

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 11, 2013

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Dec. 11
  - Budget (Nov)
- Dec. 12
  - Retail sales (Adv, Nov)
  - Initial jobless claims (Dec 7)
  - Business Inventories (Oct)

#### EUROZONE

- Dec. 9: Eurogroup meeting
- Dec. 12
  - ECB monthly report
  - IP (Oct)
- Dec. 13: Employment (Q3)

### SEE

#### SERBIA

- Dec 10: 2Y 10% T-Bond auction
- Dec 12: HICP (Nov)

#### ROMANIA

- Dec 9: 2020 T-Note auction
- Dec 10
  - Trade Balance (Oct)
  - IP (Oct)
- Dec 11: CPI (Nov)
- Dec 13
  - CAD (Oct)
  - 2015 T-Note auction

#### BULGARIA

- Dec 9
  - IP (Oct)
  - Retail sales (Oct)
- Dec 10: Trade Balance (Oct)
- Dec 13: CPI (Nov)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**Global Markets:** Tracking major US stock indices lower overnight, Asian bourses weakened on Wednesday on profit taking. In FX markets, the EUR retained a firm tone in early European trade.

**GREECE:** Official discussions between the Greek government and the troika in the context of the current program review are expected to resume later in the day. On the data front, the total value of exports-dispatches amounted to €2.257bn in October compared to €2.572bn in the same month last year, recording a drop of 12.2% YoY.

### SOUTH EASTERN EUROPE

**SERBIA:** Unions protested yesterday against the government's plan for the adoption of a new labour law, reportedly expected to induce additional flexibility in the domestic labour market.

**ROMANIA:** Romania's industrial output rose by 1.6%mom in October, taking the annual rate of increase to 9.9% and adding to recent evidence of improved growth prospects in the domestic economy.

**BULGARIA:** According to preliminary data from the National Statistical Institute (NSI), Bulgaria's exports to EU countries increased by 9%YoY in the first nine months of the year; the Ministry of Finance sold EUR 20mn in 7-year benchmark government bonds on Monday.

**CESEE Markets:** CESEE stock markets moved broadly lower on Tuesday on position squaring ahead of year-end. Persisting uncertainty surrounding the exact timing of when the Fed will start tapering its QE program also weighed on market sentiment. **Regional currencies** broadly firmed on Tuesday tracking the EUR higher.

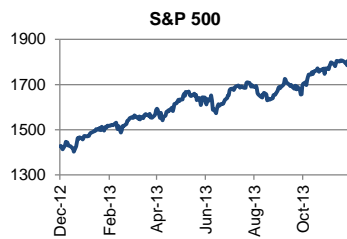
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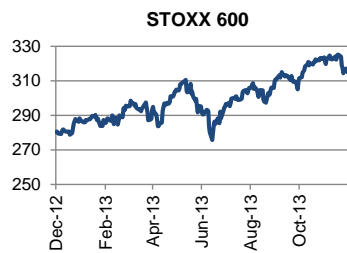
## Latest world economic & market developments

### Global Markets

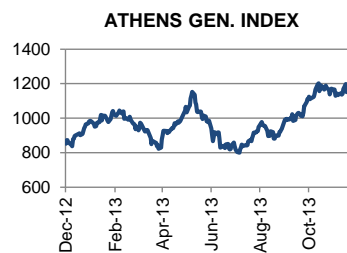
Tracking major US stock indices lower overnight, Asian bourses weakened today on profit taking. In FX markets, the EUR retained a firm tone in early European trade assisted by the prevailing market view that the ECB is in no rush to adopt additional monetary policy stimulus any time soon.



