

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 17, 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

GREECE: The Greek government and troika officials are reportedly close to reaching an agreement on the restructuring plan for Hellenic Defense Systems. Should this be the case, the Eurogroup, which convenes on Tuesday, December 17 is expected to give the green light for the release of the next EU loan installment (€1bn).

SOUTH EASTERN EUROPE

SERBIA: The 2014 budget passed through Parliament on Friday. A landslide victory for the ruling SNS party in local elections held in three municipalities on Sunday prompted speculation about early parliamentary elections.

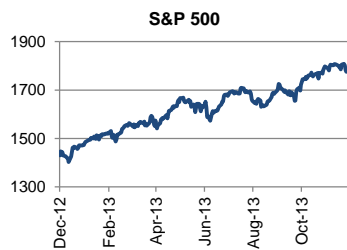
ROMANIA: Anti-government street rallies were staged over the weekend on Penal Code modifications that give members of the executive, of Parliament and local administration immunity against charges of corruption or conflict of interest.

BULGARIA: The government successfully completed the placement of Schuldschein loans; the current account deficit swung to a surplus of 3.5% of GDP in Jan-Oct 2013 from a shortfall of EUR 61.6mn (0.2% of GDP) over the same period a year earlier.

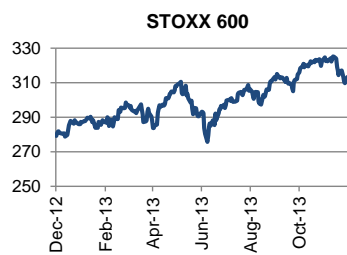
CESEE Markets: CESEE stock markets, regional currencies were mixed on Monday, ahead of the FOMC policy meeting later this week.

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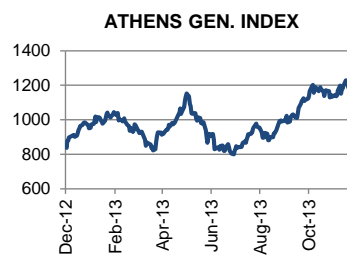
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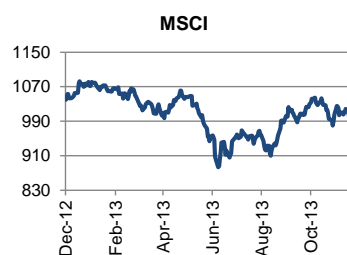
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

GREECE

Latest Political & Macro Developments: The Greek government and troika officials are reportedly close to reaching an agreement on the restructuring plan for Hellenic Defense Systems (HDS). Should this be the case, the Eurogroup, which convenes on Tuesday, December 17 is expected to give the green light for the release of the next EU loan installment (€1bn). Notwithstanding expectations for an imminent approval of the next EU loan disbursement to Greece, a diversion of view reportedly continues to exist between the domestic authorities and the troika as regards a range of important issues underlying the present program review. As a result of the still-inconclusive negotiations, the time required for the completion of the present review may well extend into early next year. The heads of the troika mission are reportedly expected to depart from Athens later this week. **Market Developments:** Monday was a quiet day for Greek corporate bonds with prices closing broadly unchanged on the day amidst low trading volumes. Some buying interest was evidenced in Frigoglass.

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Latest developments in the CESEE region

