

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 15, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan. 14:
 - Retail sales (Dec)
 - Business inventories (Nov)
- Jan. 15: Beige Book
- Jan. 16
 - CPI (Dec)
 - Initial jobless claims (Jan. 11)
 - Philly Fed (Jan)
 - NAHB (Jan)
- Jan. 17
 - Housing starts (Dec)
 - Building Perm (Dec)
 - IP (Dec)
 - UoM conf. (Jan, p)

EUROZONE

- Jan. 14: IP (Nov)
- Jan. 16: HICP (Dec)

SEE

SERBIA

- Jan. 13: HICP (Dec)
- Jan 16: MPC meeting

ROMANIA

- Jan. 13
 - CPI (Dec)
 - IP (Nov)
 - Net wages (Nov)
 - 06/21 T-Bond auction
- Jan. 16: 07/27T-Bond auction
- Jan. 17
 - CAD (Nov)

BULGARIA

- Jan. 13: U/E rate (Dec)
- Jan. 14: CPI (Dec)
- Jan. 17: CAD (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In its twice-yearly Global Economic Prospects report, the World Bank raised its 2014 global GDP growth forecast to 3.2%yoy compared with 3.0%yoy projected previously. The World Bank's upwardly revised forecast for this year helped global equity markets move higher on Wednesday, while stronger-than-expected US December retail sales data, also favored.

GREECE: Speaking to reporters y-day, Deputy Minister of Finance Christos Staikouras revealed that for the full-year 2013, the Central Government primary balance recorded a surplus of €691mn, supporting expectations for a General Government primary surplus in the same year (next Eurostat EDP is due on April 23, 2014).

SOUTH EASTERN EUROPE

SERBIA: EUR/RSD extends recent gains hitting new multi-month highs on Tuesday.

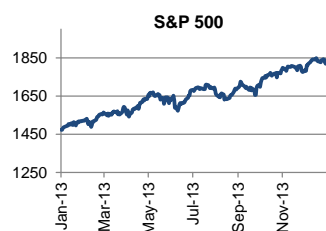
ROMANIA: Romania successfully issued long dated Eurobonds yesterday.

BULGARIA: Deputy PM said Bulgaria likely to sell EUR 1.5bn of Eurobonds in late May, 2013 GDP growth may exceed the 0.8% official forecast.

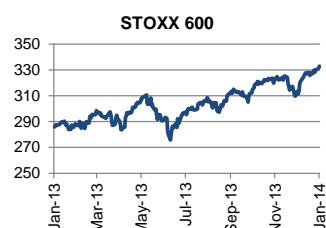
CESEE Markets: Most indices in the **CESEE region** ended Tuesday's session in a positive territory, having largely recouped earlier intraday losses and tracking major bourses higher in the wake of strong retail sales data from the US. **Regional currencies** came under pressure on Tuesday, weighed down by the early intraday sell-off in major stock markets.

DISCLAIMER

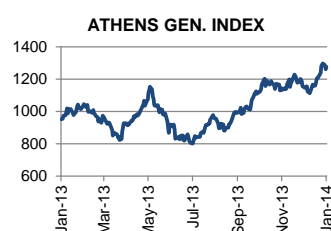
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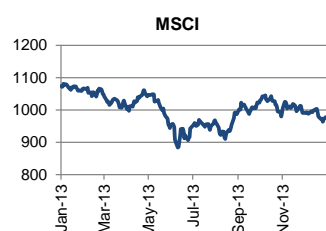
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Latest world economic & market developments

GLOBAL MARKETS

In its twice-yearly Global Economic Prospects report released y-day, the World Bank raised its 2014 global GDP growth forecast to 3.2%yoy compared with 3.0%yoy projected previously as the easing of austerity policies in advanced economies is seen supporting the world economic recovery. The World Bank's upwardly revised forecast for this year helped global equity markets move higher on Wednesday. Stronger-than-expected US December retail sales data, also favored market sentiment towards risky assets. In FX markets, positive US data helped the USD retain a positive tone in European trade on Wednesday while the JPY was among the main underperformers pressured by the improved tone in global equity markets.

GREECE

Latest Political & Macro Developments: Speaking to reporters y-day, Deputy Minister of Finance Christos Staikouras revealed that for the full-year 2013, the Central Government primary balance recorded a surplus of €691mn, supporting expectations for a General Government primary surplus in the same year (next Eurostat EDP is due on April 23, 2014).

