

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 4, 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

**Global Markets:** Taking their lead from the negative tone on Wall Street overnight, major Asian bourses ended lower today. In FX markets, the JPY regained some composure as weaker global equity markets enhanced its safe-haven appeal.

**GREECE:** According to the latest data on the execution of the State Budget on a modified cash basis, the year-to-October Central Government shortfall stood at €2,958mn, compared to a €8,726mn deficit target envisaged in the medium-term fiscal plan (MTFS) for 2013-2016.

### SOUTH EASTERN EUROPE

**SERBIA:** The Central Bank expects Serbia's current account deficit to shrink to 4.1% of the GDP this year from 10.5% in 2012. The EUR/RSD finally broke above its recent range.

**ROMANIA:** President Basescu said late on Tuesday that the IMF Stand-By Agreement with Romania remains on track. However, he does not intend to sign the first review of the Memorandum of Understanding (MoU), in an effort to change certain implementation details – he prefers spending cuts over the proposed fuel excise tax hike. On his part, Prime Minister Ponta intends to push for a swift approval (by end-December) of the 2014 budget with no changes made in the present draft, effectively leaving no room for the President to force any amendments in the MoU.

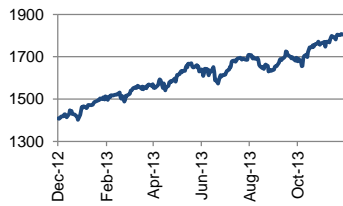
**BULGARIA:** After a long debate Tuesday, the Bulgarian Parliament has decided to call off the vote for Bulgaria's 2014 state budget for the next sitting on Wednesday. The 3Y BGN Note auction received strong demand, with the bid to cover ratio at 3.43 and the average yield at 1.08%.

**CESEE Markets:** CESEE stock markets broadly fell on Tuesday, regional currencies weakened, after upbeat macro data from the US earlier this week supported the view that the Fed may start curtailing its stimulus programme sooner than currently expected.

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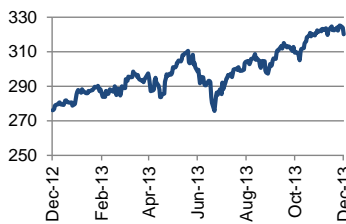
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S&amp;P 500



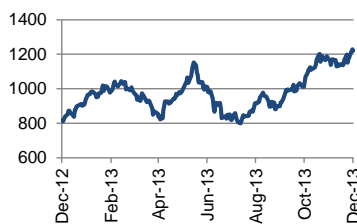
Source: Reuters, Bloomberg, Eurobank Global Markets Research

STOXX 600



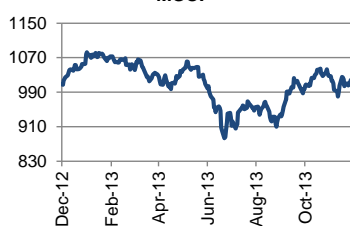
Source: Reuters, Bloomberg, Eurobank Global Markets Research

ATHENS GEN. INDEX



Source: Reuters, Bloomberg, Eurobank Global Markets Research

MSCI



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

Taking their lead from the negative tone on Wall Street overnight, major Asian bourses ended lower today on market anxiety ahead of Friday's US November non-farm payrolls report. In FX markets, the JPY regained some composure in early European trade on Wednesday as weaker global equity markets enhanced its safe-haven appeal.

### 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-October Central Government shortfall stood at €2,958mn, compared to a €8,726mn deficit target envisaged in the medium-term fiscal plan (MTFS) for 2013-2016. Notably, the Central Government primary balance recorded a surplus of €2,590mn compared to a deficit target of €3,036mn and a shortfall of €1,139mn over the same period a year earlier. The data supports expectations for a General Government primary surplus this year (next Eurostat EDP due in mid-April 2014). In other news, the parliamentary debate on the 2014 Budget began y-day, with a roll-call vote scheduled to be held at the midnight on December 7. **Market Developments:** No significant action in the Greek corporate bonds market on Tuesday, with prices closing broadly unchanged on the day and trading volumes remaining at low levels. Some buyers seen in Frigoglass and sellers in Ote18 and Ote15.

