

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 11, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Apr 9: FOMC meeting minutes (Mar 18-19)
- Apr 10: Initial jobless (Apr 5)
- Apr 11: UoM cons conf (Apr)

SEE SERBIA

- April 7: PPI (Mar)
- April 9: 10-year RSD T-bonds auction
- April 11: HICP (Mar)

ROMANIA

- Apr 7
 - Net wages (Feb)
 - RON 200mn T-Bonds auction
- April 9: Trade balance (Feb)
- April 10
 - CPI (Mar)
 - IP (Feb)
 - RON 500mn T-Bonds auction
- April 11: CAD (Feb)

BULGARIA

- Apr 7
 - U/E rate (Mar)
 - T-Bonds auction
- Apr 8
 - IP (Feb)
 - Retail sales (Feb)
- April 11: Trade balance (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the negative tone in Wall Street overnight, major European bourses opened lower on Friday. In FX markets, the JPY was among the main outperformers favored by the lackluster performance in global equity markets.

Greece: Greece returned to wholesale funding markets on Thursday successfully offering €3bn in 5-yr bonds with an annual coupon of 4.75%. The auction reportedly attracted orders north of €20bn from over 600 investors while the yield came in at 4.95%, lower than 5.0-5.5% expected earlier, in a sign of regained investor confidence over the growth prospects of the Greek economy.

SOUTH EASTERN EUROPE

SERBIA: Serbia's Public Debt Agency sold on Wednesday €64mn worth in 10-Y Eurobonds, less than a planned amount of €125mn, which bore an annual 5.0% coupon and produced a 5.5% yield.

ROMANIA: March's CPI stood flat on a monthly basis, coming in below expectations of 0.2% and bringing the annual rate of increase to 1.0%.

BULGARIA: Domestic stock markets regained ground on Thursday.

CESEE Markets: Emerging stock markets extended their recent gains on Thursday, with the MSCI emerging equity index closing at a 5-month peak. The Fed's March 18-19 meeting minutes released on Wednesday, pushed back market expectations for a rate hike by the US Central Bank providing support to high-yielding emerging market stocks. Adding to the positive tone was news that the Chinese securities regulator plans to allow cross-border trading between Hong Kong and Shanghai stock markets.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the negative tone in Wall Street overnight, **major European bourses** opened lower on Friday. Political jitters in Ukraine persist while China's disappointing trade data for February reinforced worries over an accelerating growth slowdown in the world's second-biggest economy. **In FX markets**, the JPY was among the main outperformers favored by the lackluster performance in global equity markets. The USD/JPY was hovering around 101.70/75 in European trade at the time of writing, not far from a three-week low of 101.30 hit earlier in the day. The perceived dovish tone of the minutes from the March 18-19 FOMC policy meeting released a couple of sessions earlier, continued to exert a negative impact on the US dollar.

GREECE

Greece returned to wholesale funding markets on Thursday successfully offering €3bn in 5-yr bonds with an annual coupon of 4.75%. The auction reportedly attracted orders north of €20bn from over 600 investors while the yield came in at 4.95%, lower than 5.0-5.5% expected earlier, in a sign of regained investor confidence over the growth prospects of the Greek economy. According to the Greek Ministry of Finance, nearly 90% of the issue auctioned was purchased by "foreign institutional investors". In a televised address y-day, Greece's Prime Minister Antonis Samaras noted that the bond auction "exceeded expectations" and was "a sign of trust in the Greek economy and its ability to overcome the debt crisis". The new 5-yr GGB came out officially today in the secondary bond market with the corresponding yield trading close to 4.92% in early European trade at the time of writing.

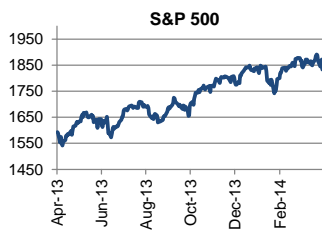
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Latest developments in the CESEE region

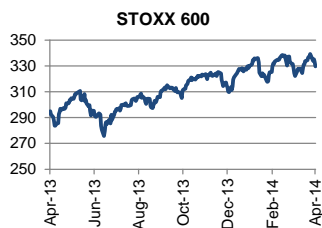
CESEE markets

Emerging stock markets extended their recent gains on Thursday, with the MSCI emerging equity index closing in a positive territory for the fifth consecutive day after registering gains of 0.68% to end at a 5-month peak of 1,021.74 points. The Fed's March 18-19 meeting minutes released on Wednesday, pushed back market expectations for a rate hike by the US Central Bank providing support to high-yielding emerging market stocks. Adding to the positive tone was news that the Chinese securities regulator plans to allow cross-border trading between Hong Kong and Shanghai stock markets. In a similar vein, CESEE bourses closed higher on Thursday, despite ongoing market caution about geopolitical tensions in Ukraine. In more detail, Ukraine's PFTS index extended its recent rally, registering gains to the tune of 2.46% yesterday, while Turkey's BIST 100 index firmed by 1.00%. Separately, **CESEE currencies** broadly weakened on Thursday, with the Hungarian forint bucking the region's trend to close around 0.2% firmer at 305.13/EUR. On the flipside, the Ukrainian hryvnia led the losses in the region recoiling to new record low near 13.30/USD intraday. In the **local rates markets**, Turkish government bonds extended their recent rally in the wake of Central Bank Governor's comments earlier this week which suggested that a rate cut is on the cards. Against this backdrop, the 2-year benchmark bond yield fell to a 3-month low of 9.73% on Thursday, while the corresponding 10-year yield eased as far as an 8-week trough of 9.94%. In the **external debt markets**, emerging sovereign debt spreads over USTs on the EMBI+ index marginally narrowed hitting a multi-month closing low of 315bps on Thursday, reflecting the recent improvement in appetite towards risky assets.