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Latest developments in the CESEE region

CESEE markets

Emerging stock markets closed broadly lower on Tuesday amid caution prevailing ahead of upcoming corporate earnings results in developed markets. Against this background, the MSCI index of emerging equities fell by 0.22%. On the other hand, most indices in the **CESEE region** ended Tuesday's session in a positive territory, having largely recouped earlier intraday losses and tracking major bourses higher in the wake of strong retail sales data from the US. Serbia's BELEX15 led the gains in the region with a 0.66% rise, while Poland's WIG trailing behind posting gains to the tune of 0.58%. On the flipside, Romania's BET index broadly underperformed its regional peers, sliding by 0.94%. **Regional currencies** came under pressure on Tuesday, weighed down by the early intraday sell-off in major stock markets. The Serbian dinar eased to a 16-month low of 116.07/EUR amid heightened domestic political uncertainty, largely shrugging off the National Bank of Serbia intervention in the FX markets aimed at halting the currency's recent downtrend. Elsewhere, the Turkish lira weakened following current account data which showed a monthly widening of the deficit in November. In addition, persisting domestic political jitters in view of a corruption probe initiated late last year continued to weigh on the currency, which slid to a new lifetime low of 2.1974/USD. The Ukrainian hryvnia fell to a new 4-year trough of 8.34/USD on Tuesday, in the wake of anti-government rallies over the weekend. In the **local rates markets**, Hungarian government bonds slightly retreated on profit taking, with the 3-year yield rising by ca 3bps from a record low near the 3.72% area. In the **external debt markets**, emerging sovereign debt spreads closed 4.3bps lower at 347.5bps in the prior session, reflecting a tentative recovery in risk sentiment after the US retail sales data.

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SERBIA: Indicators	2012	2013e	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	115.00	116.00
	current	2013	2014f
Policy Rate (eop)	10.00	9.50	9.50

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

SERBIA

(Belgrade, 14/1/2014, 16:00 CET): **Market Developments:** The EUR/RSD retained a positive tone hitting a 15-month peak of 115.90/116.10 on the back of persisting rumors about snap general elections. Aiming to halt the cross's recent uptrend, the National Bank of Serbia intervened anew in the domestic FX market on Tuesday, selling ca EUR50mn. The pair finally settled at 115.65/85, but despite NBS's repeated interventions, upward bias appears to remain intact. In other news, Serbia will offer RSD 3bn in 3 month T-bills on January 16, 2014. Meanwhile, the main stock index BELEX15 gained 0.66% on Tuesday.

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ROMANIA: Indicators	2012	2013e	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	2013	2014f
Policy Rate (eop)	4.00	4.00	4.00

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

ROMANIA

(Bucharest, 15/1/2014, 09:00 EET): **Latest Political & Macro Developments:** Central Bank Governor Mugur Isarescu said in an interview yesterday that the main risk to the domestic economy is potential political instability in the run up to the upcoming presidential elections. Meanwhile, Central Bank member Cristian Popa noted that after the last NBR monetary policy decision the room for further rate cuts is "very limited". **Market Developments:** Romania issued yesterday USD 1bn Jan 2044 sovereign bonds at UST+245bps and USD 1bn Jan 2024 at UST+215bps. On the FX market, the EUR/RON was little changed on Tuesday, remaining range-bound within the 4.5210-4.5330 area. Domestic government bonds reacted positively to the Eurobond auction news, with yields moving ca 5bps lower across the curve.

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BULGARIA: Indicators	2012	2013e	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	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

