

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 2, 2013

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 2: ISM manuf (Nov)
- Dec. 4
 - ADP employment (Nov)
 - Trade Balance (Oct)
 - ISM non-manuf (Nov)
 - New home sales (9&10)
 - Fed Beige Book
- Dec. 5
 - Initial jobless claims (Nov. 29)
 - GDP (Q3)
 - Factory orders (Oct)
- Dec. 6
 - NFP (Nov)
 - U/E rate (Nov)
 - Personal Spending (Oct)
 - Core PCE deflator (Oct)
 - UM Confidence (Dec)

EUROZONE

- Dec. 2: PMI manuf (Decf)
- Dec. 4
 - PMI services (f)
 - GDP (Q3)
- Dec. 5: ECB meeting decision & press conf

SEE

SERBIA

- Dec 3: IMF mission arrives to Serbia

ROMANIA

- Dec 4: GDP (Q3p)
- Dec 5: 5Y Bond auction

BULGARIA

- Dec 3: Budget (Oct)
- Dec 4: GDP (Q3f)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

Eurozone: Supporting the view that the ECB will probably stay put at this week's monetary policy meeting, the Eurozone CPI rose more than expected in November, while the October unemployment rate recorded an unexpected drop.

Global Markets: The GBP was among the main outperformers in FX markets in early European trade on Monday amid increased expectations for a BoE rate hike earlier than initially expected.

GREECE: Moody's Investors Service upgraded Greece's sovereign credit rating by two notches to Caa3 from C with a stable outlook.

SOUTH EASTERN EUROPE

SERBIA: Serbia's retail trade turnover inched marginally higher in October (+0.1%yo), following 16 consecutive months of declines.

ROMANIA: No significant market news or developments at the last trading day of the week.

BULGARIA: Bulgaria's right-wing Reformist Bloc staged strong criticism against the 2014 draft budget, characterizing it as the most un-transparent since the beginning of the country's democratic transition. SOFIX recorded on Friday one of its best daily performances in recent months, posting gains of 1.1%.

CESEE Markets: CESEE stock markets closed on a positive note on Friday; regional currencies, bonds broadly weakened.

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Latest world economic & market developments

Eurozone

The Eurozone CPI rose to 0.9%yoy in November, higher than the 0.8%yoy expected and compared to a four-year trough of 0.7%yoy recorded in the prior month. Elsewhere, the Eurozone unemployment rate posted its first decline in nearly two years in October, easing to 12.1% from an all-time high of 12.2% in the prior month. The data provide additional support to the view that the ECB will likely stay put on rates at this week's monetary policy meeting.

Global Markets

The GBP was among the main outperformers in FX markets in early European trade on Monday assisted by increased expectations for a BoE rate hike earlier than initially expected. The GBP/USD hit a year-to date high of 1.6440 earlier today with investors eagerly awaiting the outcome of the BoE monetary policy meeting on Thursday as well as the US November non-farm payrolls report due for release on Friday.

GREECE

Latest Political & Macro Developments: Moody's Investors Service upgraded Greece's sovereign credit rating by two notches to Caa3 from C, with a stable outlook. In the accompanying statement Moody's cited that the main drivers behind its decision were: (i) the significant fiscal consolidation that has taken place under the country's economic adjustment program; (ii) the improvement in the country's medium-term economic outlook and the progress made in implementing structural reforms; and (iii) a significantly decline in the country's interest burden, following Greece's debt restructuring schemes of 2012 and official sector repayment assistance. **Market Developments:** Not much action on Friday in the Greek corporate bonds market. Prices closed broadly unchanged on the day, with volumes reining at low levels. Some buying interest was evidenced in Ote16 and Frigoglass, with some sellers operating on the offer side in Ote15 and Hellenic Petroleum. Ote18 continued its upward move, closing above 112 (bid side).

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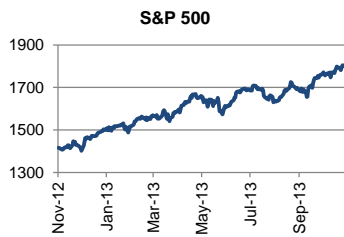
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Latest developments in the CESEE region

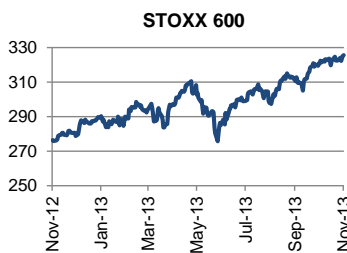
CESEE markets

CESEE stock markets closed the week on a positive note. The MSCI benchmark index of emerging equities rose 0.62% on Friday, amassing weekly gains of 0.90%. Nonetheless, the index ended the month 1.56% lower, amid lingering uncertainty surrounding the timing of the Fed's monetary stimulus withdrawal. Turkey's BIST 100 index outperformed its regional peers with daily gains to the tune of 1.57% (-2.4% on the month). On the other hand, Ukraine's PFTS shed 1.32% on Friday, after the government declined to sign, as planned originally, a trade agreement with the EU. Ukrainian President Viktor Yanukovich left the door open on Friday for clinching a deal in the future, highlighting though that the country presently needs economic assistance from the bloc. Separately, **regional currencies** broadly weakened on Friday. The Hungarian forint remained among the region's underperformers hitting a 2-½ month low of 301.75/EUR intraday, amid heightened expectations for further CB monetary easing ahead. In the **local rate markets**, government bond prices moved broadly lower. Hungarian paper fared worse, with the 3- and 10-year yields spiking 9bps and 7bps, to 4.26% and 6.01%, respectively.

