

February 19, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 18
 - Empire State (Feb)
 - NAHB (Feb)
- Feb 19
 - PPI (Jan)
 - Housing starts & permits (Feb)
- Feb 20
 - CPI (Jan)
 - Initial jobless claims (Feb 14)
- Feb 21
 - Existing home sales (Jan)

EUROZONE

- Feb 18
 - DE: ZEW (Feb)
- Feb 20: PMI service & manuf (Feb, P)

SEE

SERBIA

- Feb 19: 3Y T-Bond auction
- Feb 21: HICP (Jan)

ROMANIA

- Feb 20: EUR 200mn T-Bonds auction

BULGARIA

- Feb 17: U/E rate (Dec)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries firmed and the US dollar moved lower in European trade on Wednesday following y-day's weaker-than-expected US housing and manufacturing related data. The US dollar index (DXY) extended its recent losses hitting a new year-to-date low of 79.927 earlier today.

GREECE: According to the latest BoG data, total credit provided by domestic MFIs (excluding the Bank of Greece) dropped by 6.3%YoY in December to €239.33bn with the pace of decline slowing from 7.8% YoY in the prior month.

SOUTH EASTERN EUROPE

SERBIA: Gross public debt rose by €228mn year-to-February-15th to €20.3bn, or roughly 61.8% of the projected GDP.

ROMANIA: Negotiations over the appointment of new ministers who will take over the currently vacant cabinet seats continue between the two main ruling coalition parties.

BULGARIA: According to the latest figures released by European Automobile Manufacturers Association, new car registrations increased by 1.3% YoY in January to 1,363.

CESEE Markets: Emerging equity markets reversed course to close in red on Tuesday, as violence erupted anew in Ukraine and US data disappointed expectations. A decision by the People's Bank of China to drain liquidity from domestic money markets also weighed on investor sentiment. The majority of **CESEE currencies** weakened on Tuesday following the conclusion of key Central Bank monetary policy meetings in Turkey and Hungary.

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Latest world economic & market developments

GLOBAL MARKETS

US Treasuries firmed and the US dollar moved lower in European trade on Wednesday following y-day's weaker-than-expected US economic data. The NAHB homebuilder confidence index dropped to 46 in February from 56 in January, marking the largest one-month drop ever. Separately, the NY Fed's manufacturing activity index fell to 4.48 in February after hitting a 20-month peak of 12.51 in the prior month, partially due to adverse weather conditions. Against this background, the US dollar index (DXY) extended its recent losses hitting a new year-to-date low of 79.927 earlier today.

Greece

According to the latest BoG data, total credit provided by domestic MFIs (excluding the Bank of Greece) dropped by 6.3% YoY in December to €239.33bn with the pace of decline slowing from 7.8% YoY in the prior month. Credit to the private sector (corporations and households) also fell, by 4.3% YoY, following a drop of 4.7% YoY in November and coming in at €217.52bn the lowest level in near six years.

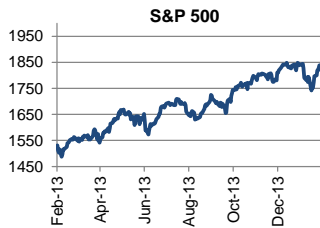
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Latest developments in the CESEE region

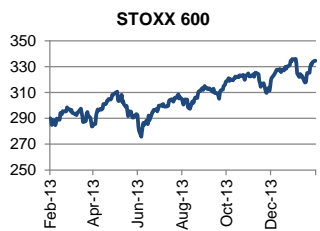
CESEE markets

Emerging equity markets reversed course to close in red on Tuesday, as violence erupted anew in Ukraine and US data disappointed expectations. A decision by the People's Bank of China to drain liquidity from domestic money markets also weighed on investor sentiment. Against this backdrop, the MSCI emerging equities index slid by 0.56%. Ukraine's PFTS index broadly underperformed its regional peers with a 4.16% plunge on renewed political jitters. The easing of tensions on Monday -- after protesters ended their 2-month occupation of several government buildings in return for an amnesty offer against prosecution -- proved short lived. Recall that, protests against the government erupted in late November last year after President Viktor Yanukovich rejected a trade agreement with the EU and instead agreed to receive a \$15bn credit line from Russia. Elsewhere, the majority of **CESEE currencies** weakened on Tuesday following the conclusion of key Central Bank monetary policy meetings in Turkey and Hungary. In line with market expectations, the CBT stayed put on interest rates, holding stable the o/n borrowing rate at 8.00%, the key policy 1-week repo rate at 10.00% and the overnight lending rate at 12.00%. In response, the lira marginally weakened ending yesterday's session near 2.18/USD. Meanwhile, the Hungarian forint eased after the MNB announced a higher-than-anticipated 15bps cut which brought the base rate to a new record low of 2.70% and the cumulative Central Bank rate easing since August 2012 to 430bps. Along these lines, the EUR/HUF rose to a 1-week peak of 313.28 intraday in the prior session from 308.24 on Monday's settlement. In the **external debt markets**, Ukrainian sovereign bonds fell, with 5-year CDS spreads spiking to a 4-year peak near 1,200bps in view of escalating political tensions.

