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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

January 21, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL
- January 21-25: World Economic Forum, Davos

US
- January 19: Martin Luther King Day
- January 20:
  - NAHB index (Jan)
  - President Obama speaks
- January 21
  - Housing starts (Dec)
  - Housing permits (Dec)
- January 22: Jobless claims (Jan 17)
- January 23: Existing home sales (Dec)

EUROZONE
- January 20: DE: ZEW (Jan)
- January 22
  - ECB MPC meeting
  - Consumer conf. (Jan)
- January 23: PMI (Jan)
- January 25: GR: Parliamentary elections

SEE

SERBIA
- January 20: CAD (Nov)
- January 21: 4% 2018 T-bonds auction

ROMANIA
- January 19: 5.8% 2027 T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European bourses moved higher in early trade on Wednesday supported by lingering expectations that the ECB will adopt an asset purchase program including sovereign bonds at its monetary policy meeting on Thursday. Against this background, the EUR remained under pressure while the JPY rebounded in early European trade favored by the BoJ's decision to stay pat on its monetary policy, disappointing those poised for further easing.

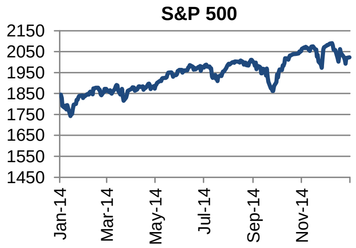
GREECE: According to Bank of Greece's BoP statistics data, the current account balance recorded a surplus of €2.5bn in January-November 2014 compared to €1.3bn in the same period a year earlier. This was mainly attributed to a €2.8bn (17.1%YoY) increase in the services surplus to €19.1bn following a rise of €1.3bn to €13.3bn (10.8%YoY) in tourism receipts.

SOUTH EASTERN EUROPE

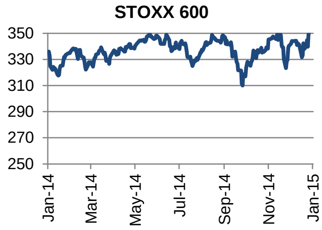
SERBIA: Director of Public Debt Administration Branko Drcelic was quoted as saying in an interview on Tuesday that the government plans to tap international markets with €1.5bn in debt out of a total €5.8bn of gross funding needs this year.

BULGARIA: The Ministry of Finance sold on Tuesday BGN 200mn in 6-month T-Bills at an average accepted yield of 0.16% (0.32% annual) and a bid to cover ratio of 2.99.

CESEE MARKETS: Taking their cue from gains in major global bourses, **emerging stock markets** opened broadly higher on Wednesday, led by gains in technology shares and Chinese equities. Expectations that the ECB will adopt additional monetary stimulus measures at its upcoming MPC meeting tomorrow also continued to provide support. Turkey's BIST 100 index broadly outperformed its regional peers favored by the Central Bank's largely unexpected MPC decision yesterday to cut its key policy (1-week repo) rate by 50bps to 7.75%. **CESEE currencies** were little changed in European trade today awaiting tomorrow's ECB monetary policy decision.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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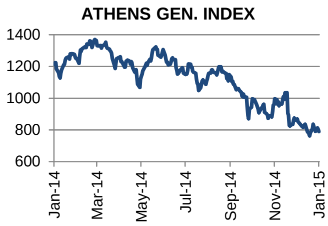
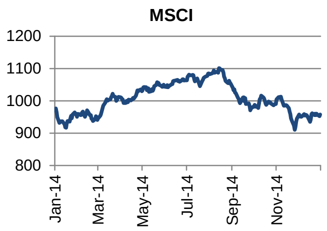


Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Latest world economic & market developments

GLOBAL MARKETS

Mirroring the positive tone in Asian equity markets today, European bourses moved higher in early trade on Wednesday supported by lingering expectations that the ECB will adopt an asset purchase program including sovereign bonds at its monetary policy meeting on Thursday in an effort to address deflation risks and boost economic activity in the euro area. Against this background, the EUR remained under pressure while the JPY rebounded in early European trade favored by the BoJ's decision at its two-day meeting which concluded earlier today to stay pat on its monetary policy, disappointing those poised for further easing via the expansion of the Central Bank's bond-buying stimulus program. In its updated quarterly review of long-term forecasts, the BoJ revised lower its core CPI projection for fiscal year 2015/16 to 1.0%YoY from 1.7%YoY previously mainly due to lower oil prices. Moreover, BoJ Governor Kuroda stressed in the post-meeting press conference that the 2% inflation target has to be met "regardless of rises or falls in commodity prices", supporting expectations for further BoJ monetary policy easing ahead. On today's data front, focus is on US housing starts and permits for December which are both expected to rise as the mild weather over that month is likely to have supported construction activity.

