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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

December 6, 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: As expected, the ECB stayed put on interest rates at its monetary policy meeting y-day, keeping its 2-week refi rate at a record low of 0.25%. The US November non-farm payrolls report lures market attention today.

GREECE: According to the local press, the Greek government is considering submitting to Parliament next week a draft bill entailing the extension of the 13% VAT rate on food catering and restaurants, after a six-month trial period that expires at the end of this month.

SOUTH EASTERN EUROPE

SERBIA: The parliamentary debate on the 2014 State Budget began on Tuesday. However, the voting quorum was marginally achieved, adding to speculation about early elections.

ROMANIA: Parliament approved on Wednesday the 2014 Budget Law. The President will likely refuse to approve the new budget and send it back to Parliament for discussion as he opposes an intended 20% hike in fuel taxes.

BULGARIA: Bulgaria`s economy expanded by 0.7%yoy in the third quarter this year, after growing by 0.5%yoy in Q2-2013. The flash estimates released by the National Statistical Institute (NSI) a month earlier revealed GDP growth of 0.8%yoy in Q3-2013. Bulgarian equities continued to advance, albeit at modest pace.

CESEE Markets: CESEE stock markets closed mixed on Thursday, as recent 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. **Regional currencies** broadly firmed ahead of today's NFP report, reversing earlier losses suffered on position squaring ahead of year-end.

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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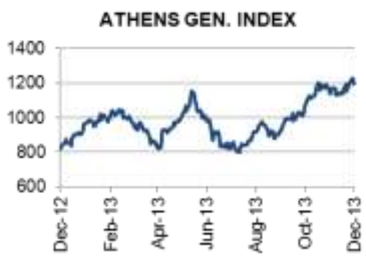

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

Eurozone

As expected, the ECB stayed put on interest rates at its monetary policy meeting y-day. At the post-meeting press conference, President Mario Draghi emphasized that the monetary policy stance will remain accommodative for as long as it is necessary and that the ECB is ready to consider "all available instruments" if monetary conditions deteriorate. The ECB staff's updated macro projections indicated an ongoing, albeit moderate, economic recovery amid subdued inflationary pressures.

Global Markets

With market participants eagerly awaiting the US November non-farm payrolls report (due for release later today), FX markets were broadly unaffected by the outcome of the ECB monetary policy meeting. The EUR/USD hit a five-week high of 1.3675 earlier today, with the dollar failing to capitalize on an upward revision to US Q3 GDP.

GREECE

Latest Political & Macro Developments:. According to the local press, the Greek government is considering submitting to Parliament next week a draft bill entailing the extension of the 13% VAT rate on food catering and restaurants, after a six-month trial period that expires at the end of this month. As per the same reports, the troika opposes the government's plan, arguing that the proposed extension would yield a budgetary shortfall of ca €300mn in 2014. As a reminder, domestic authorities and the troika agreed in July 2013 a reduction of the VAT on food catering and restaurants from 23% to 13% on a 6-month pilot basis. **Market Developments:** Thursday was a quiet session for Greek corporate names. Prices closed broadly unchanged, with trading volumes remaining low. Some selling interest was seen in Hellenic Petroleum and some buyers in Ote18.

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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 developments in the CESEE region

CESEE markets

CESEE stock markets closed mixed on Thursday, as recent 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. Regional stock markets were also pressured by a downward revision in ECB's inflation forecasts and ECB President Mario Draghi's comments that risks to the Eurozone's economic outlook are on the downside. Along these lines, Turkey's BIST 100 index plunged 1.50%, underperforming its regional peers and a 0.27% daily rise in the MSCI benchmark index of emerging equities. Elsewhere, Bulgaria's SOFIX and Romania's BET indices advanced by 0.23% and 0.10%, respectively. In view of persisting concerns about the exact timing of the Fed tapering its QE programme, today's focus is on the US NFP report. **Regional currencies** broadly firmed on Thursday ahead of today's NFP report, reversing earlier losses suffered on position squaring ahead of year-end. Bucking the region's trend, the Serbian dinar weakened as far as a 3-month trough of 115.49/EUR intraday, prompting Central Bank intervention, while an IMF envoy currently visiting the country started a budget review this week. Elsewhere the Ukrainian hryvnia plummeted to a fresh 4-year low of 8.2590/USD amid persisting political jitters. In the **external debt markets**, Ukraine's 5-year CDS spread eased to 1,082bps from a 2-month high of 1,100bps a session earlier on escalating political jitters.

