

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 3, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- March 2
 - Personal income/spending (Jan)
 - PCE core (Jan)
 - ISM manufacturing (Feb)
- March 4
 - ADP employment (Feb)
 - ISM non-manufacturing (Feb)
- March 5
 - Initial jobless claims (Feb. 28)
 - Factory orders (Jan)
 - CPI (Jan)
- March 6
 - NFP (Feb)
 - U/E rate (Feb)
 - Average hourly earnings (Feb)
 - Trade balance (Jan)

EUROZONE

- March 2
 - PMI manufacturing (Feb)
 - HICP (Feb, flash)
- March 4: PMI services (Feb, f)
- March 5: ECB meeting
- March 6: GDP (Q4, 2014, p)

SEE

SERBIA

- March 2: Retail sales (Jan)

ROMANIA

- March 3: Retail sales (Jan)
- March 5: 5.95% 2021 T-bonds sales
- March 5: GDP (Q414, p)

BULGARIA

- March 6
 - GDP (Q414, f)
 - International reserves (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD/JPY's upside momentum came to a halt in European trade on Tuesday following comments by an economic adviser to Japan's Prime Minister Shinzo Abe suggesting that the pair may be at the "upper limit of comfort zone".

GREECE: In an interview to a local TV station y-day, Greek Minister of Finance Yanis Varoufakis expressed his confidence that Greece will make its IMF payments in March and will secure enough funds to meet financing needs through June, when the four month period extension of the loan arrangement with official creditors is due to expire

SOUTH EASTERN EUROPE

SERBIA: Moody's ratings agency said on Monday that the recently agreed 3-year €1.2bn Stand-By Arrangement with the IMF is credit positive for Serbia.

ROMANIA: Retail sales rose by 6.8%YoY in January, picking up pace from a rate of increase of 6.5%YoY in the prior month, supporting the view that the recovery in domestic consumption continued early this year.

CESEE MARKETS: Tracking modest gains in European bourses, **most CESEE stock markets** advanced in morning trade. Elsewhere, **CEE currencies** were little changed ahead of Poland's Central Bank monetary policy announcement tomorrow, where the MPC is broadly anticipated to cut its key policy rate by 25bps to a new record low of 1.75%.

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Latest world economic & market developments

GLOBAL MARKETS

Major US stock indices rallied overnight with the Nasdaq Composite index closing above 5,000 points for the first time since 2000 while both the Dow Jones industrial average and the S&P 500 indices hit fresh record closing highs favored by the decision of China's Central Bank (PBoC) over the weekend to cut its key interest rates. Against this background, a bulk of weaker-than-expected US data releases y-day failed to exert an impact. In a similar positive tone, Asian bourses were generally firmer on Tuesday. Japan's Nikkei stock average 225 bucked the trend and closed lower pressured by the JPY's rebound following comments by an economic adviser to Japan's Prime Minister Shinzo Abe suggesting that there is limited room for any further USD/JPY upside. At the time of writing this report, the USD/JPY was hovering around 119.75/80, having retreated from a three-week peak of 120.26 touched earlier today.

GREECE

In an interview to a local TV station y-day, Greek Minister of Finance Yanis Varoufakis expressed his confidence that Greece will make its IMF payments in March and will secure enough funds to meet financing needs through June, when the four month period extension of the loan arrangement with official creditors is due to expire. Meanwhile, Spain's Economy Minister Luis de Guindos was quoted as saying in international press on Monday that euro area finance ministers are in talks over a third bailout package for Greece worth between €30b-€50bn, and that the new rescue plan would include "more flexible conditions". However, Eurogroup President Jeroen Dijsselbloem's spokeswoman denied that there have been discussions over a third rescue plan. Separately, the Greek government will reportedly submit a legislative bill to Parliament today introducing measures aimed at tackling the "humanitarian crisis" including the provision of free electricity and food to c. 300k households living below the poverty line.