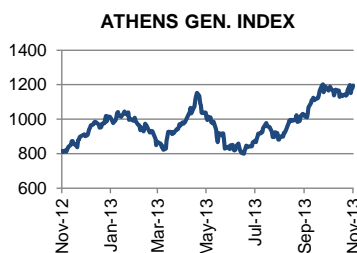
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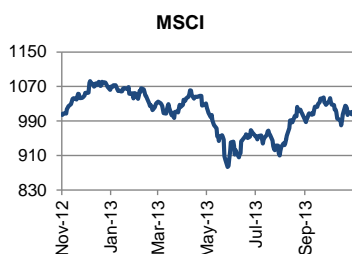
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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	-6.0	-4.5
EUR/RSD (eop)	112.30	115.34	123.00
	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, 29/11/2013, 16:30 CET): **Latest Political & Macro Developments:** Serbia's retail trade turnover inched marginally higher in October (+0.1%yoy), following 16 consecutive months of declines. This brought year-to-date losses to 6.6%. **Market developments:** The Central Bank intervened again in the FX markets on Friday, driving the EUR/RSD rate to levels slightly above 114.00. Once again, the intervention had a rather limited impact on the cross as strong euro flows on the offer side continued. NBS bought €70-80 million last week, with the size of Friday's intervention estimated at € 20-30 million. Against this background the EUR/RSD ended the last trading session of the week at 114.05/25 compared to 113.98 on Thursday's settlement. In other news, the MinFin will sell 53-week government bonds on December 3, seeking to raise RSD 5 billion. As a reminder, the government sold on October 29 RSD 10 billion of similar maturity paper at a yield of 10.14%. In the domestic stock market, the BELEX15 index advanced by 0.13%, with turnover reaching €1.5mn.

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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

ROMANIA

(Bucharest, 29/11/2013, 17:15 EET): **Latest Political & Macro Developments:** No significant market news or developments at the last trading day of the week. **Market Developments:** Mixed flows have kept the EUR/RON around the 4.4400 level in recent days, despite upwards pressures on the EUR/PLN and EUR/HUF crosses. The government bond yield curve remained broadly unchanged on Friday.

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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

BULGARIA

(Sofia, 29/11/2013, 17:15 EET): **Latest Political & Macro Developments:** Bulgaria's right-wing Reformist Bloc staged strong criticism against the 2014 draft budget, characterizing it as the most un-transparent since the beginning of the country's democratic transition. According to the Reformist Bloc, the new budget features unrealistic economic growth and tax revenue assumptions, lacks a commitment for reforms and risks to undermine fiscal discipline. As a reminder, Bulgaria's Parliament approved on November 14th the 2014 draft state budget at the first reading. The new budget envisages GDP growth of 1.8% along with a budget deficit of 1.8%-of-GDP next year. **Market Developments:** The local government bond market was quiet at the last trading day of the week. Market focus shifts to Monday's auction of 3Y BGN benchmark bonds, which is expected to receive solid demand. The paper is expected to be offered at an average yield of 1.10-1.15%. SOFIX recorded on Friday one of its best daily performances in recent months, posting gains of 1.1%.

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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	1812.37	0.3%	27.1%	EUR/USD	1.3615	0.1%	3.2%	UST - 10yr	2.75	1	99	GOLD	1255	0.8%	-25.1%
Nikkei 225	15661.87	-0.4%	50.7%	GBP/USD	1.6345	0.0%	0.6%	Bund-10yr	1.69	0	38	BRENT CRUDE	168	0.0%	#VALUE!
STOXX 600	325.69	0.2%	16.5%	USD/JPY	102.32	0.0%	-15.2%	JGB - 10yr	0.61	0	-19	LMEX	3020	0.0%	-12.6%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA						
Money Market				Money Market				Money Market						
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps			
T/N	8.57	-3	-129	O/N	1.78	6	-452	LEONIA	0.01	0	-3			
1-week	8.78	-3	-167	1-month	1.94	2	-410	1-month	0.31	1	-10			
1-month	9.07	-1	-203	3-month	2.7	2	-335	3-month	0.65	0	-28			
3-month	9.30	0	-245	6-month	3.18	1	-309	6-month	1.16	0	-52			
6-month	9.58	-2	-263	12-month	3.36	1	-294	12-month	2.24	-1	-80			
RS Local Bonds				RO Local Bonds				BG Local Bonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	11.23	-3	-70	3Y RON	4.06	0	-204	3Y BGN	1.15	-2	-2			
5Y RSD	12.86	-4	242	5Y RON	4.68	0	-142	5Y BGN	1.92	-2	27			
7Y RSD	13.79	7	104	10Y RON	5.26	0	-99	10Y BGN	3.51	0	16			
RS Eurobonds				RO Eurobonds				BG Eurobonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	5.21	0	90	EUR Sep-20	3.98	-5	-69	USD Jan-15	0.68	-1	-57			
USD Nov-24	6.92	-1	652	USD Aug-23	4.83	1	42	EUR Jul-17	1.92	-2	-15			
CDS				CDS				CDS						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	422	2	73	5-year	179	0	-36	5-year	126	0	27			
10-year	471	1	74	10-year	245	10	-7	10-year	172	#N/A	N/A	39		
STOCKS				STOCKS				STOCKS						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	541.6	0.13%	3.38%	BET	6335.1	0.94%	23.02%	SOFIX	468.5	1.10%	35.61%			
FOREX				FOREX				FOREX						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	114.1	-0.09%	-1.27%	EUR/RON	4.4337	0.04%	0.23%	USD/BGN	1.4366	0.07%	3.14%			
BELEX15 Index				BET Index				SOFIX Index						
EUR/RSD				EUR/RON				USD/BGN						

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 17:30 EET of previous session

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