

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 18, 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

Market focus today is on the conclusion of the 2-day FOMC policy meeting.

#### SOUTH EASTERN EUROPE

**SERBIA:** The Central Bank cut the key policy rate by 50bps on Tuesday, to 9.50%; the government sold RSD 6.42bn in 3-year T-bills at an auction yesterday.

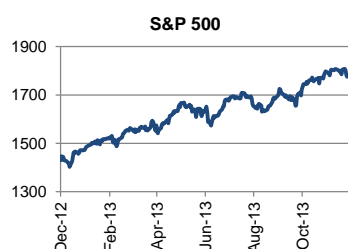
**ROMANIA:** Romanian markets were relatively stable ahead of the Fed decision on Wednesday.

**BULGARIA:** According to the results of the Bulgarian Industrial Association (BIA) annual poll, real GDP growth is expected to pick up in 2014 following a turbulent 2013. Local bonds were little changed on Tuesday; SOFIX slightly firmed.

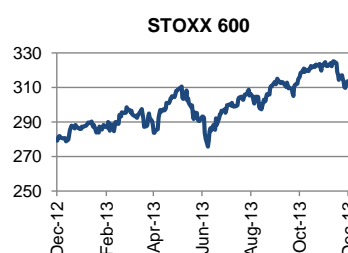
**CESEE Markets: Emerging stock markets** posted modest gains on Tuesday, **regional currencies** were relatively stable, ahead the conclusion of the 2-day FOMC meeting later on the day.

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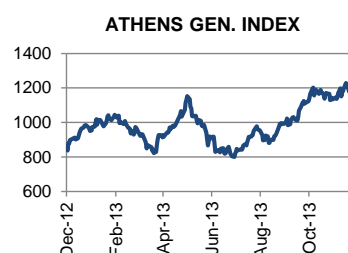
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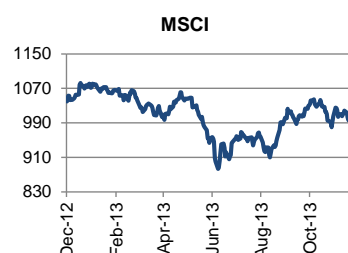
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Market focus today is on the conclusion of the 2-day FOMC policy meeting. 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.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** posted modest gains on Tuesday as investors appear reluctant to establish new positions ahead the conclusion of the 2-day FOMC meeting later on the day. Against this environment, the MSCI benchmark index of emerging equities closed marginally higher (+0.11%). Bourses in the CESEE region were mixed, with Turkey's main BIST 100 index registering the heaviest losses among its peers, plummeting by 5.75%. The selloff was primarily driven by news that police detained several individuals, including prominent businessmen and the sons of three cabinet ministers, on corruption allegations. The news comes around three months ahead of local elections in Turkey, seen as a gauge for the ruling AKP's popularity. It also overshadowed a Central Bank (CBT) MPC meeting which concluded yesterday afternoon and appeared to have a rather limited impact on the domestic stock market. In detail, the CBT held interest rates unchanged yesterday, in line with expectations, reiterating that it would maintain a cautious policy stance. Additionally, the Central Bank announced it would tighten liquidity conditions through cutting the maximum amount of 1-week repo funding provided to the market and reducing funding offered to primary dealer banks. With the focus being on the conclusion of the FOMC policy meeting today, **regional currencies** were relatively stable on Tuesday. The Serbian dinar was little changed, hovering near levels of 115/EUR in the prior session, largely shrugging off a higher-than-anticipated 50bps rate cut by the National Bank of Serbia. Market participants expected half the amount delivered. Including yesterday's move, the Central Bank's key policy rate currently stands at 9.50%. An expected 20bps reduction in Hungary's Central Bank key policy rate to a record low of 3.00%, also had a rather limited impact on the domestic currency. The Hungarian forint largely retained this week's gains triggered after a court ruling alleviated concerns about additional losses in banks. Extending its recent relief-driven recovery, the EUR/HUF eased as far as a new 2-1/2-week trough at 298.19 intraday on Tuesday, sliding further below the 300 psychological level and an 8-month peak of 304.02 hit earlier this month. In the **local rate markets**, government bonds broadly firmed. Hungarian paper outperformed in the wake of the rate cut, with the 3-year bond yield easing by 9bps to a record low of 4.019%. Notably, including yesterday's policy rate reduction, the MNB has so far delivered 400bps of cumulative monetary easing since August last year. On the flipside, Turkish government bonds led the losers' pack, weighed down by domestic political noise. Along these lines, the 2- and 10-year benchmark yields bounced by 18bps each, to 9.10% and 9.63% respectively. In the **external debt markets**, emerging sovereign debt lost some ground, with the EMBI+ index closing at 341.13bps over US Treasuries, ca 6bps wider on the day. Ukrainian sovereign debt rallied and the country's 5-year CDS spreads collapsed by 260bps to 785bps on Tuesday's settlement after the Russian government announced it agreed to extend to Ukraine a \$15bn loan via Eurobond purchases and lower the price of gas exports to the country.