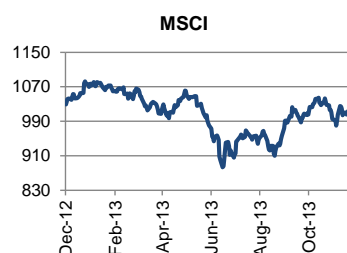
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

### GREECE

**Latest Political & Macro Developments:** Official discussions between the Greek government and the troika in the context of the current program review are expected to resume later in the day. The issues that will reportedly be high on the agenda include, among others, a moratorium on foreclosures, domestic labor market conditions, the implementation framework of the new single property tax and the VAT rate on food catering and restaurants. As per the same sources, Greek authorities are awaiting today the troika's response on their proposal for the restructuring plan of Hellenic Defense Systems, the sole outstanding prior action for the release of the next EU loan installment. On the data front, the total value of exports-dispatches amounted to €2.257bn in October compared to €2.572bn in the same month last year, recording a drop of 12.2% YoY. The decline was mainly driven by a 20.2% YoY drop in exports-dispatches to Third Countries while the outflow to EU countries marked a marginal decline of 1.2% YoY.

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## Latest developments in the CESEE region

### CESEE markets

**CESEE stock markets** moved broadly lower on Tuesday on position squaring ahead of year-end. Persisting uncertainty surrounding the exact timing of when the Fed will start tapering its QE program also weighed on market sentiment. Romania's BET index led the losses in the region, recording a 2% decline. Meanwhile, the MSCI benchmark index of emerging equities ended marginally lower (-0.04%). On the flipside, the majority of **regional currencies** firmed on Tuesday tracking the EUR higher. The Turkish lira advanced by 0.23% to end at 2.0274/USD, gaining support from upbeat Q3 GDP data which exceeded market expectations, showing that the domestic economy grew by 4.4% year-on-year vs. 4.2% expected following an upwardly revised 4.5% in Q2. Bucking the region's trend, the Ukrainian hryvnia came under renewed pressure amid persisting political jitters. Anti-government rallies have dominated headlines over recent days, after President Viktor Yanukovich declined to sign a few days ago, as planned originally, a trade agreement with the EU. The currency closed ca 1% lower against the USD at 8.245. In the **local rate markets**, Turkish government bonds firmed in the wake of the better-than-anticipated Q3 GDP data. Against this background, the 2 and 10-year benchmark bond yields fell by 10bps and 8bps respectively to 9.02% and 9.42%. In the **external debt markets**, Ukraine's 5-year CDS spread remained near 4-year highs of 1,155bps hit on Monday amid escalating political woes. Romania's and Hungary's CPI releases for November as well as Turkey's current account deficit data for October take centre stage today. A speech by Turkey's Central Bank Governor Erdem Basci also lures market attention.

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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

## 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
	<b>current</b>	<b>2013f</b>	<b>2014f</b>
Policy Rate (eop)	10.00	10.00	9.50

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

(Belgrade, 10/12/2013, 15:00 CET): **Latest Political & Macro Developments:** Several unions protested yesterday against the government's plan for the adoption of a new labour law, which is reportedly expected to induce additional flexibility in the domestic labour market.

**Market Developments:** The EUR/RSD retained a positive tone on Tuesday. The pair consolidated around the 114.80/00 area following a short-lived drop to a one-week intraday low of 114.60. Technically, strong support stands at 114.00, while on the upside resistance lies at 115.10, ahead of 115.20. In other news, Serbia sold 71.76% of the planned RSD10bln amount in 2-year T-bonds on Tuesday. In line with market expectations, the yield dropped to 10.09%, 61bps lower compared to a previous auction of similar maturity paper held on November 2.

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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
	<b>current</b>	<b>2013f</b>	<b>2014f</b>
Policy Rate (eop)	4.00	4.00	4.00

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

(Bucharest, 10/12/2013, 17.45 EET): **Latest Political & Macro Developments:** Romania's industrial output rose by 1.6%mom in October, taking the annual rate of increase to 9.9% and adding to recent evidence of improved growth prospects in the domestic economy. **Market**

**Developments:** The EUR/RON traded in a tight range around 4.4500 on Tuesday. Looking ahead, consolidation around that area will likely prevail for the remainder of the month. Government bond yields for tenors up to 3Y moved slightly lower, supported by cheap RON funding. On the RON corporate side, state-owned power grid operator Transelectrica announced plans of a RON 200mn issuance in 5Y bonds by the end of December.

