

February 4, 2014

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 3
  - ISM manuf (Jan)
- Feb. 4: Factory orders (Dec)
- Feb. 5: ADP (Jan)
- Feb 6
  - Initial jobless claims (Feb 1)
- Feb 7
  - NFP (Jan)
  - U/E rate (Jan)

#### EUROZONE

- Feb 3: PMI manuf (Jan, f)
- Feb 5: PMI services (Jan, f)
- Feb 6: ECB meeting

#### SEE

##### SERBIA

- Feb 4: 5Y auction

##### ROMANIA

- Feb 3
  - Retail sales (Dec)
  - Reserves (Jan)
- Feb 4
  - PPI (Dec)
  - MPC meeting
- Feb 6
  - RON600mn auction
  - Wages (Dec)

##### BULGARIA

- Feb 3
  - Budget (Dec)
  - Reserves (Jan)
- Feb 7:
  - IP(Dec)
  - Retail sales (Dec)
  - U/E rate (Jan)

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, Asian bourses fell on Tuesday while major European stock indices opened lower on the back of y-day's disappointing US manufacturing data. In FX markets, the JPY was among the main outperformers as the negative tone in global equity markets enhanced the currency's safe-haven appeal.

**GREECE:** Greece's Manufacturing Purchasing Managers' Index (PMI) came in at 51.2 in January from 49.6 in the prior month, moving above the boom-or-bust level of 50 for the first time in 53 months. Adding to increasing signs of stabilization in the Greek economy lately, the Foundation for Economic and Industrial Research (IOBEE) announced y-day that the Economic Sentiment Indicator rose to a four-month high of 92.6 in January from 91.4 in the prior month.

### SOUTH EASTERN EUROPE

**SERBIA:** According to the Q4 2013 flash estimate, Serbia's real GDP grew by 2.6% YoY vs. a 3.7% YoY increase a quarter earlier, bringing the FY2013 growth reading to 2.46%.

**ROMANIA:** NBR holds its monetary policy meeting today, in tandem with the release of its updated Inflation Report.

**BULGARIA:** The general government consolidated budget recorded a shortfall 1.8% of estimated GDP in 2013 compared to a deficit target of 2%-of-GDP envisioned in the State Budget Law and a shortfall of 0.4% of GDP in 2012.

**CESEE Markets: Emerging stock markets** extended their recent losses on Monday after weak official PMI data from China added to worries about the growth outlook of the world's second largest economy. In the **FX markets**, regional currencies were mixed, with upbeat central Europe PMI data for January providing some respite.

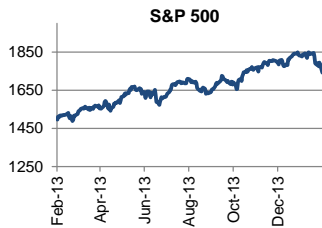
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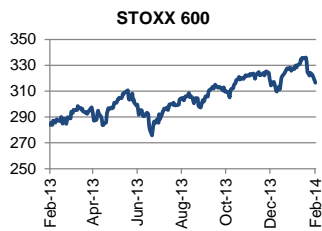
## Latest world economic & market developments

### GLOBAL MARKETS

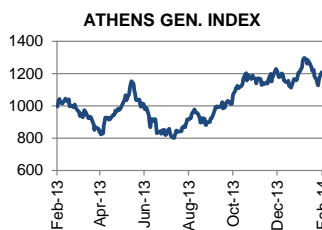
Taking their lead from the negative tone on Wall Street overnight, Asian bourses fell on Tuesday while major European stock indices opened lower on the back of y-day's disappointing US manufacturing data. The US manufacturing PMI dropped to a 33-month low of 51.3 on January against market consensus for a relatively modest fall to 56.0 from 56.5 in December. In FX markets, the JPY was among the main outperformers as the negative tone in global equity markets enhanced the currency's safe-haven appeal.



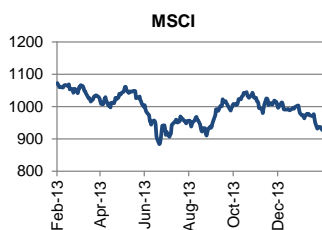
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