BULGARIA

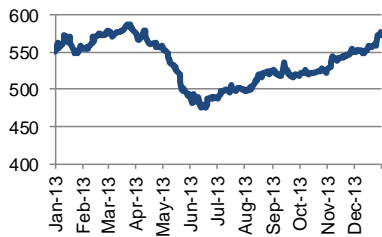
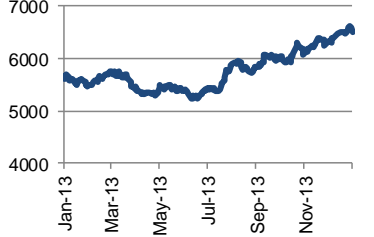
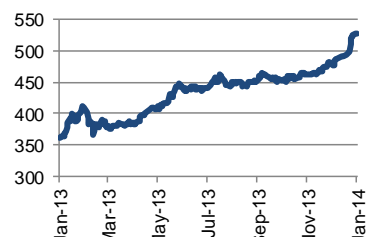
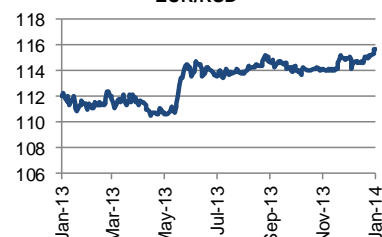
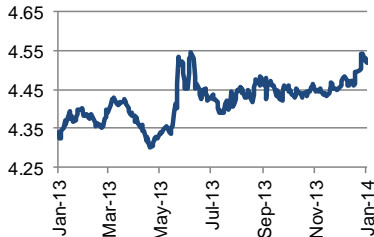
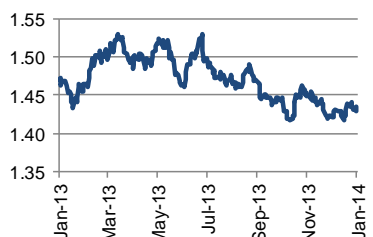
(Sofia, 14/01/2014, 17:30 EET): **Latest Political & Macro Developments:** Consumer Price Index fell 1.6%YoY in December, marking the fifth consecutive month of annual deflation. Nonetheless, for the whole of 2013 CPI increased by 0.9% following a realization of 3.7% a year earlier. **Market Developments:** In an interview, Bulgarian Deputy Premier Daniela Bobeva said that the government is likely to tap international markets with a EUR 1.5bn Eurobond in late May 2014. She also noted that 2013 GDP growth might exceed the government's current forecast of 0.8%YoY. In the local rate markets, government bond yields slightly decreased by around 5bps (mainly in the 7-10yr sector) following the well-received 10yr benchmark auction on Monday. Stocks on BSE-Sofia consolidated, with SOFIX halting its recent 13-session rally to close in a marginally negative territory of -0.01%.

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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	1838.88	1.1%	-0.5%	EUR/USD	1.3627	-0.4%	-0.8%	UST - 10yr	2.87	0	-16	GOLD	1240	-0.5%	2.8%
Nikkei 225	15808.73	2.5%	-3.0%	GBP/USD	1.6404	-0.2%	-0.9%	Bund-10yr	1.83	1	-10	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	332.88	0.5%	1.4%	USD/JPY	104.37	-0.2%	0.9%	JGB - 10yr	0.67	1	-8	LMEX	3135	-0.5%	-0.8%

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
T/N	7.97	10	-4	O/N	1.05	0	-69	LEONIA	0.04	1	-3
1-week	8.27	-1	-1	1-month	1.38	0	-50	1-month	0.31	0	-1
1-month	8.50	2	-8	3-month	1.99	0	-45	3-month	0.64	0	-1
3-month	8.85	2	-3	6-month	2.64	0	-35	6-month	1.16	0	1
6-month	9.12	5	-3	12-month	2.84	0	-31	12-month	2.22	0	2
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	11.03	0	-2	3Y RON	3.34	0	-61	3Y BGN	1.12	-1	3
5Y RSD	11.90	0	-92	5Y RON	4.28	0	-37	5Y BGN	1.90	0	5
7Y RSD	12.78	-1	-103	10Y RON	5.16	-1	-14	10Y BGN	3.55	0	6
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.36	-3	-64	EUR Sep-20	3.67	-8	-18	USD Jan-15	0.75	-8	17
USD Nov-24	6.82	0	-8	USD Aug-23	4.77	-6	-4	EUR Jul-17	1.72	-4	-8
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	373	3	-36	5-year	184	0	-1	5-year	124	0	0
10-year	408	3	-40	10-year	234	0	1	10-year	174	1	-1
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	575.7	0.66%	3.18%	BET	6546.4	0.58%	0.81%	SOFIX	528.0	0.43%	7.42%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.8	0.06%	-1.04%	EUR/RON	4.5205	0.21%	-1.05%	USD/BGN	1.4353	-0.38%	-0.85%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11.00 EET

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