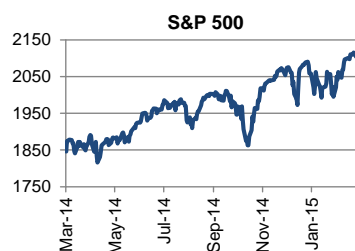
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Latest developments in the CESEE region

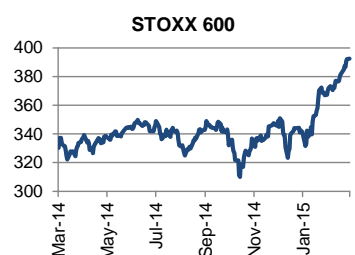
CESEE markets

Tracking modest gains in European bourses, **most CESEE stock markets** advanced in morning trade. Ukraine's PFTS led the gains in the region marking an approximate 1% rise at the time of writing, outperforming a 0.2% drop in the MSCI Emerging Markets index which was weighed down by concerns about the prospects of the Chinese economy. On the flipside, Poland's WIG bucked the region's trend to stand in a marginally negative territory, while Bulgaria's SOFIX was closed on holiday. Elsewhere, **CEE currencies** were little changed ahead of Poland's Central Bank monetary policy announcement tomorrow, where the MPC is broadly anticipated to cut its key policy rate by 25bps to a new record low of 1.75%. With monetary easing expectations remaining intact, despite yesterday's release of robust PMI manufacturing data, the Polish zloty modestly eased from multi-month highs hit on Monday. In more detail, the EUR/PLN hovered around levels of 4.1555 at the time of writing, having bounced from a 7-month peak close to 4.1585 hit in the prior session. Separately, the Turkish lira also gained some modest ground after February's CPI outpaced the market's median forecast to come in at 7.55%YoY from 7.24%YoY in the prior month, mitigating expectations for significant government-backed monetary easing ahead. That said, the core index eased more than anticipated, suggesting that the door is still open for a measured rate cut in March.

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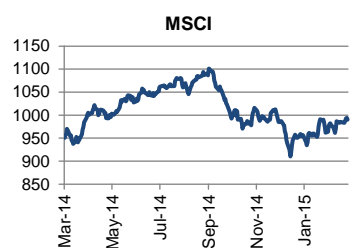
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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| 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 | -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

(Belgrade, 2/3/2015, 16:00 CET): **Latest Political & Macro Developments:** Moody's ratings agency said on Monday that the recently agreed 3-year €1.2bn Stand-By Arrangement with the IMF is credit positive for Serbia. The agency added that it expects a return to a positive real GDP growth rate in 2016, while, for the current year, it anticipates economic contraction to continue, in view of the cancelation of Russia's South Stream gas pipeline project and the government's fiscal consolidation plans. On the data front, the retail trade turnover rose by 3.6%YoY in real terms in January, with the pace of annual increase slowing from December's 4.2%YoY print, though accelerating from an average rate of increase of 2.0% registered in the whole of 2014. In all, the data suggests that the recent recovery witnessed, particularly since June last year, in the sector continues. **Market Developments:** The EUR/RSD pair closed modestly higher at 120.47/67 on Monday thanks to repeated Central Bank interventions over the last few days in the FX markets aimed at halting the cross's downside momentum. Recall that, the EUR/RSD hit a 3-month low of 119.85/05 late last week in the wake of successful government bond auctions held over recent days and the IMF announcement over a final approval on the country's financial aid deal.

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ROMANIA

| 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

(Bucharest, 3/3/2015, 10:30 EET): **Latest Political & Macro Developments:** Retail sales rose by 6.8%YoY in January, picking up pace from a rate of increase of 6.5%YoY in the prior month. January's data comes on the heels of a robust average rate of increase of 7.5% in the whole of 2014, supporting the view that the recovery in domestic consumption continued early this year. **Latest Political & Macro Developments:** The EUR/RON traded in a tight range between 4.4390/470 on Monday, while short term RON rates remained close to the deposit facility of 0.25%. On the other hand, government bonds firmed, with yields moving gradually lower in thin trade volumes.