GREECE

According to Bank of Greece's BoP statistics data, the current account balance recorded a surplus of €2.5bn in January-November 2014 compared to €1.3bn in the same period a year earlier. This was mainly attributed to a €2.8bn (17.1%YoY) increase in the services surplus to €19.1bn following a rise of €1.3bn to €13.3bn (10.8%YoY) in tourism receipts. The income account deficit shrunk by €0.37bn (12.3%YoY) to €2.6bn, mainly as a result of lower net interest payments. The trade deficit stood at €16.8bn, €0.918bn (5.8%YoY) wider on account of higher net payments for purchases of ships. The current transfer surplus stood at €2.8bn, €1.05bn (27.1%YoY) narrower on lower general government transfer receipts from the EU.

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Latest developments in the CESEE region

CESEE markets

Taking their cue from gains in major global bourses, **emerging stock markets** opened broadly higher on Wednesday, led by gains in technology shares and Chinese equities. Expectations that the ECB will adopt additional monetary stimulus measures at its upcoming MPC meeting tomorrow also continued to provide support. In the **CESEE space**, Turkey's BIST 100 index advanced 1% to an 8-month intraday peak earlier today, after staging a 1.4% rally in the prior session favored by the Central Bank's largely unexpected MPC decision yesterday to cut its key policy (1-week repo) rate by 50bps to 7.75%. The CBT's decision came on the hills of recent comments by President Tayyip Erdogan, in support for lower interest rates. In line with the market's median forecast, the overnight borrowing and lending rates were left unchanged at 7.50% and 11.25% respectively. **CESEE currencies** were little changed in European trade today awaiting tomorrow's ECB monetary policy decision. The Turkish lira led the gains in the region, after coming under pressure on Tuesday in the wake of reported comments by high level government officials that the latest policy rate reduction was insufficient. The USD/TRY pulled back as far as 2.2330 in Asia from a 1-month peak of 2.3620 hit on Tuesday. Technically, immediate support for the pair stands at 2.3195 (30-day moving average) in the way to 2.7875 (38.2% Fibonacci retracement from July-December, 2014 highs).

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SERBIA

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
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.00

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

(Belgrade, 19/1/2015, 17:45 CET): **Latest Political & Macro Developments:** Director of Public Debt Administration Branko Drcelic was quoted as saying in an interview on Tuesday that the government plans to tap international markets with €1.5bn in sovereign debt out of an earmarked total €5.8bn of gross funding needs this year. He added that the 2015 Budget envisions €1.5bn of public borrowing via Eurobonds, but said that the actual final amount may be less should the government find cheaper funds elsewhere. In other news, speaking on the sidelines of an economic conference in Vienna finance minister Dusan Vujovic said on Tuesday that the National Bank of Serbia (NBS) and commercial banks are trying to find ways to ease the financial strains from homeowners who have been affected by the recent Swiss National Bank (SNB) decision to remove a 3-year old cap of the Swiss franc to the euro. Among the possibilities mentioned by the FinMin were extensions on the term of the loans, partial conversion of the loans to euros or lower interest rates. That said, he highlighted however that Serbia's exposure to the CHF fluctuations is "very low". It is worth noting that only mortgages are denominated in CHF in Serbia. They are estimated at around CHF 1.1bn, equivalent to ca 3%-of-GDP and 38% of total mortgages. With regards to this year's real GDP growth, the FinMin said that a 0.5% contraction may be upwardly revised if the government manages to successfully tender a State-owned steel plant, this month. **Market Developments:** The EUR/RSD reversed on Tuesday a modest down-move witnessed since late last week. The pair ended at 122.25/45 on the session's settlement after hitting a 1-week low at 121.65/85 intraday. Looking ahead, we anticipate range-trading to prevail in the coming days. Technically, immediate resistance stands at 123.00, a level where the central bank has shown readiness to curb any further upside for the pair. In the weeks/months ahead, we anticipate a modest dinar recovery, likely to leave room for tactical dinar carry trades, on the back of anticipation about a final decision on the IMF precautionary agreement (final approval by IMF Management and the Executive Board expected in February) and new ECB monetary stimulus measures. The upcoming government bond auctions of 3 and 7-year bonds scheduled for February, cumulatively worth RSD 100bn, may also provide support to the dinar.

