

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 13, 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: In FX markets, the USD regained some composure in early European trade on Friday supported by y-day's stronger-than-expected US November retail sales.

GREECE: According to the latest data on the execution of the State Budget on a modified cash basis, the year-to-November Central Government shortfall stood at €3,223mn, compared to a €8,444mn deficit target envisaged in the medium-term fiscal plan (MTFS) for 2013-2016. In other news, total domestic banks' lending fell in November for the seventh month in a row coming in at €70.09bn, €331.6mn or 0.5% lower compared to the prior month's level

SOUTH EASTERN EUROPE

SERBIA: According to CB data, FX reserves stood at €10.36bn at end-November, posting a monthly increase of €64mn. The EUR/RSD retreated below 114.85 despite weaker-than-expected November CPI data.

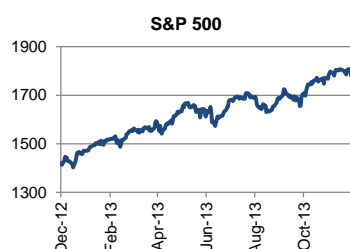
ROMANIA: November inflation data came in weaker-than-expected adding to the view about lower policy rates in the months ahead.

BULGARIA: The main stock index consolidated around recent 4-year highs y-day.

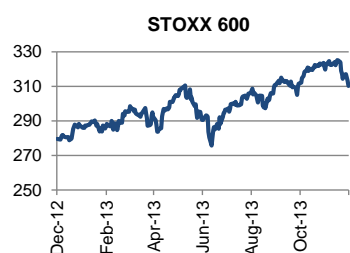
CESEE Markets: Emerging stock markets moved broadly lower on Thursday as upbeat US retail sales data reinforced the view that the Fed may start tapering its QE program sooner than previously expected.; **regional currencies** weakened on Thursday on waning risk appetite.

DISCLAIMER

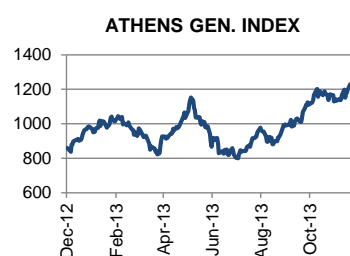
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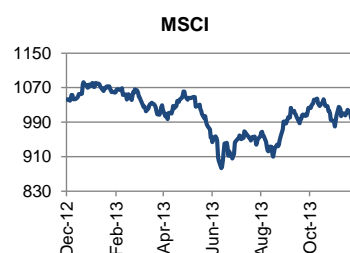
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

In FX markets, the USD regained some composure in early European trade on Friday supported by y-day's stronger-than-expected US November retail sales. Elsewhere, major US stock indices ended lower overnight and US government bonds remained under pressure early on Friday on the view that the Fed may start curtailing its stimulus program earlier than previously expected. The next FOMC policy meeting is scheduled for December 17-18.

GREECE

Latest Political & Macro Developments: According to the latest data on the execution of the State Budget on a modified cash basis, the **year-to-November Central Government shortfall** stood at €3,223mn, compared to a €8,444mn deficit target envisaged in the medium-term fiscal plan (MTFS) for 2013-2016. Notably, the Central Government primary balance recorded a surplus of €2,710mn compared to a deficit target of €2,044mn and a shortfall of €1,419mn over the same period a year earlier. In all, the data supports expectations for a General Government primary surplus this year (next Eurostat EDP due in mid-April 2014). Elsewhere, based on the most recent Bank of Greece data, **total domestic banks' lending** fell in November for the seventh month in a row coming in at €70.09bn, €331.6mn or 0.5% lower compared to the prior month's level. Regarding the mix between funding through the ECB and ELA, BoG's November 2013 balance sheet revealed that ECB funding dropped by €1.80bn compared to the prior month's level coming in at €60.68bn. Funding provided to domestic banks through the ELA mechanism rose by €1.46bn on a monthly basis to €9.42bn.

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Latest developments in the CESEE region

CESEE markets

Emerging stock markets moved broadly lower on Thursday as upbeat US retail sales data reinforced the view that the Fed may start tapering its QE program sooner than previously expected. Turkey's main stock index BIST100 closed 1.21% lower, weighed down by recent central bank Governor Erdem Basci's comments which suggested that the CBT will likely maintain a cautious stance until inflation eases in line with its targets, in an environment where the country's high current account deficit is curtailing growth. Elsewhere, Poland's WIG index plummeted by 1.20%, while the MSCI benchmark index of emerging equities slid by 1.10%. On the other hand, Serbia, Ukraine and Romania bucked the region's trend posting gains to the tune of 0.85%, 0.76% and 0.18%, respectively. The majority of **regional currencies** weakened on Thursday on waning risk appetite. The Ukrainian hryvnia recoiled to new intraday 4-year lows of 8.2800/USD against a background of persisting political jitters after the government declined to sign, a few days ago as planned originally, a trade agreement with the EU. With CBT Governor's comments still in investors' ears, the Turkish lira hit a multi-session trough of 2.0473/USD on Thursday. Meanwhile, the Hungarian forint approached 8-months lows ahead of next week's MPC meeting where the central bank is expected to further cut interest rates. Market worries that a court ruling on FX loans may add to commercial banks' losses also had a negative impact on the currency. Against this background, EUR/HUF hit an intraday high of 303.82, approaching anew a 304.02 8-month low marked earlier this month. In the **local rate markets**, Turkish government bonds broadly underperformed, with the 2 and 10-year benchmark yields rising by 3bps and 5bps respectively to 9.09% and 9.65%.

