

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 20, 2013

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 16: IP (Nov)
- Dec. 17
 - CPI (Nov)
 - CAD (Q3)
 - NAHB housing market index (Dec)
- Dec. 18
 - Housing starts (Nov)
 - Building permits (Nov)
 - FOMC rate decision & Economic projections
- Dec. 19
 - Initial jobless claims (Dec 14)
 - Philly Fed (Dec)
 - Existing home sales (Nov)

EUROZONE

- Dec.16: PMI manuf & services (A, Dec)
- Dec. 17: CPI (Nov)

SEE

SERBIA

- Dec 17
 - MPC meeting
 - 3Y 10% RSD Bonds auction
- Dec 20: CAD (Oct)

ROMANIA

- Dec 19: 2016 T-Note auction

BULGARIA

- Dec 16
 - U/E (Nov)
 - CAD (Oct)
 - BGN 50mn 10Y BGN benchmark bond auction

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

Global Markets

Upon conclusion of its 2-day policy meeting on Wednesday the FOMC announced it would trim the pace of its current asset purchase programme.

SOUTH EASTERN EUROPE

SERBIA: Serbia's public debt increased by €207m in November, bringing the total outstanding stock to €19.5bn, or 59.1% of projected GDP.

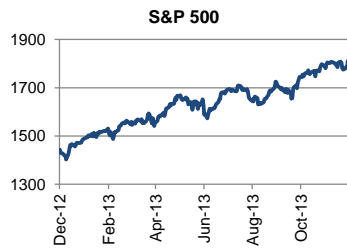
ROMANIA: President Traian Basescu agrees to approve the 2014 Budget after Prime Minister's decision to postpone for three months the controversial fuel excise hikes put an end to the latest political row.

BULGARIA: World Bank forecasts Bulgarian real GDP growth of 1.7% for next year. In other news, Prime Minister Plamen Oresharski stated that joining the (currently implemented) EU Banking Union is not a policy priority for Bulgaria. Bulgarian equities resumed their rally y-day

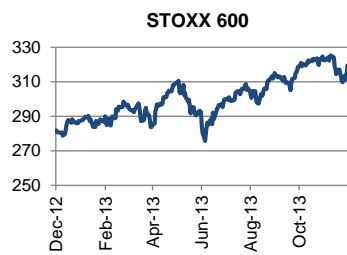
CESEE Markets: Emerging stock markets closed marginally lower on Thursday, weighed down by losses in Chinese bourses. Meanwhile, the majority of stock markets in the CESEE region closed in a positive territory, while regional currencies were mixed yesterday, with the initial reaction to the FOMC announcement being relatively muted.

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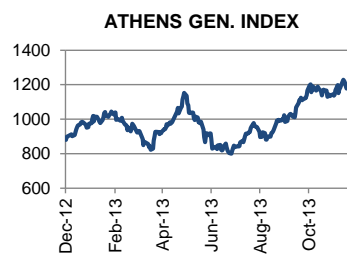
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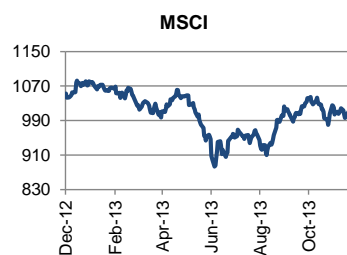
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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-	BB-
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B-	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

Global Markets

Upon conclusion of its 2-day policy meeting on Wednesday the FOMC announced it would trim the pace of its current asset purchase programme by \$10bn to \$75bn per month starting as of January 1, 2014, in view of "the improvement in economic activity and labor market conditions.... consistent with growing underlying strength in the broader economy".