### GREECE

Greece's Manufacturing Purchasing Managers' Index (PMI) came in at 51.2 in January from 49.6 in the prior month, moving above the boom-or-bust level of 50 for the first time in 53 months. Adding to increasing signs of stabilization in the Greek economy lately, the Foundation for Economic and Industrial Research (IOBEE) announced y-day that the Economic Sentiment Indicator rose to a four-month high of 92.6 in January from 91.4 in the prior month. Separately, the retail trade volume index increased by 2.9%YoY in November, with the annual growth rate returning into positive territory for the first time in almost four years, presumably supported by the opening of retail stores on the first Sunday of that month. Against this background, Greek government bonds moved higher with the yield on the 10-yr paper standing close to 8.34% in early European trade on Tuesday after hitting a 6-week high of 8.61% late last week.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** extended their recent losses on Monday after weak official PMI data from China added to worries about the growth outlook of the world's second largest economy. Meanwhile, the Fed's decision to embark on a gradual reduction in the monthly rate of its asset purchases continued to fan worries over negative capital-related implications for emerging markets. The MSCI emerging equities index fell by 1.05% to close at a 5-month low on Monday, while bourses in the **CESEE region** presented a mixed picture. Hungary's BUX led the losses with a 2.14% decline as the recent sharp weakening of the forint has stirred market speculation about higher MNB policy rates ahead. On the flipside, Romania's BET index bucked the trend, to end 0.87% higher. In the **FX markets**, regional currencies were also mixed. The Polish zloty broadly outperformed its regional peers supported by January's PMI manufacturing data which showed that the index spiked to a 3-year high of 55.4 points, signaling a pick-up in the pace of the country's economic recovery. Along these lines, the EUR/PLN slid as far as an intraday low of 4.2234 on Monday, remaining however within distance from a 4-1/2-month high of 4.2621 hit late last week. The Hungarian forint shed initial gains recorded in the wake of January's upbeat PMI manufacturing data hitting a new two-year low of 314.37/EUR intraday. The Turkish lira lost nearly 1% yesterday to close at 2.2835/USD following Economy Minister Nihat Zeybekci's comments reportedly expressing belief that last week's interest rate hikes would "not be long lasting". In the **external debt markets**, spreads on the EMBI+ index widened by nearly 7bps to 405bps on Monday, reflecting deteriorating risk sentiment.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.3	7.9	5.5
Budget Balance/GDP	-6.4	-6.5	-7.1
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	115.00
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

## SERBIA

(Belgrade, 3/2/2014, 16:00 CET): **Latest Political & Macro Developments:** According to the Q4 2013 flash estimate, Serbia's real GDP grew by 2.6% YoY vs. a 3.7% YoY increase a quarter earlier, bringing the FY2013 growth reading to 2.46%. Separately, industrial production rose by 0.5%YoY in December and increased by 5.5% in FY2013. On the political front, former President of Serbia and ex-leader of the Democratic Party, Boris Tadic, left the party and announced that he will run with his own group of deserter democrats in the upcoming general elections in March. **Market Developments:** In a relatively quiet session on Monday, the EUR/RSD ended little changed at 115.85/05, compared with Friday's 115.80/00 settlement. Serbia will try to raise RSD 10bln in its 5-year dinar-denominated T-bond auction on Tuesday. On the stock exchange, the market shed 0.24% amid thin trading volumes.

[zeljko.devic@eurobank.rs](mailto:zeljko.devic@eurobank.rs)

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.75	3.75

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

## ROMANIA

(Bucharest, 4/2/2014, 09:00 EET): **Latest Political & Macro Developments:** The NBR holds its MPC meeting today. The market's median forecast is for a 25bps cut in the Central Bank key policy rate to a new record low of 3.50%, possibly the last such move under the current monetary easing cycle which incepted mid last year. That said, a no-change rate decision cannot be ruled out entirely, given that over the past week NBR seems to be mopping up RON liquidity from the FX markets. **Market Developments:** RON markets halted their recent losses on Monday. The EUR/RON closed at 4.4887 vs. 4.4985 on Friday's settlement, while short term RON implied interest rates in swaps remained at elevated levels (around 5% for the 1W, 4.50% for the 1M and 3% the 1Y). In other news, the MoF postponed a 12M T-Bill auction citing "strong turbulences".

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

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	
	<b>current</b>	<b>2013</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, 3/2/2014, 18:00 EET): **Latest Political & Macro Developments:** According to the first ever anti-corruption report issued by the European Commission on Monday, corruption remains widespread in Bulgaria despite recently adopted legal reforms. The said report recalls the measures suggested under the Cooperation and Verification Mechanism and recommends the adoption of a code of ethics for National Assembly members and enforcement of sanctions for corruption in public procurement. In other news, according to the Ministry of Finance, Bulgaria's general government consolidated budget recorded a shortfall of EUR 0.739bn (or 1.8% of estimated GDP) in 2013 compared to a deficit target of 2%-of-GDP envisioned in the State Budget Law and a shortfall of EUR 179mn (0.4% of GDP) in 2012. **Market Developments:** All major stock indices moved higher on Monday with SOFIX gaining 0.52%, retesting a multi-year intraday high of 550ppts. Meanwhile, yesterday's 3-month T-Bills auction was well received, generating an average yield of 0.45% while the bit/cover ratio came in at 1.53. Banks acquired 75% of the placed amount, while guarantee funds took the rest.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

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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	1741.89	-2.3%	-5.8%	EUR/USD	1.3514	-0.1%	-1.7%	UST - 10yr	2.60	2	-43	GOLD	1258	0.0%	4.3%
Nikkei 225	14008.47	-4.2%	-14.0%	GBP/USD	1.6302	0.0%	-1.5%	Bund-10yr	1.64	-1	-29	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	316.45	-0.6%	-3.6%	USD/JPY	101.29	-0.3%	4.0%	JGB - 10yr	0.61	0	-13	LMEX	3021	-0.7%	-4.4%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.75	-9	-26
1-week	8.04	-3	-24
1-month	8.34	-2	-24
3-month	8.67	-6	-21
6-month	8.99	3	-16

