Latest Political & Macro Developments:** According to the latest NSI data, the Producer Price Index on Domestic Market declined by 0.9%YoY in December, reversing a 2-month positive trend witnessed in October (+0.8%YoY) and November (+0.3%YoY). The breakdown of the data showed that, December's drop was led by a 3.4%YoY fall in manufacturing and a 0.8%YoY slid in mining & quarrying, which more than offset a 3.3%YoY increase in utilities prices. It is worth noting that, deflation pressures in the domestic economy have broadly persisted over the last two years or so, with PPI marking a 4-year tough of -3.9%YoY in October 2013 and annual CPI hitting a record low of -2.6%YoY in early 2014. **Market Developments:** Bucking the broadly negative trend in global emerging stock markets, domestic stock indices closed modestly higher on Friday, with the main SOFIX advancing by 0.42% to end at 500.49 points.

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## GLOBAL MARKETS

## Stock markets

	Last	ΔD	ΔYTD
S&P 500	1994.99	-1.3%	-3.1%
Nikkei 225	17558.04	-0.7%	0.6%
STOXX 600	365.03	-0.6%	6.6%

## FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1346	0.5%	-6.2%
GBP/USD	1.5032	-0.2%	-3.5%
USD/JPY	117.56	-0.1%	1.8%

## Government Bonds

(yields)	Last	ΔD	ΔYTD bps
UST - 10yr	1.66	2	-51
Bund-10yr	0.30	0	-24
JGB - 10yr	0.29	1	-4

## Commodities

	Last	ΔD	ΔYTD
GOLD	1275	-0.7%	7.6%
BRENT CRUDE	175	0.0%	0.0%
LMEX	2715	1.8%	-6.8%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔD	ΔYTD bps
7/N	on	7	-238
1-week	7.77	-1	-224
1-month	8.14	0	-191
3-month	8.44	4	-141
6-month	8.61	4	-118

## RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	9.21	0	17
5Y RSD	10.15	0	-3
7Y RSD	11.25	1	0

## RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	3.82	-2	-44
USD Nov-24	-0.90	-739	-404

## CDS

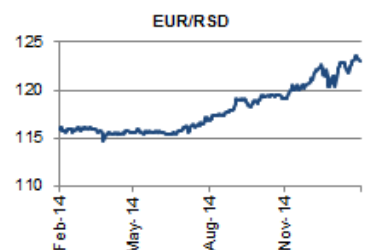
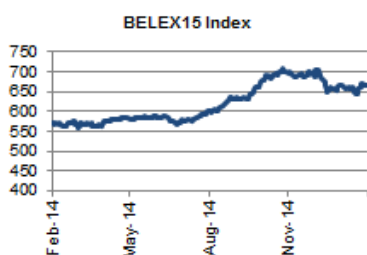
	Last	ΔD	ΔYTD bps
5-year	275	21	-15
10-year	304	12	-51

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	665.3	0.15%	-0.26%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.01	0.30%	-1.35%



## ROMANIA

## Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	0.59	-4	2
1-month	0.69	0	-22
3-month	1.49	-1	-21
6-month	1.7	-1	-31
12-month	1.77	0	-25

## RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.56	-1	-45
5Y RON	2.03	0	-48
10Y RON	2.62	-1	-89

## RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Sep-20	1.36	1	-37
USD Aug-23	3.13	-1	-48

## CDS

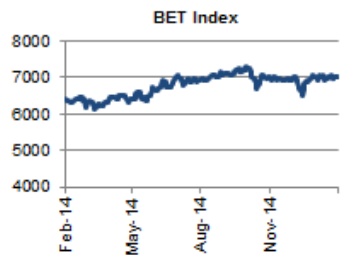
	Last	ΔD	ΔYTD bps
5-year	120	3	-23
10-year	162	3	-25

## STOCKS

	Last	ΔD	ΔYTD
BET	7002.6	-0.43%	-1.13%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4108	0.54%	1.65%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔD	ΔYTD bps
LEONIA	0.01	1	-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	ΔD	ΔYTD bps
3Y BGN	0.41	-5	-63
5Y BGN	0.71	-3	-74
10Y BGN	2.18	0	-58

## BG Eurobonds

	Last	ΔD	ΔYTD bps
EUR Jul-17	0.79	-2	-37

## CDS

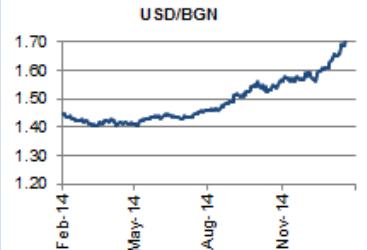
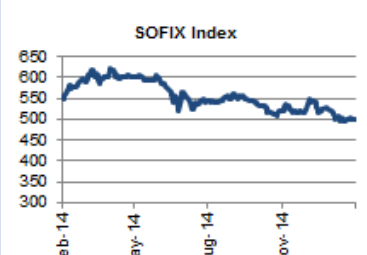
	Last	ΔD	ΔYTD bps
5-year	195	-1	4
10-year	245	-1	4

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	499.3	-0.25%	-4.37%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7238	0.41%	-6.22%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

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