CESEE markets

CESEE stock markets were mixed on Monday amid market anxiety ahead of the FOMC policy meeting later this week. Following the stronger-than-expected November non-farm payrolls released nearly two weeks earlier and the recent budget deal in Congress, the probability of the Fed starting to curtail its stimulus program as early as in the current week has undoubtedly increased. A no-policy-change decision should not be ruled out either, in view of the still subdued inflation pressures. Against this backdrop, the MSCI benchmark index of emerging equities closed in a marginally negative territory yesterday, while Ukraine's PFTS led the losses in the CESEE region, falling by 1.92%. On the flipside, Hungary's BUX bucked the region's trend, jumping by 1.93% in the wake of a Supreme Court (Kuria) ruling which suggested that FX loan contracts are not against the law, mitigating concerns about aggravated bank losses ahead. Along similar lines, **regional currencies** were mixed on Monday. The Hungarian forint regained additional ground after the court ruling, paring part of its recent losses suffered amid increased expectations for further central bank (MNB) monetary easing. Against this backdrop, the EUR/HUF slid to a 2-1/2-week trough of 298.76 intraday, easing further below from an 8-month peak of 304.02 hit earlier this month. The MNB holds its MPC meeting later in the day. The market's median forecast is for another 20bps rate cut, which, if realized, will bring the MNB's base rate to a new record low of 3.00%. The National Bank of Serbia also holds its MPC meeting today and is broadly anticipated to slash its key policy rate by 25bps to 9.75%. In the **local rate markets**, government bonds broadly firmed, with Turkish paper outperforming its regional peers. In detail, the 2- and 10-year benchmark yields closed 7bps lower each, at 8.92% and 9.45% levels respectively. In the **external debt markets**, emerging sovereign debt spreads narrowed, with the EMBI+ index closing at 335bps over US Treasuries, ca 6bps lower compared to the prior session's settlement. Ukrainian 5-year CDS spreads stood at 1,045bps on Monday, not far from recent near-4-year highs of 1,155bps amid persisting domestic political jitters after the government refused to sign a few weeks ago a trade agreement with the EU.

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SERBIA

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	10.00	9.50

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

(Belgrade, 16/12/2013, 15:20 CET): **Latest Political & Macro Developments:** The 2014 budget passed through Parliament on Friday. The law envisions a central government deficit of RSD 182bn (around €1.58bn) for the year, or 4.6% of projected GDP. The general government shortfall, including guarantees for state owned companies' debt and other expenses, is projected at 7.1% of GDP. On the political front, local elections were held in three municipalities across Serbia on Sunday, with ca 200 thousand registered voters. The ruling SNS party achieved landslide victories in each, with a share of more than 50% of the vote, prompting some party officials to call for early general elections. The main opposition Democratic Party appears to have experienced a debacle at the polls, amassing a share of around 12% of the votes. **Market Developments:** The Central Bank unexpectedly intervened in the FX markets, purchasing ca EUR 10mn on Friday in order to "prevent excessive volatility" in the foreign currency markets. Along these lines, the euro extended its recent gains on Monday, with the EUR/RSD stabilizing near intraday highs at 114.95/115.15. Meanwhile, the stock market ended flat (Belex15 down 0.03%) on very low volumes.

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ROMANIA

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

(Bucharest, 16/12/2013, 17:40 EET): **Latest Political & Macro Developments:** The Romanian Parliament introduced last week modifications to the Penal Code considered to give members of the executive, of Parliament and, even, local administration immunity against charges of corruption or conflicts of interest. The modifications drew criticism from the EU and from the US embassy last week, prompted some anti-government street rallies over the weekend and sparked feuds among the majority of political leaders. **Market Developments:** RON markets started the week quietly, with the EUR/RON and interest rates being little changed on Monday. In yesterday's primary market bond auction, the MoF issued RON 1.1bn in 12M T-Bills at an average yield of 2.90%, as was widely expected.

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BULGARIA

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

(Sofia, 16/12/2013, 18:00 EET): **Latest Political & Macro Developments:** According to a statement released by the MinFin on Dec. 14, the Bulgarian government raised nearly BGN 600mn (ca EUR 290mn) via so-called Schuldschein loans on Dec. 11. The amount generated is reportedly earmarked for debt servicing costs as well as for boosting fiscal reserves. The loans bear maturities of 7, 10 and 15 years and respective volumes of EUR 30.5mn with annual interest rate of 3.397%, EUR 103.5mn with annual interest rate of 4.10% and EUR 156mn with annual interest rate of 4.60%. In other news, Bulgaria's current account deficit swung to a surplus of EUR 1,430.9mn over the first ten months of the year (equivalent to 3.5% of 2013 projected GDP) from a shortfall of EUR 61.6mn (0.2% of GDP) recorded over the same period a year earlier. Even so, FDIs slumped to EUR 1,054mn (or 2.6% of GDP) in January-October 2013 from EUR 1,847mn (or 4.7% of GDP) in the first ten months of 2012. **Market Developments:** The MinFin sold BGN 50mn in 10-year benchmark government bonds on Monday, at an average accepted yield of 3.56%, 4bps higher compared a previous auction of similar maturity paper held on November 18th. The bid-to-cover ratio came in at 1.61, the lowest since January. Local pension funds acquired more than a half of the allotted amount (60%) with the remaining obtained mainly by banks and local investment intermediaries. On the domestic stock market, all major indices closed in red on Monday, with SOFIX posting daily losses in excess of 1%.