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## Latest developments in the CESEE region

### CESEE markets

**CESEE stock markets** broadly fell on Tuesday, tracking major global bourses lower after upbeat macro data from the US earlier this week supported the view that the Fed may start curtailing its stimulus program sooner than currently expected. Turkey's main stock BIST index underperformed its regional peers with a 2.49% daily decline, while the MSCI benchmark index of emerging equities shed 1.06%. On the flipside, Bulgaria's SOFIX bucked the region's trend, closing modestly higher (+0.24%). Along similar lines, **regional currencies** lost ground on Tuesday. The Romanian leu led the losers' pack, sliding to a 2-month trough of 4.4775/EUR intraday amid escalating political jitters. As a reminder, President Basescu rejected on Monday the *recently-completed* first review of the Memorandum of Understanding (MoU) of the country's current IMF Stand-By Agreement. The President opposes the introduction of a 20% increase in fuel taxes. Elsewhere, the Hungarian forint remained under pressure in view of persisting speculation for further Central Bank monetary policy easing ahead. Notably, the EUR/HUF closed at 302.62 y-day, within distance from an 8-month trough of 304.02 hit on Monday. In the **local rates markets**, Romanian government bonds fared worse in view of the IMF review delay, with the 3 and 10-year yields rising by around 14bps and 10bps to 4.25% and 5.40%, respectively. In the **external debt markets**, Ukraine's 5-year CDS spreads jumped by 35bps on Tuesday to 1,092bps, closing near 4-year highs in view of escalating political turmoil.

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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	115.34	123.00
	<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, 3/12/2013, 16:15 CET): **Latest Political & Macro Developments:** The Central Bank expects Serbia's current account deficit to shrink to 4.1% of the GDP this year from 10.5% in 2012. The improvement primarily reflects expectations for soaring exports by car manufacturer FIAT. **Market developments:** The EUR/RSD finally broke above its recent range of 113.80/114.20 after remaining bound for 35 consecutive days. The pair reached an intraday high of 114.45/65 y-day on the back of increased corporate demand. Technically, the break above 114.20 paves the way for a possible move towards 114.80/00 in the sessions ahead. Considering the fact that the National Bank sold €90 million two months ago to prevent a weakening of the dinar beyond 115.00/EUR, we may see similar action if the cross approaches anew the said "intervening zone". Elsewhere, NBS Governor Jorgovanka Tabakaovic said in an interview to a local newspaper that the CB aims to stabilize domestic inflation within the target range of 4% +/- 1.5ppts. Separately, the stock market lost 0.26% yesterday.

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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, 4/12/2013, 09:25 EET): **Latest Political & Macro Developments:** President Basescu said late on Tuesday that the IMF Stand-By Agreement with Romania remains on track. However, he does not intend to sign the first review of the Memorandum of Understanding (MoU), in an effort to change certain implementation details – he prefers spending cuts over the proposed fuel excise tax hike. On his part, Prime Minister Ponta intends to push for a swift approval (by end-December) of the 2014 budget with no changes made in the present draft, effectively leaving no room for the President to force any amendments in the MoU. Romanian Parliament went through half of the 2014 budget law appendices on Tuesday, aiming to complete discussions as early as today. **Market Developments:** Romanian markets lost ground y-day on increased domestic political jitters and weaker global investor sentiment towards riskier assets. The EUR/RON jumped 1% to 4.4780. Elsewhere, short term RON rates rose by 25 bps while the government bond yield curve shifted some 10 bps higher across the entire spectrum of maturities. Yet, losses in domestic markets were somewhat contained towards the end of Tuesday's trading session.

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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, 3/12/2013, 17:50 EET): **Latest Political & Macro Developments:** The plenary debates on the second reading of the budget continued y-day, with little substantial progress. The ruling coalition between the Bulgarian Socialist Party and the Movement for Rights and Freedoms (representing mostly the Turkish minority) managed to overrule various amendments (relating to sectoral policies) proposed by the opposition GERB and Ataka parties. Among the most heated exchanges were those relating to the budget for the state Bulgarian National TV and Bulgarian National Radio. MPs also debated, but failed to reach an agreement, on how a new 20% fee on renewable energy should be entered in state accounting books. **Market Developments:** Yields on primary market continue to slide as the Ministry of Finance managed to place the 3Y BGN benchmark at its lowest yield level since issuance of that particular paper began in late January. Average yield came in at 1.08%, compared to 1.24% in the prior auction a month earlier and 1.64% in early July. The bid to cover ratio came in at 3.43x, one of the highest in the primary market so far this year. Due to strong demand, the MinFin decided to allocate BGN 71.4mn of the issue compared to BGN 50.0mn announced initially. Equities posted mild gains on the back of improved market liquidity.