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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
	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, 5/12/2013, 15:00 CET): **Latest Political & Macro Developments:** The parliamentary debate on the 2014 State Budget began on Tuesday. However, the voting quorum was marginally achieved, adding to speculation about early elections. Such a contingency would potentially shift the focus away from economic reforms in the short term, but it would be unlikely to derail Serbia's pro-EU agenda, since virtually all parties embrace it. **Market Developments:** The EUR/RSD extended its recent rally after the Central Bank Governor signaled renewed depreciating pressures on the dinar by year-end, on the back of an expected increase in public procurement and commitments of local companies to settle their loan obligations. As a result, the dinar dropped 0.34% against the euro to 115.10/30 on Thursday, bringing the currency's cumulative losses over the last three sessions to around 0.90%. Consequently, the Central Bank intervened in the FX markets (selling approximately €20 million) in order to stem the pace of dinar depreciation, with the EUR/RSD closing at 114.95/15. In other news, the Serbian Treasury sold RSD3 bln.of 6 month government bonds on Thursday, with the yield falling to 8.98% from 9.50% in a previous auction of similar maturity paper held on October 3. Meanwhile, the domestic stock market closed little changed 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
	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, 5/12/2013, 16.00 EET): **Latest Political & Macro Developments:** Parliament approved on Wednesday the 2014 Budget Law. As a reminder, the President signaled that he will refuse to approve the new budget and send it back to Parliament for discussion as he opposes an intended 20% hike in fuel taxes. However, if Parliament again endorses the 2014 Budget without any changes (as suggested by the Prime Minister), then according to the Constitution, the President owes to approve the Law within 10 days after receiving it for the second time. **Market Developments:** With market participants realizing that the latest political jitters are unlikely to have any significant impact on the domestic economy, the EUR/RON stabilized at around 4.4650, while short term rates remained above 2%. In a primary market 5-year government bond auction the MoF sold RON 0.5bn at an average (maximum) yield of 4.90% (4.92%), in line with market expectations. The 2.6 bid to cover ratio was better than anticipated.

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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, 5/12/2013, 17.00 EET): **Latest Political & Macro Developments:** Bulgaria`s economy expanded by 0.7%yoy in the third quarter this year, after growing by 0.5%yoy in Q2-2013. The flash estimates released by the National Statistical Institute (NSI) a month earlier revealed GDP growth of 0.8%yoy in Q3-2013. **Market Developments:** Bulgarian equities continued to advance, albeit at modest pace. The main benchmark SOFIX index reached its highest level since Oct-09. Meanwhile, market liquidity remains at very decent levels, supporting the index's recent rally. Domestic government bonds remained well-bid y-day, with demand concentrated in the 2-5 year maturity spectrum.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1788.80	-0.2%	25.4%
Nikkei 225	15177.49	-1.5%	46.0%
STOXX 600	315.77	-0.5%	12.9%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3653	0.4%	3.5%
GBP/USD	1.6314	-0.4%	0.4%
USD/JPY	102.08	0.3%	-15.0%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.85	2	110
Bund-10yr	1.84	3	52
JGB - 10yr	0.63	0	-16

Commodities

	Last	ΔD	ΔYTD
GOLD	1223	-1.7%	-27.0%
BRENT CRUDE	168	0.0%	7.6%
LMEX	3053	1.8%	-11.6%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.56	-5	-130
1-week	8.77	-4	-168
1-month	9.03	-6	-207
3-month	9.31	-2	-244
6-month	9.58	-10	-263