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December 17, 2013

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1787.50	0.7%	25.3%
Nikkei 225	15152.91	-1.6%	45.8%
STOXX 600	313.35	1.2%	12.0%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3765	0.2%	4.3%
GBP/USD	1.6318	0.1%	0.4%
USD/JPY	102.98	0.3%	-15.8%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.85	-1	110
Bund-10yr	1.84	1	52
JGB - 10yr	0.69	-1	-10

Commodities

	Last	ΔD	ΔYTD
GOLD	1242	0.2%	-25.9%
BRENT CRUDE	168	0.0%	7.6%
LMEX	3129	0.5%	-9.4%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.50	10	-136
1-week	8.75	12	-170
1-month	9.08	10	-202
3-month	9.33	10	-242
6-month	9.66	11	-255

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.10	0	-82
5Y RSD	12.58	-2	214
7Y RSD	13.72	-3	97

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.06	-1	75
USD Nov-24	6.92	0	651

CDS

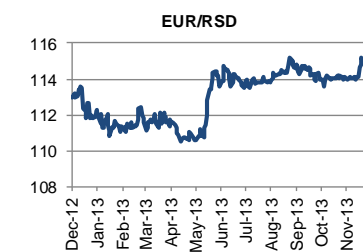
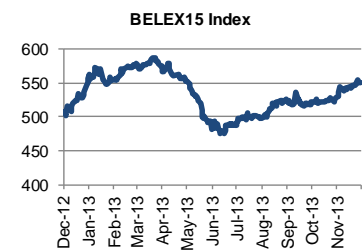
	Last	ΔDbps	ΔYTD bps
5-year	408	-2	61
10-year	454	-2	58

STOCKS

	Last	ΔD	ΔYTD
BELEX15	550.8	-0.03%	5.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.0	-0.16%	-2.03%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.29	-6	-501
1-month	1.92	3	-412
3-month	2.53	-1	-352
6-month	3.04	-1	-323
12-month	3.26	0	-304

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.98	0	-212
5Y RON	4.71	1	-139
10Y RON	5.29	0	-96

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.97	3	-69
USD Aug-23	4.79	1	37

CDS

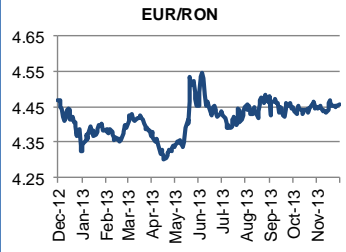
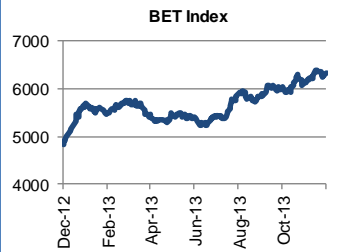
	Last	ΔDbps	ΔYTD bps
5-year	182	0	-33
10-year	236	0	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6310.1	0.23%	22.54%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.457	0.01%	-0.30%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-3
1-month	0.31	0	-9
3-month	0.65	0	-27
6-month	1.16	0	-52
12-month	2.23	0	-80

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.11	4	-5
5Y BGN	1.85	-1	20
10Y BGN	3.52	0	16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.77	13	-48
EUR Jul-17	1.76	0	-32

CDS

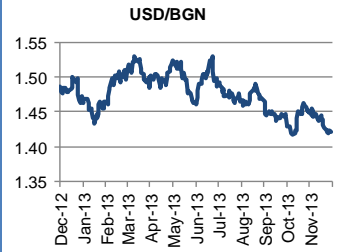
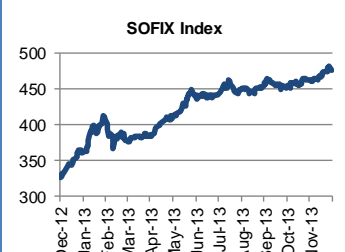
	Last	ΔDbps	ΔYTD bps
5-year	121	0	22
10-year	173	#N/A	N/A

STOCKS

	Last	ΔD	ΔYTD
SOFIX	475.5	-1.17%	37.63%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4208	0.19%	4.29%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of ca 18:00 EET of the previous session

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