

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 5, 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: Asian bourses were mixed on Wednesday amid persisting EM market jitters and concerns about China's growth outlook. In FX markets, the JPY retained a firm tone in European trade favored by global equity markets' lackluster performance.

GREECE: According to local press reports, the Greek government and the troika have largely bridged their differences over the size of this year's projected fiscal gap and strategies for its coverage.

SOUTH EASTERN EUROPE

SERBIA: Serbia's trade balance improved significantly in 2013, with the deficit shrinking by 25.3% YoY.

ROMANIA: NBR trimmed by 25bps its key policy rate to a record low of 3.50%, possibly the last cut under the current monetary easing cycle.

BULGARIA: After three days of lackluster performance, equities resumed their uptrend.

CESEE Markets: The majority of emerging stock markets extended their recent sell-off on Tuesday, largely shrugging off a timid recovery in regional currencies. In the **FX markets**, regional currencies staged a relief rally, as a recent streak of downbeat macroeconomic data from the US stirred speculation about a slower withdrawal of the Fed's stimulus program ahead.

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Latest world economic & market developments

GLOBAL MARKETS

Asian bourses were mixed on Wednesday amid persisting EM market jitters and concerns about China's growth outlook. In FX markets, the JPY retained a firm tone in European trade favored by global equity markets' lackluster performance. All eyes are on the ECB policy meeting on Thursday and US January non-farm payrolls the following day.

GREECE

Latest Political & Macro Developments: According to local press reports, the Greek government and the troika have largely bridged their differences over the size of this year's projected fiscal gap and strategies for its coverage. As a reminder, the troika reportedly forecasts a fiscal gap of ca €1.5bn this year, partially as a result of: (i) a projected budgetary shortfall of €200-300mn due to the government's recent unilateral decision to extend by one year the (reduced) 13% VAT rate applied to food catering and restaurant services; and (ii) a projected budgetary shortfall of ca €400mn due to the revised implementation framework of the single property tax (ENFIA) that was approved by Parliament late last year without the troika's consent. **Market Developments:** Even though corporate bond prices closed little changed from the prior session's settlement, Tuesday was the first day after a long time where there was a marked increase in buying interest, for among others, SB Minerals, Intralot and Ote18. Nonetheless, trading volumes were low.

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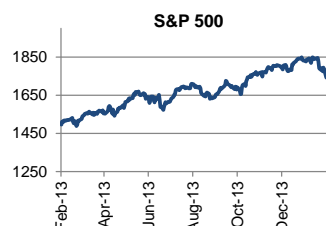
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Latest developments in the CESEE region

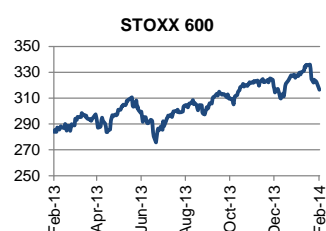
CESEE markets

The majority of emerging stock markets extended their recent sell-off on Tuesday, largely shrugging off a timid recovery in regional currencies. The MSCI emerging equities index closed 0.97% lower at a fresh 5-month trough of 917.74 points. The index has lost ca 8.5% year to date, weighed down by persisting concerns about China's growth outlook and worries over the impact of the gradual withdrawal of the Fed's stimulus program on the region's economies. Meanwhile, **CESEE stock markets** were mixed, with Turkey's BIST 100 index staging a 1.71% rally receiving strong support from a firmer lira. Bulgaria's SOFIX followed suit recording gains to the tune of 1.29%. On the other hand, Romania's BET index dropped by 1.10% and Serbia's Belex15 shed 0.42%. In the **FX markets**, regional currencies staged a relief rally, as a recent streak of downbeat macroeconomic data from the US stirred speculation about a slower withdrawal of the Fed's stimulus program ahead. Recall that Central Banks in Turkey, India and South Africa rendered substantial rate hikes in recent days in an effort to support their domestic currencies which came under significant pressure lately. The Turkish lira led the gains in the region on Tuesday, with the USD/TRY reaching a 1-week low of 2.2320 and moving further away from a record peak of 2.3900 hit on January 27th. Elsewhere, the Romanian leu firmed to a 2-month high of 4.4410 yesterday in the wake of news about an agreement between the government and the IMF on a review of the country's EUR4bn financial aid deal. The Romanian currency largely shrugged off the Central Bank's 25bps interest rate cut, as it appeared to have been fully priced in.

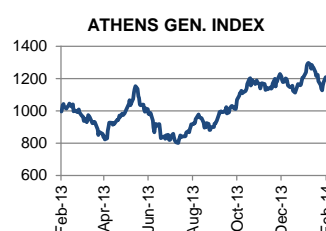
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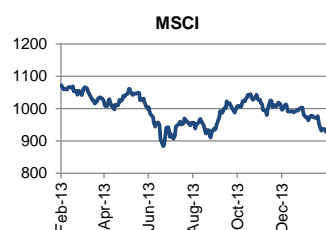
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

SERBIA

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
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

(Belgrade, 4/2/2014, 16:00 CET): **Latest Political & Macro Developments:** Serbia's trade balance improved significantly in 2013, with the deficit shrinking by 25.3% YoY in EUR terms, mostly on the back of strong performance by FIAT Automobiles as well as petroleum producer and refiner NIS. Exports increased by 25.8% YoY, amounting to €11.00bn, while imports rose 5.1% YoY to €15.46bn. **Market Developments:** The EUR/RSD edged higher on Tuesday closing at 115.87. Technically, the next upside target stands at 116.05/25 and a breach of that level is possible to trigger renewed Central Bank intervention aiming to halt the pair's upside momentum. Elsewhere, the domestic stock market traded in a negative territory throughout Tuesday's session to end 0.42% lower.

