

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 10, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Jan. 7: trade balance (Nov)
- Jan. 8
  - ADP empl. (Dec)
  - FOMC Dec 17-18 min.
- Jan. 9: Initial jobless claims (Jan. 4)
- Jan. 10
  - NFP (Dec)
  - U/E rate (Dec)

#### EUROZONE

- Jan. 7: CPI (Dec)
- Jan. 9:
  - ECB meeting
  - Econ Sentiment (Dec)

### SEE

#### SERBIA

- Jan. 7: market holiday
- Jan 8: PPI (Dec)

#### ROMANIA

- Jan. 7: PPI (Nov)
- Jan. 8
  - Retail sales (Nov)
  - MPC meeting
- Jan. 9: Trade Bal (Nov)
- Jan. 10: GDP (Q3)

#### BULGARIA

- Jan. 7: U/E rate (Dec)
- Jan. 9: Trade balance (Nov)
- Jan. 10
  - IP (Nov)
  - Retail sales (Nov)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**EUROZONE:** As was widely expected, the ECB stayed put on interest rates at its monetary policy meeting on Thursday.

**GREECE:** The jobless rate hit a new historic high in October 2013 coming in at 27.8% with unemployment being particularly pronounced among youth.

### SOUTH EASTERN EUROPE

**SERBIA:** Retail trade turnover increased by 3.1%YoY in November. The EUR/RSD remained in a tight range.

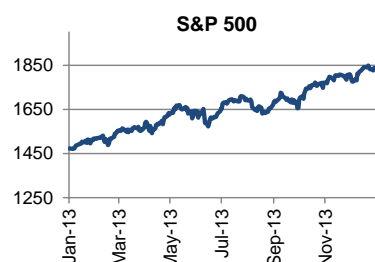
**ROMANIA:** The EUR/RON jumped 1% higher while RON rates plummeted after NBR cut required reserves on Wednesday.

**BULGARIA:** Exports outside EU drop by 9.3%yoy in November, imports up 10.2%yoy Equities rally pushed SOFIX to a post-Lehman high, BSE-Sofia boasts 79% turnover increase in 2013.

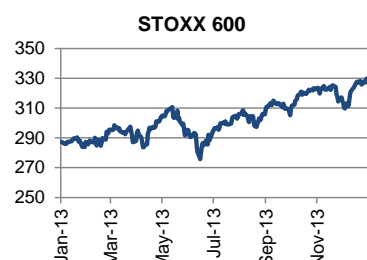
**CESEE Markets: Emerging stock markets** broadly fell on Thursday, weighed down by concerns about a potential slowdown in China's economic activity and speculation about further Fed QE tapering ahead. **CESEE currencies** were mixed in the way to the NFP report release later on the day.

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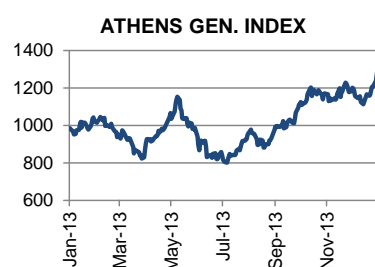
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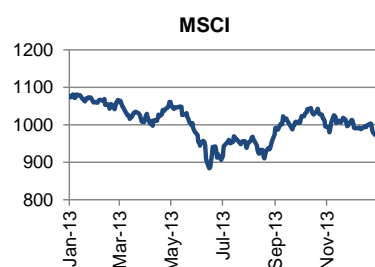
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B-	B-

## Latest world economic & market developments

### EUROZONE

As was widely expected, the ECB stayed put on interest rates at its monetary policy meeting on Thursday. In the press conference that followed, ECB President Mario Draghi stated that latest developments on the growth and inflation fronts are consistent with the central bank's staff projections published in December, envisaging a moderate economic growth recovery in 2014 amid subdued inflationary pressures. The ECB President warned that the central bank is keeping a close eye on money market developments and stands ready to act if interbank lending rates rise too high. Overall, he emphasized that the ECB remains determined to maintain a high degree of accommodative monetary policy and interest rates are expected to stay at current or lower levels for an extended period.