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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, 20/1/2015, 17:10 EET): **Market Developments:** Bucking the broadly positive trend in emerging equity markets, the majority of domestic stock indices closed lower on Tuesday, weighed down by losses in blue chip companies. In more detail, the main SOFIX index dropped 1.20%. In other news, the Ministry of Finance sold on Tuesday BGN 200mn in 6-month T-Bills at an average accepted yield of 0.16% (0.32% annual). The bid to cover ratio came in at 2.99. Banks acquired 70% of the placed amount. Pension funds were allotted a share of 10.63%, insurance companies and other investors received 9.66% each, while guarantee state funds bought the rest.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	2022.55	0.2%	-1.8%
Nikkei 225	17280.48	-0.5%	-1.0%
STOXX 600	355.39	-0.2%	3.8%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.1576	0.2%	-4.3%
GBP/USD	1.5133	-0.1%	-2.9%
USD/JPY	117.86	0.8%	1.5%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	1.81	2	-36
Bund-10yr	0.48	3	-7
JGB - 10yr	0.25	3	-8

Commodities	Last	ΔD	ΔYTD
GOLD	1300	0.3%	9.7%
BRENT CRUDE	175	0.0%	0.0%
LMEX	2753	0.9%	-5.6%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	45	-289
1-week	7.27	5	-274
1-month	7.62	22	-243
3-month	8.22	6	-163
6-month	8.59	4	-120

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.21	0	17
5Y RSD	10.21	0	3
7Y RSD	11.26	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.09	0	-17
USD Nov-24	1.54	-502	-160

CDS

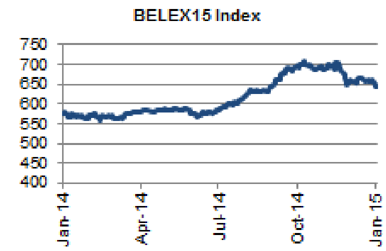
	Last	ΔDbps	ΔYTD bps
5-year	280	0	-10
10-year	346	0	-9

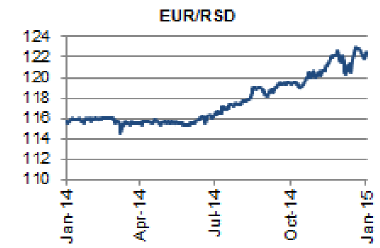
STOCKS

	Last	ΔD	ΔYTD
BELEX15	644.2	-0.19%	-3.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.45	-0.12%	-0.89%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	1	-15
1-month	0.7	1	-21
3-month	1.58	-1	-12
6-month	1.84	0	-17
12-month	1.87	0	-15

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	0	-32
5Y RON	2.20	2	-31
10Y RON	2.96	1	-55

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.47	-2	-26
USD Aug-23	3.18	-4	-43

CDS

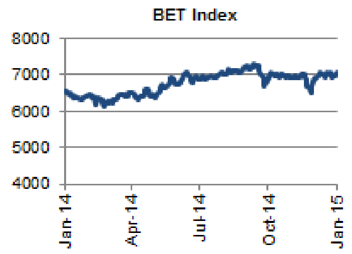
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-23
10-year	162	-1	-25

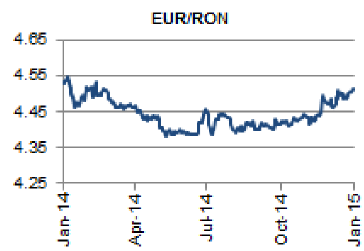
STOCKS

	Last	ΔD	ΔYTD
BET	7058.6	0.61%	-0.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5151	-0.04%	-0.70%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	1	0
1-month	0.20	0	-2
3-month	0.42	0	-1
6-month	0.78	0	-1
12-month	1.48	0	-2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.59	-8	-45
5Y BGN	1.05	-9	-40
10Y BGN	2.49	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.88	-3	-28

CDS

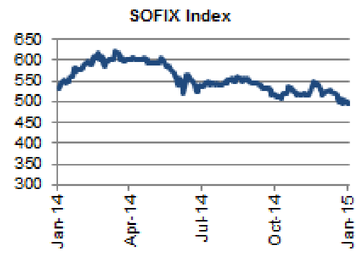
	Last	ΔDbps	ΔYTD bps
5-year	200	0	9
10-year	251	0	11

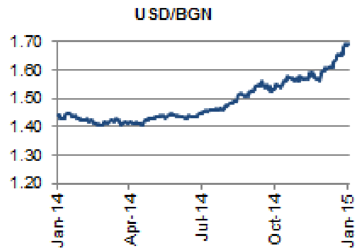
STOCKS

	Last	ΔD	ΔYTD
SOFIX	494.4	0.09%	-5.31%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6897	0.22%	-4.33%





Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:15 EET

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