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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 | 2117.39 | 0.6% | 2.8% | EUR/USD | 1.1181 | 0.0% | -7.6% | UST - 10yr | 2.08 | 0 | -9 | GOLD | 1210 | 0.2% | 2.1% |
| Nikkei 225 | 18815.16 | -0.1% | 7.8% | GBP/USD | 1.5372 | 0.0% | -1.3% | Bund-10yr | 0.35 | -1 | -19 | BRENT CRUDE | 174 | 0.0% | -0.7% |
| STOXX 600 | 392.27 | 0.3% | 14.5% | USD/JPY | 119.77 | 0.3% | -0.1% | JGB - 10yr | 0.38 | 3 | 5 | LMEX | 2745 | -0.3% | -5.8% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|-------|-------|----------|
| T/N | on | 7 | -12 |
| 1-week | 9.95 | 8 | -6 |
| 1-month | 10.06 | 1 | 1 |
| 3-month | 10.27 | 14 | 42 |
| 6-month | 10.37 | 13 | 58 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|-------|----------|
| 3Y RSD | 9.18 | 0 | 10 |
| 5Y RSD | 10.09 | 0 | -9 |
| 7Y RSD | 11.29 | 0 | 4 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 3.33 | 1 | -93 |
| USD Nov-24 | 6.39 | -1 | -20 |

CDS

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

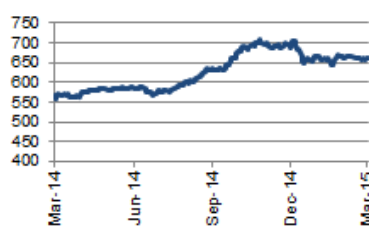
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 663.2 | 0.21% | -0.57% |

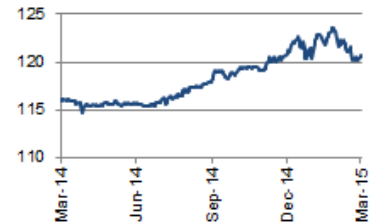
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RSD | 120.76 | -0.11% | 0.49% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.66 | -4 | 9 |
| 1-month | 0.77 | -1 | -14 |
| 3-month | 1.39 | -1 | -31 |
| 6-month | 1.63 | 0 | -38 |
| 12-month | 1.67 | 0 | -35 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 1.90 | 0 | -41 |
| 5Y RON | 2.08 | -1 | -63 |
| 10Y RON | 2.81 | 0 | -85 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 1.28 | -1 | -45 |
| USD Aug-23 | 3.23 | 0 | -39 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 105 | -4 | -38 |
| 10-year | 148 | -4 | -39 |

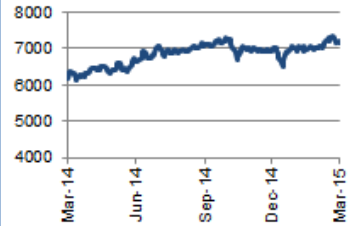
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 7177.4 | -0.27% | 1.33% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.4541 | -0.15% | 0.66% |

BET Index



EUR/RON



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 | 0.38 | 0 | -72 |
| 5Y BGN | 0.67 | 0 | -78 |
| 10Y BGN | 1.90 | 0 | -85 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.78 | -33 | -38 |
| EUR Sep-24 | 2.24 | -33 | -63 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 170 | 0 | -21 |
| 10-year | 218 | 0 | -22 |

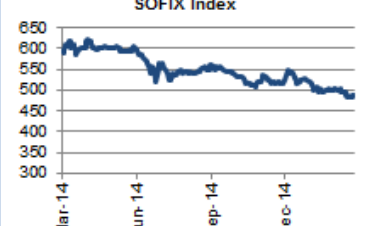
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|--------|
| SOFIX | 487.8 | 0.36% | -6.57% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.7493 | -0.03% | -7.59% |

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:15 EET

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