Latest developments in the CESEE region

CESEE markets

Emerging stock markets closed marginally lower on Thursday, weighed down by losses in Chinese bourses. With the FOMC announcement on Wednesday having had a rather limited impact on emerging markets as it was broadly priced in by financial markets, the MSCI benchmark index of emerging equities fell by 0.21% on Thursday, reversing gains to the tune of 0.22% recorded a session earlier. The majority of stock markets in the CESEE region closed in a positive territory on Thursday, with Bulgaria's main SOFIX index outperforming its peers with a 1.72% gain. Romania's BET index trailed behind, advancing by 1.18%. Ukraine's PFTS extended this week's rally staged on news about a \$15bn loan deal with Russia. Against this background, the index firmed 0.68% yesterday, following a 2.35% jump on Wednesday. On the flipside, Turkey's main BIST 100 index posted the highest losses in the region, plummeting by 3.24% amid heightened domestic political tensions stirred earlier this week by a corruption probe on prominent businessmen, local government officials and ministers' sons. The news comes around three months ahead of local elections in Turkey, seen as a gauge for the ruling AKP's popularity. **Regional currencies** were mixed yesterday, with the initial reaction to the FOMC announcement being relatively muted. The Turkish lira broadly underperformed the region amid escalating domestic political jitters, while the Fed's decision to start tapering its QE programme also weighed down on the currency as the country is reliant to foreign inflows in order to finance its elevated current account deficit (6%-of-GDP in 2012 and 7.2%-of-GDP anticipated this year according to the market's median forecast). Along these lines, the USD/TRY bounced as far as a 3-month high of 2.0794 intraday on Thursday from 2.0577 on Wednesday's settlement. The cross stood within distance from a record peak of 2.0841 hit in early September. Elsewhere, the Hungarian forint shed some of this week's gains, halting its recent relief-driven recovery staged in the wake of a court ruling which alleviated concerns about additional losses in banks. With the Fed's decision to start tapering its QE programme unlikely to discourage Hungary's Central Bank (MNB) from further easing monetary conditions, the EUR/HUF closed at 299.06 on Thursday vs. 298.64 on the prior session's settlement. Nonetheless, the cross remained not far from a 2-½-week trough at 297.74 achieved on Wednesday. It also stood below the 300 psychological level and an 8-month peak of 304.02 hit earlier this month amid expectations for further Central Bank policy rate cuts. As a reminder, MNB has delivered 300bps of cumulative monetary easing since August last year in order to support the domestic economy, bringing the key policy rate to a record low of 3.00%. In the **external debt markets**, emerging sovereign debt broadly firmed, with spreads on the EMBI+ index closing ca 4bps narrower at 336.34bps over US Treasuries. Separately, Ukrainian 5-year CDS spreads ended Thursday's session at levels of 815bps, ca 45bps wider. However, they remain near a 5-month trough of 770bps hit a session earlier and well below a near 4-year peak of 1,155bps hit earlier this month after the government refused to sign, as originally planned, a trade agreement with the EU.

SERBIA

(Belgrade, 19/12/2013, 16:00 CET): **Latest Political & Macro Developments:** Serbia's public debt increased by €207m in November, bringing the total outstanding stock to €19.5bn, or 59.1% of projected GDP. Public debt rose by 1.8bn year-to-November 2013. **Market Developments:** The EUR/RSD maintained its downward momentum y-day, though selling interest eased as the cross approached the 114.60/114.80 level. The EUR recovered a small part of its losses in late trade on Thursday, with the cross closing at 114.68/88. Earlier this week, NBS cut the key policy rate by 50bps to 9.50%, with the move having a rather limited impact on the dinar. The rate cut was primarily driven by the sharp drop in domestic inflation in the last few months. Serbia's CPI hit a record low of 1.6%YoY in November, falling below the lower bound of the Central Bank's targeted range of 4% +/-1.5%. Elsewhere, the Belex index rose 0.48% on the back of solid trading volumes.

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SERBIA: Indicators	2012	2013f	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	2013f	2014f
Policy Rate (eop)	10.00	9.50	9.50

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

ROMANIA

(Bucharest, 20/12/2013, 09:00 EET): **Latest Political & Macro Developments:** Romanian Prime Minister's decision to postpone for three months the controversial fuel excise hikes put an end to the latest political row, as President Traian Basescu agreed in return to approve the 2014 Budget. The fuel tax (or any alternative budgetary measures) will be discussed with the IMF mission during the 1st quarter of 2014, so as to ensure that respective macroeconomic targets are met and the program stays on track. **Market Developments:** The EUR/RON was boosted by the Fed's policy announcement, but the upward move met strong resistance near the 4.4850 level amid intense selling by local players. Romanian government bond yields opened around 5bps higher across the full spectrum of maturities y-day, with players trying to access the implications of the Fed's latest policy announcements. However, support emerged quickly and by mid-day local bonds recovered their earlier loss, with yields closing between 5 and 10 bps lower on the day. At the last primary market auction of the month, the MoF placed RON 860mn (above the 600mn announced) at a yield of 3.97%. The latter was below market expectations, providing further support to the domestic bond market.

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ROMANIA: Indicators	2012	2013f	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	2013f	2014f
Policy Rate (eop)	4.00	4.00	4.00

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

BULGARIA

(Sofia, 19/12/2013, 17:00 EET): **Latest Political & Macro Developments:** In a report on the macroeconomic prospects of the 11 countries that joined the EU since 2004, World Bank forecasts Bulgarian real GDP growth of 1.7% for next year, compared to a respective cross-sectional average of 2.3%. World Bank's prediction is broadly in line with that of the Bulgarian government, which envisages real GDP growth of 1.8%. For 2014, the European Commission expects Bulgarian gross domestic product to grow by 1.5%, while the European Bank for Reconstruction and Development (EBRD) has a more optimistic forecast (+2%). In other news, Prime Minister Plamen Oresharski stated that joining the (currently implemented) EU Banking Union is not a policy priority for Bulgaria. In an interview with the Bulgarian National Radio Oresharski said that "Bulgaria will follow closely how the banking union develops, but will be in no hurry to join it". **Market Developments:** Following three relatively quiet trading sessions, Bulgarian equities resumed their rally y-day, with the SOFIX registering a fresh 4.5-year high, supported by strong demand for blue chips such as Advance Terrafund REIT (Bulgaria's largest private landlord).