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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	
	<b>current</b>	<b>2013f</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 10/12/2013, 17.30 EET): **Latest Political & Macro Developments:** According to preliminary data from the National Statistical Institute (NSI), Bulgaria's exports to EU countries increased by 9%YoY in the first nine months of the year, amounting to BGN 19.5bn. Bulgaria's main trade partners were identified as Germany, Italy, Romania, Greece and France, which absorbed 68% of the country's exports to EU Member States. For the month of September, Bulgaria's exports to the EU jumped by 15.8%YoY, coming in at BGN 2.5bn. **Market Developments:** The Ministry of Finance placed on Monday EUR 20mn of 7-year benchmark government bonds at an average accepted yield of 2.79%, the lowest in the last six months, and 7bps lower compared to the 11-Nov tender when paper of similar maturity was issued. Investors bid 2.59 times the bonds offered compared with a bid-to-cover ratio of 2.62 in the November auction. Local pension funds acquired slightly more than half of the amount sold (55%), while the remaining was allotted to banks and local insurance companies. On the stock market, SOFIX closed marginally lower (-0.03%), halting a 5-session winning streak.

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December 11, 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	1807.40	-0.1%	26.7%	EUR/USD	1.3783	0.3%	4.5%	UST - 10yr	2.81	-3	105	GOLD	1266	2.0%	-24.5%
Nikkei 225	15611.31	-0.2%	50.2%	GBP/USD	1.6432	0.0%	1.1%	Bund-10yr	1.83	-1	51	BRENT CRUDE	168	0.0%	7.6%
STOXX 600	315.18	-0.6%	12.7%	USD/JPY	102.76	0.5%	-15.6%	JGB - 10yr	0.66	0	-13	LMEX	3083	0.5%	-10.7%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.49	-4	-137
1-week	8.69	-1	-176
1-month	9.01	0	-209
3-month	9.27	-2	-248
6-month	9.56	-1	-265

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.40	25	-53
5Y RSD	12.67	-10	224
7Y RSD	13.77	-2	102

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.12	-3	81
USD Nov-24	6.92	-2	651

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	425	12	78
10-year	469	13	71

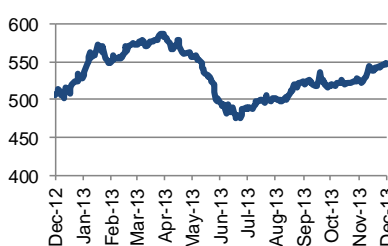
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	547.4	0.27%	4.48%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.0	-0.09%	-2.06%

**BELEX15 Index**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.61	-7	-469
1-month	1.96	-5	-408
3-month	2.72	1	-333
6-month	3.15	1	-312
12-month	3.33	1	-297

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	4.14	-1	-196
5Y RON	4.85	0	-125
10Y RON	5.38	1	-87

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	4.00	-5	-67
USD Aug-23	4.77	-7	36

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	187	0	-28
10-year	235	-7	-17

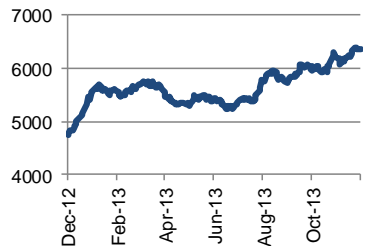
**STOCKS**

	Last	ΔD	ΔYTD
BET	6226.2	-2.04%	20.91%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.451	0.03%	-0.16%

**BET Index**



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-2
1-month	0.31	0	-10
3-month	0.65	0	-28
6-month	1.16	0	-52
12-month	2.23	-1	-81

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.11	2	-5
5Y BGN	1.90	2	25
10Y BGN	3.50	0	15

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.67	-2	-58
EUR Jul-17	1.78	6	-29

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	129	0	29
10-year	173	0	40

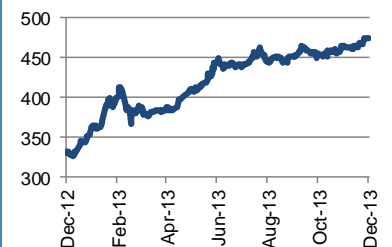
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	474.4	-0.03%	37.32%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4191	0.32%	4.41%

**SOFIX Index**



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of ca 17:30 EET of previous session

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