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ROMANIA

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	3.75	3.75

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

(Bucharest, 5/2/2014, 09.15 EET): **Latest Political & Macro Developments:** At the MPC meeting on Tuesday the NBR decided to cut the key policy rate by 25bps to a record low of 3.50% and leave minimum required reserves (MRR) unchanged. The wording in the accompanying statement and the tone adopted by the Governor at the ensuing press conference suggested yesterday's rate cut may be the last under the current easing cycle. In addition, the Central Bank noted that more MRR cuts will likely follow, albeit in small amounts and after carefully evaluating the impact of previous monetary easing measures. Upon the conclusion of the MPC meeting, Governor Isarescu acknowledged that the recent EUR/RON appreciation is the result of NBR hard currency selling in the FX markets for the MoF to fund RON budget expenditure. He added that, as a result, current RON liquidity is "relatively tight" but this is only "temporary". **Market Developments:** Persisting EUR/RON selling pressure pushed the pair as far as a 4.4475 intraday low on Tuesday before closing at 4.4700. RON short term interest rates eased, with the implied rates from swaps dropping to 3.50% for 1M from 4.50% in the prior session and the 12M to 2.75% from 3%. Government bonds regained some ground recovering some of their recent losses.

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BULGARIA

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

(Sofia, 4/2/2014, 17.30 EET): **Latest Political & Macro Developments:** According to the latest IMF economic report, Bulgaria's real GDP growth for 2014 is projected at 1.6% GDP from an estimated 0.5% in 2013. As per the same report, Bulgaria will need around 40 years to align income and living standards with the EU average. **Market Developments:** Major domestic stock indices enjoyed a positive session on Tuesday. The SOFIX index outperformed, adding 1.29% to end at a 5-year high of 556.77.

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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

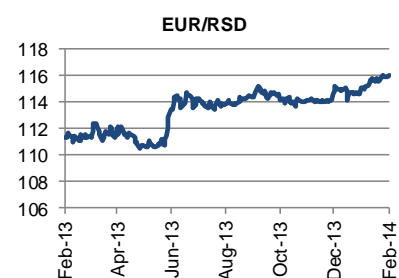
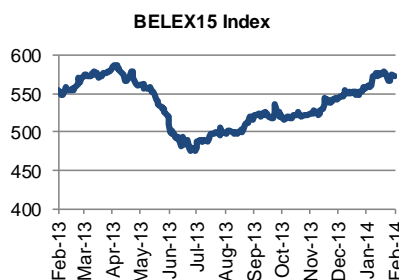
	Last	ΔDbps	ΔYTD bps
5-year	413	3	4
10-year	446	-2	-1

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

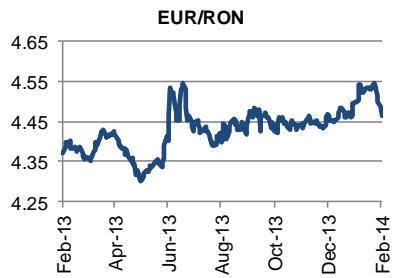
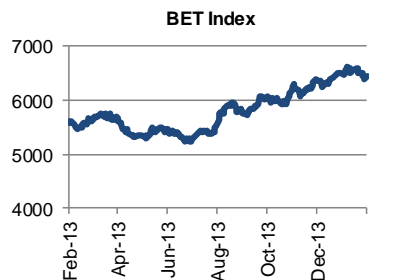
	Last	ΔDbps	ΔYTD bps
5-year	193	0	9
10-year	241	-1	9

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

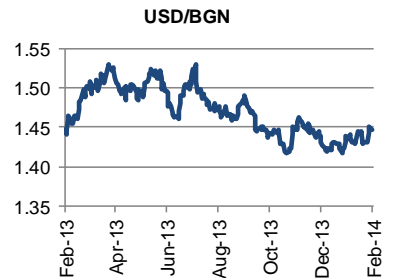
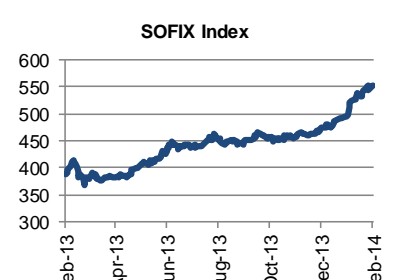
	Last	ΔDbps	ΔYTD bps
5-year	127	0	4
10-year	179	-1	4

STOCKS

	Last	ΔD	ΔYTD
SOFIX	551.4	0.31%	12.18%

FOREX

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



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