### GREECE

**Latest Political & Macro Developments:** The jobless rate hit a new historic high in October 2013 coming in at 27.8% with unemployment being particularly pronounced among youth (57.9%). However, recent positive net hiring figures on the labor market provide some hope that the jobless rate may be nearing a cyclical peak. **Market Developments:** Thursday was a quiet session for Greek corporate bonds. Volumes were near zero levels and prices were little changed compared to the previous session's close. Some interest was evidenced in Ote18.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** broadly fell on Thursday, weighed down by concerns about a potential slowdown in China's economic activity and speculation about further Fed QE tapering following strong US labour data earlier in the week. Against this backdrop, the main MSCI Emerging Markets Index plunged 1.03% to close at a 4-month low on Thursday. Indices the **CESEE region** presented a mixed picture, with Poland's WIG and Ukraine's PFTS sliding by ca 1.6% each. On the flipside, Hungary's BUX led the gains in the region with a 1.6% jump in the wake of a well-bid government bond auction. Elsewhere, **regional currencies** were also mixed. The Turkish lira hovered near record lows of 2.1948/USD on the back of persisting domestic political jitters. Accommodative Central Bank policy rates and the Fed's December decision to start trimming its asset purchases have also weighed on the Turkish currency over recent weeks. Elsewhere, the Romanian leu recoiled to 6-½-month lows of 4.5422/EUR pressured by the Central Bank's decision earlier in the week to reduce minimum reserve requirements for RON and FX liabilities. On the other hand, the Hungarian forint hit a multi-session high at 298.71 on Thursday, receiving support from a well-received government bond auction. Deputy Central Bank Governor Adam Balog's comments that the MNB has room to reduce its key policy rate rates as far as 2.50%, from 3.00% currently, appeared to have a rather limited impact on the currency. In the **local rates markets**, 3- and 10-year Hungarian government bond yields slid by ca 4bps and 1bps to multi-year lows of 3.93% and a 2-month trough of 5.59%, respectively after the Debt Management Agency sold HUF 62.5bn bonds vs. HUF 45bn planned at an auction of paper maturing in 2018, 2019 and 2025. Note that today's focus is on the NFP report from the US.

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## SERBIA

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.7	2.0	1.0
CPI (pa, yoy %)	7.3	8.4	5.5
Budget Balance/GDP	-6.4	-5.6	-5.5
Current Account/GDP	-10.5	-4.1	-3.2
EUR/RSD (eop)	112.30	115.00	116.00
	current	2013	2014f
Policy Rate (eop)	10.00	9.50	9.50

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

(Belgrade, 9/1/2014, 15:45 CET): **Latest Political & Macro Developments:** According to the latest available data from the Statistical Bureau retail trade turnover increased by 3.1%YoY in real terms in November. This is the second straight monthly increase after 14 months of consecutive declines, a possible indication that the sector's downtrend is close to an end. Cumulatively, retail trade dropped by 5.6% YoY over the first eleven months of the year. Elsewhere, the Ministry of Energy announced the transformation of the state owned energy producer and distributor EPS into a joint stock company by Q1 end. The transformation is a prerequisite for the listing of EPS on the Belex, which may take place by year-end. Currently, EPS is the largest Serbian company in terms of assets. **Market Developments:** The EUR/RSD was trading marginally above 115.00 on Thursday. Further upside for the pair is possible amid recently intensified speculation about snap general elections. However, potential Central Bank intervention may cap excessive gains for the cross. The NBS has shown strong intention not to leave the cross below the 114.50 level, but intervention from the other direction cannot be ruled out either in case of prolonged dinar weakening beyond 116.00/EUR. In the domestic bond market, the T-bill auction calendar is empty until Jan. 16<sup>th</sup> when MinFin plans to place RSD 3 bln of 3M-Tbills for sale.

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## ROMANIA

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	5.0	1.8	3.0
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.43	4.45
	current	2013	2014f
Policy Rate (eop)	4.00	4.00	4.00

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

(Bucharest, 10/1/2014, 09:45 EET): **Latest Political & Macro Developments:** At its MPC meeting on Wednesday the National Bank of Romania cut its policy rate by 25bps to a new record low of 3.75%, in line with market expectations. In addition, the NBR also announced it would cut the minimum required reserves (MRR), from 15% to 12% for RON and from 20% to 18% for foreign currency. Although the Central Bank had previously hinted on an MRR move, it seems that, at this time, such an action had not been fully priced in by the markets. **Market Developments:** The EUR/RON jumped by 1% on Thursday, reaching a six month high of 4.5420 a session after the NBR policy meeting announcement. Meanwhile, RON short term interest rates plummeted as banks face significant reserve releases starting on February, of around RON 4bn and EUR 0.5bn. In view of the aforementioned, government bonds rallied strongly while the curve steepened further, with gains against the start of the year of around 70bps in 1Y yields, 50bps in 3Y, 35bps in 5Y and 15bps in 10Y yields.

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## BULGARIA

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.5	1.4
Budget Balance/GDP	-0.8	-2.0	-2.0
Current Account/GDP	-1.3	0.3	0.0
EUR/BGN (eop)	1.95583		
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 10/01/2014, 10.00 EET): **Latest Political & Macro Developments:** According to NSI data, Bulgarian exports to non-EU countries dropped by 9.3% YoY in November. On the flipside, exports to non-members continued to expand on a cumulative basis over the first eleven months of the year, rising by 3.6% YoY. Imports, surged by 10.2%YoY in November but decreased by 0.6% YoY for the Jan-Nov period. **Market Developments:** The strong rally on Bulgarian stock market (+10.3% since 19/12/13) pushed the major benchmark SOFIX to a post-Lehman high at 525 on Thursday. The previous top was registered at 515 in Sept. 2009. Meanwhile, the BSE-Sofia annual report showed that the turnover on the stock market increased by 79% in 2013, amounting to BGN 1.52bn (EUR 0.78bn) for the year. The number of deals also increased, recording a 26% rise last year.