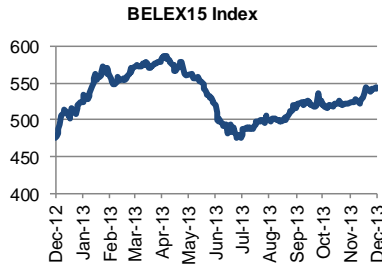
## GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	1798.19	-0.2%	26.1%	EUR/USD	1.3586	0.3%	3.0%	UST - 10yr	2.77	-2	101	GOLD	1223	0.3%	-27.0%
Nikkei 225	15749.66	0.6%	51.5%	GBP/USD	1.6416	0.4%	1.0%	Bund-10yr	1.73	-1	41	BRENT CRUDE	168	-0.1%	7.6%
STOXX 600	320.10	-1.2%	14.5%	USD/JPY	102.46	0.5%	-15.3%	JGB - 10yr	0.63	2	-16	LMEX	3007	-1.0%	-13.0%

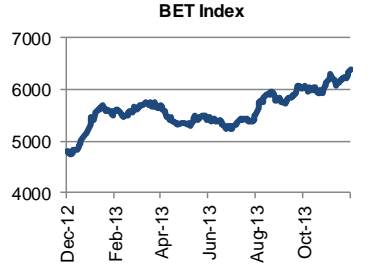
## SEE MARKETS

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	8.59	-2	-127	O/N	2.08	10	-422	LEONIA	0.02	0	-2		
1-week	8.82	-1	-163	1-month	2.1	11	-394	1-month	0.31	0	-10		
1-month	9.11	2	-199	3-month	2.74	4	-331	3-month	0.65	0	-28		
3-month	9.34	2	-241	6-month	3.2	4	-307	6-month	1.16	0	-52		
6-month	9.63	4	-258	12-month	3.34	-1	-296	12-month	2.24	0	-80		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	11.09	0	-83	3Y RON	4.13	8	-197	3Y BGN	1.12	-1	-4		
5Y RSD	12.84	0	241	5Y RON	4.76	8	-134	5Y BGN	1.90	-1	25		
7Y RSD	13.83	2	108	10Y RON	5.35	8	-90	10Y BGN	3.51	0	16		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	5.23	1	92	EUR Sep-20	4.05	5	-62	USD Jan-15	0.78	9	-47		
USD Nov-24	6.94	1	653	USD Aug-23	4.86	-2	44	EUR Jul-17	1.84	0	-23		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	420	10	73	5-year	182	0	-32	5-year	123	0	24		
10-year	463	11	65	10-year	245	5	-7	10-year	174	0	42		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	543.2	-0.26%	3.68%	BET	6383.9	-0.05%	23.97%	SOFIX	467.8	0.24%	35.41%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	114.2	-0.07%	-1.34%	EUR/RON	4.4563	-0.30%	-0.28%	USD/BGN	1.4396	0.33%	2.92%		



**BELEX15 Index**



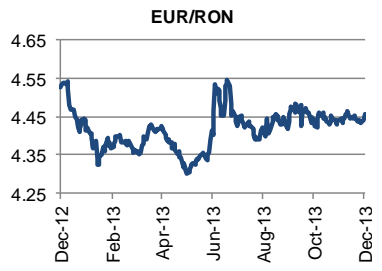
**BET Index**



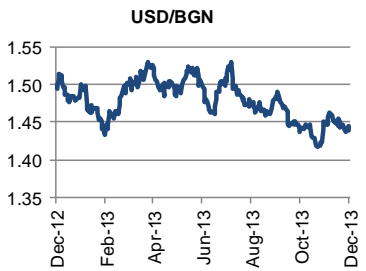
**SOFIX Index**



**EUR/RSD**



**EUR/RON**



**USD/BGN**

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

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