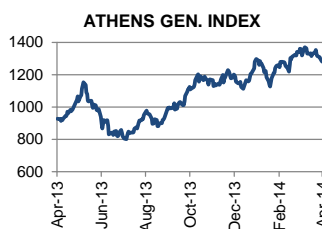
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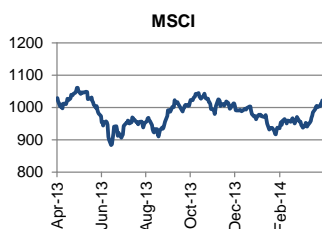
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

SERBIA

(Belgrade, 10/4/2014, 17:10 CET): **Latest Political & Macro Developments:** Serbia's Public Debt Agency sold on Wednesday €64mn worth in 10-Y Eurobonds, less than a planned amount of €125mn, which bore an annual 5.0% coupon and produced a 5.5% yield. With regards to the latest domestic political developments, consultations between the winner of the March 16 national elections, namely the Progressive Party of Serbia, and other parliamentary groups about the formation of a new government continue. **Market Developments:** The dinar was little changed on Thursday, with the EUR/RSD remaining bound within 115.35/55-115.48/68 following renewed Central Bank (NBS) intervention in the FX markets. In detail, the NBS bought EUR 20mn on Wednesday in order to halt the currency's recent appreciating momentum. Including the said intervention, the NBS has bought a total of EUR 90mn in the FX markets this year. On the other hand, it sold EUR 820mn cumulatively earlier in 2014, in order to support the dinar which had come under pressure in the run up to the March 16 general elections. From a technical standpoint, a break above levels of 115.60/80 in the month ahead could pave the way for a test of 116.00. However, at this point, the NBS is likely to intervene, once again, in order to alleviate the pair's upside trend.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

ROMANIA

(Bucharest, 11/4/2014, 09:20 EET): **Latest Political & Macro Developments:** According to the latest National Statistics Institute data, March's CPI stood flat on a monthly basis, coming in below expectations of 0.2%MoM and bringing the annual rate of increase to 1.0%, down from 1.1% in February. **Market Developments:** The EUR/RON was little changed on Thursday, remaining within a very tight range of 4.4580/630. Elsewhere, short-term money market rates moved higher on Thursday, with the 1W implied from swaps rising to 2.25% from 1.75% and the corresponding 1M moving up to 2.25% from 2.00% at the start of the week. That said, this upside move is likely to prove short lived, with large MoF maturities expected to restore liquidity towards the end of the month. As a result, longer money market rates remained unchanged. In government bonds, the MoF issued the announced RON 500mn in 2Y bonds at an average accepted yield of 3.84%, which came in towards the lower end of market expectations. Government bonds extended their recent rally in the secondary market yesterday, with the yield curve shifting lower by around 5bps across the board.

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BULGARIA

(Sofia, 10/4/2014, 17:10 EET): **Latest Political & Macro Developments:** According the latest Eurostat data, Bulgaria's house prices declined by 1.2%YoY in Q4 2013. This marks the shallowest pace of decrease recorded in 2013 and follows a drop of 3.0%YoY in the prior quarter. **Market Developments:** The recent improvement in global sentiment favored domestic stock markets on Thursday, with major indices closing in a positive territory. The main SOFIX index snapped a 4-session losing streak to end 0.58% higher at 604.23 points.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	1.0
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

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	1833.08	-2.1%	-0.8%	EUR/USD	1.389	0.0%	1.1%	UST - 10yr	2.65	0	-38	GOLD	1315	-0.3%	9.1%
Nikkei 225	13960.05	-2.4%	-14.3%	GBP/USD	1.6768	-0.1%	1.3%	Bund-10yr	1.53	1	-40	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	329.70	-1.1%	0.4%	USD/JPY	101.72	-0.2%	3.5%	JGB - 10yr	0.61	0	-14	LMEX	3072	1.1%	-2.8%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	7.88	-1	-13	O/N	2.35	11	61	1-month	0.04	0	-3	1-month	0.29	0	-3
1-week	8.18	-1	-10	1-month	2.38	7	50	3-month	0.57	0	-7	3-month	1.04	0	-12
1-month	8.46	-1	-12	3-month	2.97	1	53	6-month	2.08	0	-12	6-month	2.08	0	-12
3-month	8.83	-1	-5	6-month	3.33	0	34	12-month				12-month			
6-month	9.12	0	-3	12-month	3.37	1	22								
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	10.14	0	18	3Y RON	3.82	0	-13	3Y BGN	0.99	0	-11				
5Y RSD	11.39	0	-143	5Y RON	4.40	0	-25	5Y BGN	1.61	3	-23				
7Y RSD	12.24	0	-156	10Y RON	5.17	0	-13	10Y BGN	3.23	0	-27				
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.08	0	-93	EUR Sep-20	3.05	-38	-79	USD Jan-15	0.68	3	9				
USD Nov-24	4.90	-171	-200	USD Aug-23	4.31	-3	-50	EUR Jul-17	1.39	-1	-41				
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	315	0	-94	5-year	172	5	-13	5-year	125	0	1				
10-year	354	1	-93	10-year	211	0	-21	10-year	175	3	0				
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	578.6	0.21%	3.69%	BET	6466.6	-0.09%	-0.42%	SOFIX	602.9	-0.22%	22.66%				
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-0.87%	EUR/RON	4.462	-0.03%	0.24%	USD/BGN	1.4082	0.01%	1.06%				

SERBIA		ROMANIA		BULGARIA	
BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:45 EET

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