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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, 12/12/2013, 16:00 CET): **Latest Political & Macro Developments:** According to CB data, FX reserves stood at €10.36bn at end-November, posting a monthly increase of €64mn. Inflows were mainly generated from issues of EUR denominated securities (€136mn), while outflows consisted primarily of payouts of matured EUR denominated securities (€100mn) and IMF loan payouts (€99m). Net FX reserves, excluding banks' required reserves and drawings from the IMF, amounted to €7.04bn. **Market Developments:** The EUR/RSD broke below the 114.85/05 area, hitting a session low of 114.70/90 on Thursday. Weaker-than-expected November CPI data failed to exert a negative impact on the RSD. In more detail, the headline CPI slowed from 2.2%YoY in October to a record low of 1.6%YoY in November, adding to the view about lower NBS interest rates ahead. Separately, Belex extended its recent gains ending 0.85% higher on Thursday.

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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, 12/12/2013, 17:15 EET): **Latest Political & Macro Developments:** November inflation data came in weaker-than-expected adding to the view about lower policy rates in the months ahead. In more detail, November CPI remained flat on a monthly basis taking the annual rate at 1.8%YoY compared to 1.9%YoY in the prior month and a 2.2%YoY market consensus. In other news, NBR governor Isarescu said in an interview on Thursday that excess RON liquidity will likely prevail on a longer term basis adding that the central bank stands ready to reduce RON required reserves, if needed, in 2014. **Market Developments:** The EUR/RON was little changed hovering around 4.4500 on Thursday. Longer 3-12M RON implied swap rates moved lower by ca 10-15bps, while government bonds rallied with the entire curve falling by ca 20-30 bps in the wake of NBR dovish comments.

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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, 12/12/2013, 17:30 EET): **Market Developments:** Local government bonds retained a positive tone on Thursday supported by a well-received auction of 7-year EUR notes early this week. Elsewhere, the main stock index consolidated around recent 4-year highs y-day. Sopharma Pl, one of the largest blue chips, extended recent gains to close at BGN 3.90, marking a 90% increase year-to-date.

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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	1775.50	-0.4%	24.5%	EUR/USD	1.3752	0.0%	4.2%	UST - 10yr	2.88	0	112	GOLD	1228	0.2%	-26.7%
Nikkei 225	15403.11	0.4%	48.2%	GBP/USD	1.6341	-0.1%	0.6%	Bund-10yr	1.84	0	52	BRENT CRUDE	168	0.0%	7.6%
STOXX 600	310.24	-1.0%	10.9%	USD/JPY	103.55	-0.2%	-16.2%	JGB - 10yr	0.69	3	-10	LMEX	3112	-0.2%	-9.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.37	-10	-149
1-week	8.61	-7	-184
1-month	8.94	-3	-216
3-month	9.22	-3	-253
6-month	9.53	-3	-268

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.10	0	-83
5Y RSD	12.64	0	220
7Y RSD	13.75	0	100

RS Eurobonds

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

CDS

	Last	ΔDbps	ΔYTD bps
5-year	387	-23	39
10-year	431	-21	33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	555.2	0.85%	5.97%

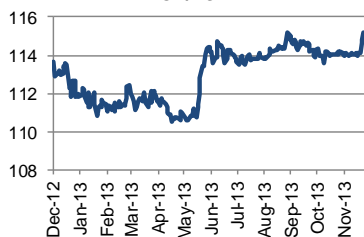
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	114.8	-0.03%	-1.88%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.41	0	-489
1-month	1.89	0	-415
3-month	2.57	0	-348
6-month	3.06	0	-321
12-month	3.28	0	-302

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.00	0	-210
5Y RON	4.74	0	-136
10Y RON	5.30	0	-95

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.95	1	-72
USD Aug-23	4.80	1	39

CDS

	Last	ΔDbps	ΔYTD bps
5-year	182	0	-33
10-year	236	#N/A N/A	-16

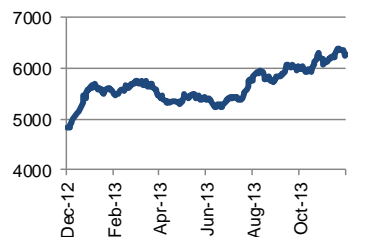
STOCKS

	Last	ΔD	ΔYTD
BET	6272.5	0.18%	21.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4539	-0.02%	-0.23%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-2
1-month	0.31	0	-10
3-month	0.64	-1	-29
6-month	1.14	-3	-55
12-month	2.19	-5	-84

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.04	0	-13
5Y BGN	1.83	0	18
10Y BGN	3.50	0	14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.64	-2	-59
EUR Jul-17	1.78	-5	-29

CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	0	23
10-year	173	#N/A N/A	40

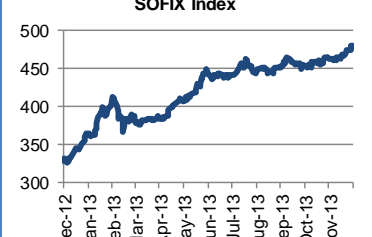
STOCKS

	Last	ΔD	ΔYTD
SOFIX	479.0	-0.27%	38.64%

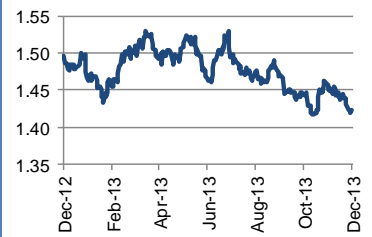
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4221	0.01%	4.19%

SOFIX Index



USD/BGN



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