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

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

## SERBIA

(Belgrade, 17/12/2013, 16:15 CET): **Latest Political & Macro Developments:** The Central Bank's Executive Board cut the key policy rate by 50bps to 9.50% at its MPC meeting yesterday. The decision was primarily driven by the recent drop in inflation recorded in the last few months, which stood at a record low of 1.6%YoY in November, below the lower bound of the NBS's 4% +/-1.5% targeted range. **Market Developments:** The MPC announcement had a limited impact on the dinar. As a result, the EUR/RSD hovered around 114.95/15 for most of yesterday's session. In other news, the government raised RSD 6.42bn in three-year bonds at an auction on Tuesday, 64.22% of the RSD 10bln planned amount. Meanwhile, the Stock Market recorded a modest 0.12% rise yesterday.

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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
	<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

## ROMANIA

(Bucharest, 17/12/2013, 17.00 EET): **Latest Political & Macro Developments:** With the Christmas holidays around the corner, there was no significant political or economic news yesterday. **Market Developments:** The EUR/RON moved higher towards 4.4700 on Tuesday on squaring of positions ahead of the FOMC announcement on December 18<sup>th</sup>. RON short term rates remained close to the deposit facility rate, while the government yield curve was little changed in the wake of the prior session's rally.

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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		
	<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

## BULGARIA

(Sofia, 17/12/2013, 18.00 EET): **Latest Political & Macro Developments:** According to the results of the Bulgarian Industrial Association (BIA) annual poll, real GDP growth is expected to pick up in 2014 following a turbulent 2013. More than 22% of the individuals polled said that the business climate in 2013 had improved compared to the previous year. Some 53% of the respondents claimed that economic conditions in the country were deteriorating, while 23% thought they remained the same. Despite the fact that 39% of BIA members anticipated economic stagnation in 2014, the poll showed certain optimism – 33% foresaw GDP growth in excess 1.5%. **Market Developments:** The local bond market was relatively quiet on Tuesday as the results of Monday's auction were more or less in line with expectations. On the stock market we observed some additional activity in illiquid names which boosted the overall turnover levels. Chimimport remained the most liquid blue chip but the price closed little changed, while the main stock index, SOFIX, posted marginal gains.

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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	1783.27	-0.2%	25.0%	EUR/USD	1.373	-0.2%	4.1%	UST - 10yr	2.87	-1	111	GOLD	1231	-0.9%	-26.5%
Nikkei 225	15278.63	0.8%	47.0%	GBP/USD	1.6241	-0.3%	0.0%	Bund-10yr	1.83	0	52	BRENT CRUDE	168	0.0%	7.6%
STOXX 600	312.27	-0.4%	11.7%	USD/JPY	102.74	0.3%	-15.6%	JGB - 10yr	0.67	-2	-12	LMEX	3137	0.3%	-9.2%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.41	-9	-145
1-week	8.64	-11	-181
1-month	9.00	-8	-210
3-month	9.23	-10	-252
6-month	9.59	-7	-262

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.10	0	-82
5Y RSD	12.58	0	214
7Y RSD	13.76	0	101

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.03	-2	72
USD Nov-24	6.92	0	652

## CDS

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

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	551.5	0.12%	5.27%

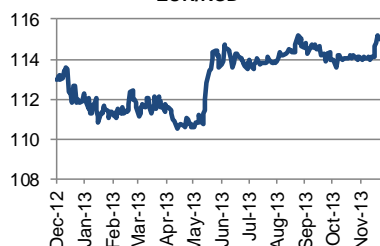
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.0	-0.04%	-2.02%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.26	-3	-504
1-month	1.91	-1	-413
3-month	2.46	-7	-359
6-month	2.99	-5	-328
12-month	3.24	-2	-306

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.95	-2	-215
5Y RON	4.72	1	-138
10Y RON	5.29	0	-96

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.91	-5	-76
USD Aug-23	4.79	-1	38

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	180	0	-35
10-year	236	0	-16

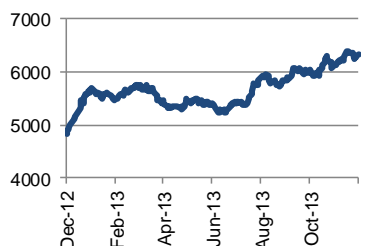
## STOCKS

	Last	ΔD	ΔYTD
BET	6310.3	0.00%	22.54%

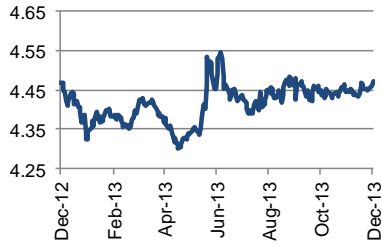
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4713	-0.21%	-0.62%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	1	-1
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	1.04	-7	-12
5Y BGN	1.82	-3	17
10Y BGN	3.50	0	14

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.79	1	-46
EUR Jul-17	1.75	6	-32

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	121	0	22
10-year	172	0	40

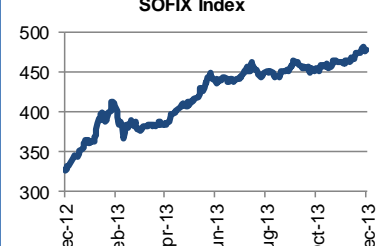
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	477.5	0.42%	38.22%

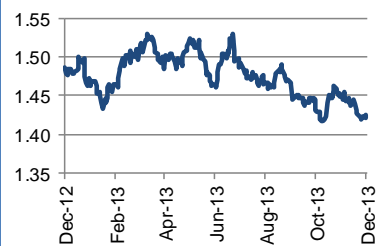
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4244	-0.22%	4.02%

SOFIX Index



USD/BGN



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