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BULGARIA: Indicators	2012	2013f	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	2013f	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

December 20, 2013

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	1809.60	-0.1%	26.9%	EUR/USD	1.363	-0.2%	3.3%	UST - 10yr	2.93	0	117	GOLD	1194	0.4%	-28.8%
Nikkei 225	15870.42	0.1%	52.7%	GBP/USD	1.6337	-0.2%	0.5%	Bund-10yr	1.87	0	56	BRENT CRUDE	168	0.0%	7.6%
STOXX 600	319.44	1.7%	14.2%	USD/JPY	104.43	-0.2%	-16.9%	JGB - 10yr	0.68	0	-12	LMEX	3110	-0.8%	-10.0%

SEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.11	2	-175
1-week	8.35	-4	-210
1-month	8.61	-3	-249
3-month	8.90	0	-285
6-month	9.24	-1	-297

RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	11.30	0	-63
5Y RSD	12.70	0	227
7Y RSD	13.78	0	103

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.00	0	69
USD Nov-24	6.91	0	650

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	414	3	67
10-year	453	2	57

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	553.0	0.48%	5.56%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	114.8	-0.45%	-1.90%

ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.24	0	-506
1-month	2.02	0	-402
3-month	2.49	0	-356
6-month	2.97	0	-330
12-month	3.2	0	-310

RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.95	0	-215
5Y RON	4.69	0	-141
10Y RON	5.30	0	-95

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.84	2	-83
USD Aug-23	4.74	0	33

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	179	0	-36
10-year	236	#N/A N/A	-16

STOCKS			
	Last	ΔD	ΔYTD
BET	6371.8	1.18%	23.74%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4823	0.09%	-0.86%

BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-1
1-month	0.31	0	-10
3-month	0.65	0	-28
6-month	1.16	0	-52
12-month	2.23	-1	-80

BG Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y BGN	1.02	0	-14
5Y BGN	1.82	0	18
10Y BGN	3.47	0	12

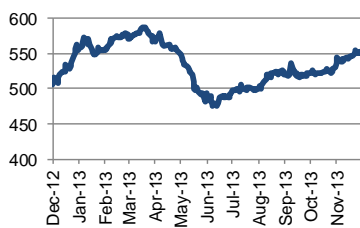
BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.66	-4	-55
EUR Jul-17	1.76	-1	-31

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	121	0	21
10-year	172	#N/A N/A	40

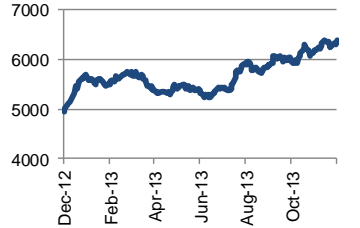
STOCKS			
	Last	ΔD	ΔYTD
SOFIX	483.9	1.72%	40.08%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.4349	-0.22%	3.26%

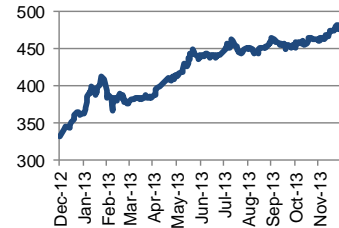
BELEX15 Index



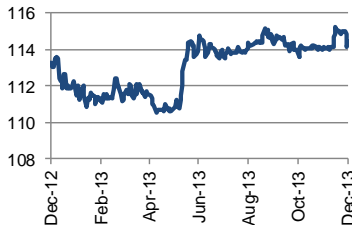
BET Index



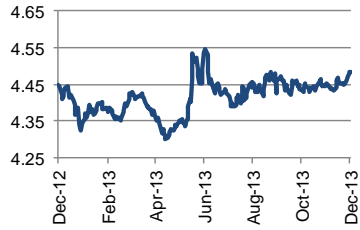
SOFIX Index



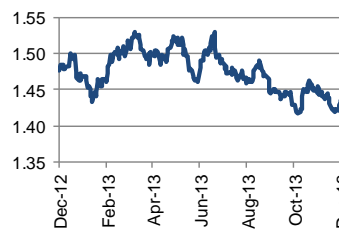
EUR/RSD



EUR/RON



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of ca 09:40 EET

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