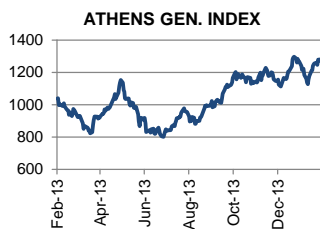
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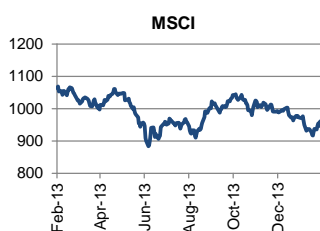
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B-	B-

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

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.7	2.7
CPI (pa, yoy %)	3.3	4.0	2.5
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.4	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	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

SERBIA

(Belgrade, 18/2/2014, 18:30 CET): **Latest Political & Macro Developments:** The Public Debt Administration announced on Tuesday that Serbia's gross public debt rose by €228m year-to-February-15th to €20.3bn, or roughly 61.8% of the projected GDP, and is anticipated to peak at 68-70% of GDP in 2017. **Market Developments:** The EUR/RSD was little changed on Tuesday hovering around levels of 115.75/95 for most of the session. A 53-week T-bill auction was held yesterday, with a yield of 8.58%, above 8.37% achieved in a previous auction of similar maturity paper. In other news, the main stock index ended 0.11% higher.

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ROMANIA

(Bucharest, 19/2/2014, 09:00 EET): **Latest Political & Macro Developments:** The National Liberal Party reaffirmed its support to its leader Crin Antonescu to carry on negotiations with their coalition ally the Social Democratic Party for the appointment of new ministers who will take over the currently vacant cabinet seats. **Market Developments:** The EUR/RON was little changed, remaining trapped within a tight range of 4.4810/910. As the end of the required reserves period on Feb 23 gets closer, liquidity conditions in the MM loosen with short term RON rates moving lower. The 1W implied rate from swaps dropped to levels below 3% from around 4.5% the day before..

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BULGARIA

(Sofia, 18/2/2014, 17:30 EET): **Latest Political & Macro Developments:** According to the latest figures released by European Automobile Manufacturers Association, new car registrations increased by 1.3% YoY in January to 1,363. **Market Developments:** Domestic equities broadly fell on Tuesday with SOFIX losing 0.36% to end at 574.57 points. The broader BG TR30 outperformed ending in a slightly positive territory of 0.33%.

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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	1840.76	0.1%	-0.4%	EUR/USD	1.3758	0.0%	0.1%	UST - 10yr	2.70	0	-32	GOLD	1318	-0.3%	9.3%
Nikkei 225	14766.53	-0.5%	-9.4%	GBP/USD	1.6693	0.1%	0.8%	Bund-10yr	1.67	0	-26	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	334.60	0.0%	1.9%	USD/JPY	102.21	0.1%	3.0%	JGB - 10yr	0.61	0	-14	LME X	3126	0.7%	-1.1%

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	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	7.81	-4	-20	O/N	4.67	0	293	1-month	0.03	0	-4	1-month	0.29	0	-3
1-week	8.17	8	-11	1-month	3.69	0	181	3-month	0.58	0	-5	3-month	0.58	0	-5
1-month	8.44	1	-14	3-month	3.66	0	122	6-month	1.10	0	-5	6-month	1.10	0	-5
3-month	8.74	-1	-14	6-month	3.61	0	62	12-month	2.15	-1	-5	12-month	2.15	-1	-5
6-month	9.05	-6	-10	12-month	3.61	0	46	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	3Y BGN	1.02	0	-7
3Y RSD	10.02	0	6	3Y RON	4.01	0	6	5Y BGN	1.75	0	-9	5Y BGN	1.75	0	-9
5Y RSD	11.41	0	-141	5Y RON	4.80	0	15	10Y BGN	3.39	0	-10	10Y BGN	3.39	0	-10
7Y RSD	12.99	7	-81	10Y RON	5.51	0	21	BG Eurobonds							
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	USD Jan-15	Last	ΔDbps	ΔYTD bps	EUR Jul-17	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.16	0	-85	EUR Sep-20	3.48	1	-36	EUR Jul-17	0.81	-7	29	EUR Jul-17	1.65	0	-16
USD Nov-24	3.38	-329	-339	USD Aug-23	4.59	-1	-22	CDS							
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	5-year	Last	ΔDbps	ΔYTD bps	5-year	Last	ΔDbps	ΔYTD bps
5-year	402	-2	-7	5-year	186	0	1	10-year	124	0	1	10-year	167	-2	-8
10-year	436	-1	-11	10-year	231	6	-2	STOCKS							
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	SOFIX	Last	ΔD	ΔYTD				
BELEX15	564.5	0.11%	1.17%	BET	6423.0	0.10%	-1.09%	SOFIX	574.6	-0.36%	16.90%				
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	USD/BGN	Last	ΔD	ΔYTD				
EUR/RSD	115.8	0.02%	-1.05%	EUR/RON	4.4853	-0.08%	-0.28%	USD/BGN	1.4217	-0.01%	0.10%				

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 10:00 EET

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