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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	1838.13	0.0%	-0.6%	EUR/USD	1.361	0.0%	-1.0%	UST - 10yr	2.97	0	-6	GOLD	1233	0.4%	2.3%
Nikkei 225	15912.06	0.2%	-2.3%	GBP/USD	1.6472	0.0%	-0.5%	Bund-10yr	1.90	-2	-3	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	328.41	-0.4%	0.0%	USD/JPY	104.95	-0.1%	0.3%	JGB - 10yr	0.70	0	-4	LMEX	3082	-1.5%	-2.4%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.00	0	-1
1-week	8.26	-3	-2
1-month	8.55	-3	-3
3-month	8.85	-4	-3
6-month	9.12	0	-3

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.81	0	-25
5Y RSD	11.96	0	-87
7Y RSD	12.83	0	-97

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.69	0	-32
USD Nov-24	6.89	0	-1

## CDS

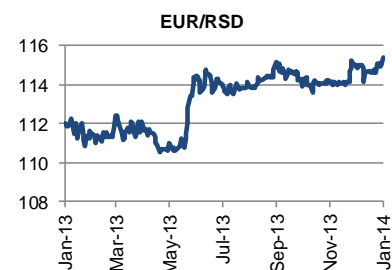
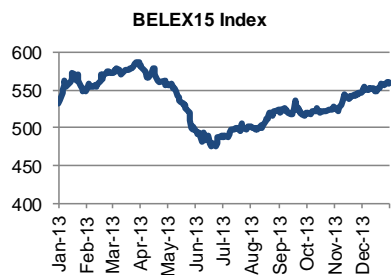
	Last	ΔDbps	ΔYTD bps
5-year	374	-8	-35
10-year	411	-9	-36

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	560.2	0.16%	0.41%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.1	0.08%	-0.48%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.08	0	-66
1-month	1.47	0	-41
3-month	2.1	0	-34
6-month	2.73	0	-26
12-month	3	0	-15

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.38	0	-57
5Y RON	4.27	0	-38
10Y RON	5.16	0	-14

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.83	0	-1
USD Aug-23	4.84	0	4

## CDS

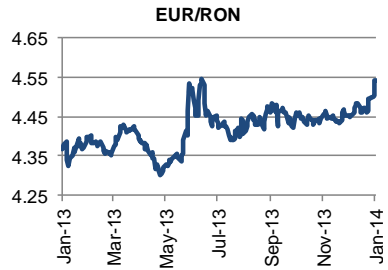
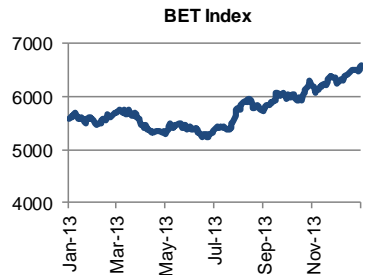
	Last	ΔDbps	ΔYTD bps
5-year	183	0	-1
10-year	233	2	0

## STOCKS

	Last	ΔD	ΔYTD
BET	6572.2	0.34%	1.21%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.542	-0.04%	-1.52%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	1	-2
1-month	0.30	0	-2
3-month	0.64	0	-1
6-month	1.16	0	1
12-month	2.21	0	2

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	0	-1
5Y BGN	1.90	0	5
10Y BGN	3.57	0	8

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.86	-2	29
EUR Jul-17	1.68	2	-12

## CDS

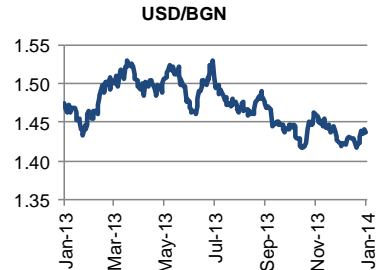
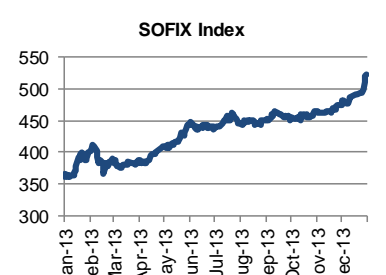
	Last	ΔDbps	ΔYTD bps
5-year	122	0	-2
10-year	176	-5	1

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	522.9	0.48%	6.38%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4371	0.01%	-0.97%



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