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.98	0	-107
5Y RSD	10.55	-2	-227
7Y RSD	11.45	0	-235

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.74	-3	-26
USD Nov-24	6.74	-2	-16

**CDS**

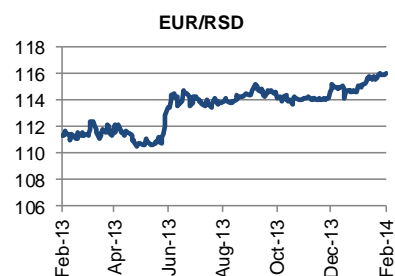
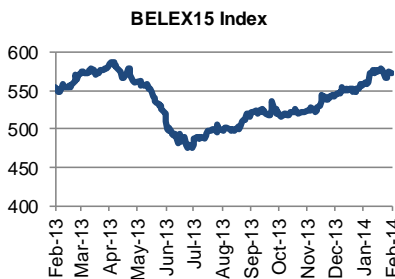
	Last	ΔDbps	ΔYTD bps
5-year	413	3	4
10-year	446	-2	-1

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	572.0	-0.07%	2.52%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.9	-0.09%	-1.15%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	4	-19	226
1-month	3.39	-15	151
3-month	3.52	-2	108
6-month	3.26	-1	27
12-month	3.25	-2	10

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.81	-4	-14
5Y RON	4.68	-4	3
10Y RON	5.53	1	23

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.72	-5	-13
USD Aug-23	4.86	-2	6

**CDS**

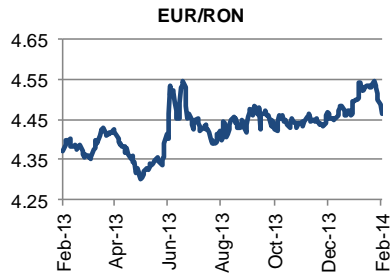
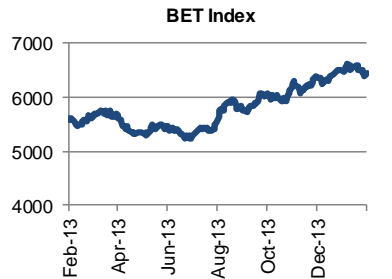
	Last	ΔDbps	ΔYTD bps
5-year	193	0	9
10-year	241	-1	9

**STOCKS**

	Last	ΔD	ΔYTD
BET	6345.5	-1.38%	-2.28%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4622	0.64%	0.24%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.31	0	-1
3-month	0.62	0	-3
6-month	1.15	0	-1
12-month	2.20	0	1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.06	-2	-3
5Y BGN	1.78	-1	-7
10Y BGN	3.50	0	0

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.77	0	19
EUR Jul-17	1.70	-2	-11

**CDS**

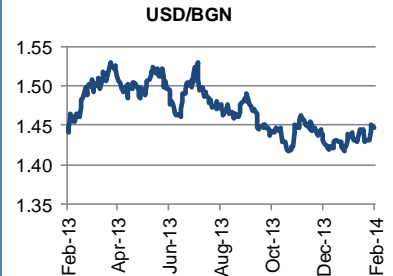
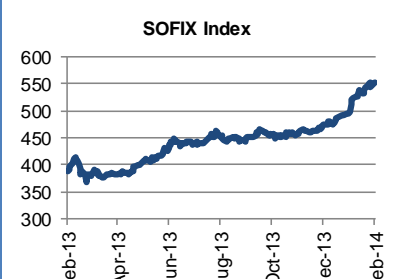
	Last	ΔDbps	ΔYTD bps
5-year	127	0	4
10-year	179	-1	4

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	551.4	0.31%	12.18%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4475	-0.10%	-1.69%



## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zeljko Devcic

Head of Trading, Eurobank ad Beograd  
+381 11 206 5822  
[zeljko.devcic@eurobank.rs](mailto:zeljko.devcic@eurobank.rs)

### Zoran Korac

FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias  
+30 210 3718922  
[galatia.phoka@eurobank.gr](mailto:galatia.phoka@eurobank.gr)

### Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd  
+381 11 30 27 533  
[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

### Boqdan Radulescu, CFA

Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Global Markets Research

### Global Markets Research Team

**Dr. Platon Monokrousos:** Head of Global Markets  
Research [pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), + 30 210 37 18  
903

**Paraskevi Petropoulou:** G10 Markets Analyst  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales  
[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), + 30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales  
[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), + 30 210 37 18 996

**John Seimenis:** Head of Corporate Sales  
[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), + 30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales  
[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), + 30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales  
[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), + 30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales  
[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), + 30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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