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.15	5	-77
5Y RSD	13.17	12	273
7Y RSD	13.81	0	106

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.21	-2	90
USD Nov-24	6.95	1	654

CDS

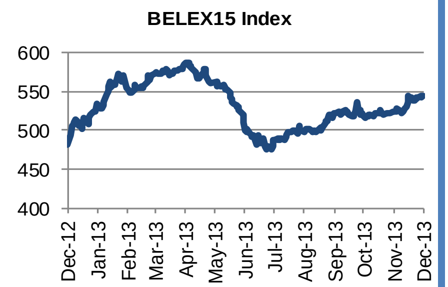
	Last	ΔDbps	ΔYTD bps
5-year	420	10	73
10-year	463	11	65

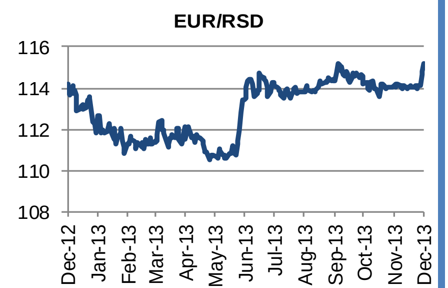
STOCKS

	Last	ΔD	ΔYTD
BELEX15	543.7	0.00%	3.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.1	-0.94%	-2.17%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.14	1	-416
1-month	2.19	3	-385
3-month	2.77	0	-328
6-month	3.17	0	-310
12-month	3.34	0	-296

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.16	2	-194
5Y RON	4.85	5	-125
10Y RON	5.36	1	-89

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	4.09	-1	-58
USD Aug-23	4.87	2	46

CDS

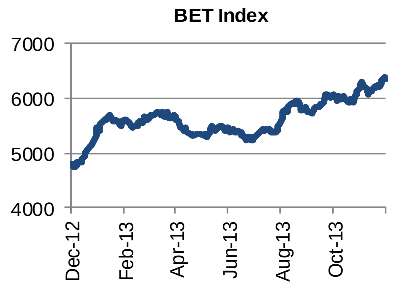
	Last	ΔDbps	ΔYTD bps
5-year	188	0	-27
10-year	245	-2	-7

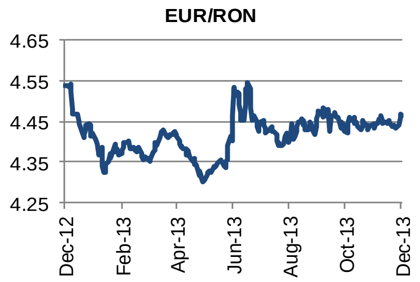
STOCKS

	Last	ΔD	ΔYTD
BET	6362.9	0.10%	23.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4651	0.05%	-0.48%





BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.10	-10	-6
5Y BGN	1.90	-3	25
10Y BGN	3.52	0	16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.71	-1	-54
EUR Jul-17	1.87	-12	-20

CDS

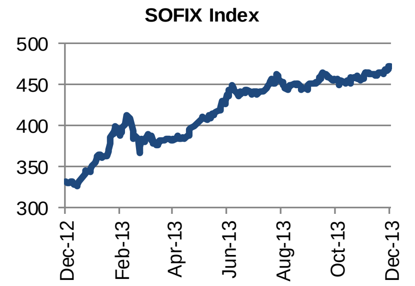
	Last	ΔDbps	ΔYTD bps
5-year	126	0	26
10-year	178	0	45

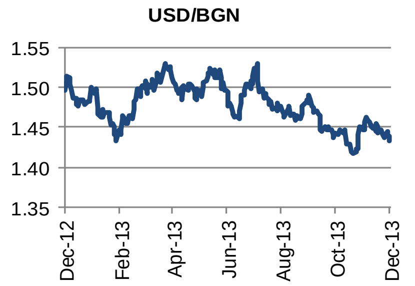
STOCKS

	Last	ΔD	ΔYTD
SOFIX	472.7	0.18%	36.82%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4326	0.44%	3.43%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

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