

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 17, 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:** The majority of European stock markets moved broadly higher in early trade on Friday, ahead of key data from the US later on the day.

### SOUTH EASTERN EUROPE

**SERBIA:** The National Bank of Serbia kept its key policy rate unchanged at 9.50% on Thursday.

**ROMANIA:** Romania successfully issued RON 100mn of 2027 government bonds.

**BULGARIA:** The Central Bank noted on Wednesday that 2014 real GDP growth may exceed official 1.7% forecast; equities resumed their recent rally with SOFIX up 9.4% year-to-date.

**CESEE Markets: Emerging stock markets** closed broadly lower on Thursday, **regional currencies** broadly recoiled on heightened expectations about further Fed QE tapering ahead.

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## Latest world economic & market developments

### GLOBAL MARKETS

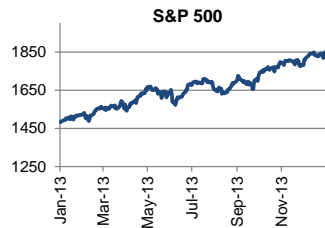
The majority of European stock markets moved broadly higher in early trade on Friday, ahead of key data from the US later on the day. Nonetheless, caution prevailed in the way to upcoming corporate earnings announcements. In the FX markets, the USD consolidated near the prior session's levels in European trade on Friday, remaining supported by stronger-than-expected US data announced earlier this week. Among the most recent, initial jobless claims fell by 2k to 326k on the week ending on January 11, the lowest level since late November 2013 and coming in against expectations for a drop to 328k.

## Latest developments in the CESEE region

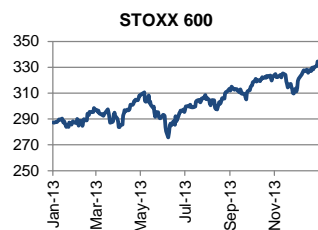
### CESEE markets

**Emerging stock markets** closed broadly lower on Thursday in the wake of better-than-anticipated corporate earnings reports and strong US labour data which added to expectations about further Fed QE tapering ahead. Against this backdrop, the MSCI index of emerging equities fell by 0.33%. Losses were primarily driven by a 1.89% drop in Turkey's BIST 100 index in view of persisting domestic political jitters and concerns about the impact of the Fed's QE tapering on the domestic markets. On the other hand, the majority of bourses in the **CESEE region** advanced. In detail, Bulgaria's SOFIX led the winners' pack extending its recent gains to close 1.53% higher at a 5-year peak of 540.37 points. Poland's WIG followed suit, posting gains to the tune of 0.37% and bouncing further away from a 4-month trough hit last week amid growing concerns about the impact of newly adopted legislation on pension funds. Separately, **regional currencies** broadly recoiled on Thursday, weighed down by increased expectations for further withdrawal of the Fed's stimulus programme ahead. The Turkish lira weakened to a new lifetime low of 2.2124/USD rattled by persisting domestic political tensions, following a corruption scandal which involved several ministers, prominent businessmen and bankers, resulting to the dismissal of a number of senior police officers and high-profile prosecutors. Worries over the impact of the Fed's QE tapering on the country's external financing means has also had a negative impact on the Turkish currency over recent months. Recall that, the Central Bank has pledged to sell at least \$6bn by the end of January, via daily forex selling auctions, in an effort to support the TRY. Meanwhile, the Serbian dinar consolidated near a 16-month low of 116.07/EUR hit earlier in the week in the wake of Central Bank intervention in the FX markets and upon the announcement of its decision to hold its key policy rate unchanged at 9.50% following a press report about snap elections in March. The NBS decision confounded market expectations for a 25bps cut. Further dinar downside in the coming sessions can not be ruled out, in view of persisting domestic political uncertainty and especially after Fitch's overnight announcement that it downgraded Serbia's long-term foreign and local currency credit ratings by one notch to "B+" from "BB-", with stable outlook. However, RSD losses may be mitigated by potential renewed Central Bank's interventions ahead. In the **external debt markets**, emerging sovereign debt spreads closed ca 5bps higher at 346.7bps in the prior session, in reflection of increased investor caution towards risky assets. Separately, Turkey's 5-year CDS spreads widened ca 3bps to 239bps, remaining however below a 1-½-year peak of 250.46bps hit late last month.

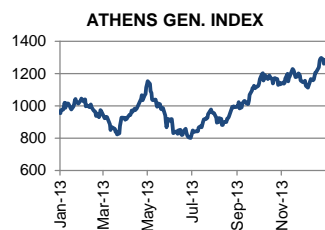
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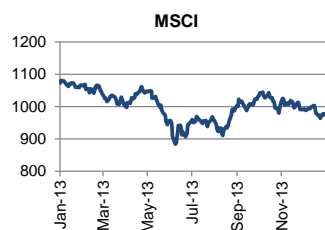
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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: 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
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	10.00	9.50	9.50

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

## SERBIA

(Belgrade, 16/1/2014, 16:45 CET): **Latest Political & Macro Developments:** The Executive Board of the National Bank of Serbia (NBS) decided to keep the key policy rate unchanged at 9.50% at its MPC meeting on Thursday. As a reminder, at the end of 2013 YoY CPI stood at 2.2%, with a gradual return towards the targeted range of 4% +/- 1.5% anticipated in the coming period. NBS noted that, although price pressures have weakened and inflation expectations have improved, a cautious monetary policy is necessary taking into account risks stemming from the gradual reduction of the Fed's QE. **Market Developments:** The EUR/RSD was little changed on Thursday's session, in the wake of the MPC meeting announcement, where the Central Bank was broadly expected to deliver a 0.25% cut. Fresh NBS intervention also provided resistance to the pair's upside momentum. On a back of persisting snap election rumors, the pair appears to have further potential beyond the 116.00 level, but Central bank interference on daily basis has so far kept the cross at 115.50/70. Separately, the main stock index BELEX15 closed virtually flat, at -0.05%, on very low volumes of just €0.2mn.

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

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

## ROMANIA

(Bucharest, 17/1/2014, 08.45 EET): **Latest Political & Macro Developments:** The International Monetary Fund will return to Romania on January 21 for a two-week mission that will focus on how the government plans to plug a budget revenue gap triggered by the postponement of a fuel excise hike. The IMF said in a statement that the mission will also discuss recent economic developments and priorities for upcoming economic reforms. **Market Developments:** Romania successfully issued RON 100mn of 2027 government bonds on Thursday. The average accepted yield was at 5.49%, above the 5.35% market's median forecast. The last reopening of 2027 RON T-bonds was on May 29<sup>th</sup>, 2013 and the average accepted yield stood at 5.16%. Nonetheless, long-dated bonds in the secondary market largely shrugged off the higher yields realized at yesterday's auction. In the forex exchange market, the EUR/RON remained range-bound within the 4.5205-4.5370.

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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	
	<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, 16/01/2014, 17.45 EET): **Latest Political & Macro Developments:** In an interview to Bloomberg at the Euromoney conference in Vienna, deputy Central Bank Governor Dimitar Kostov said that there is "room" for economic growth to exceed the official forecast of 1.7% this year. "When the crisis started, its impact on Bulgaria was very quick, so the economy will be rather quickly affected also by the euro-region's recovery" he added. **Market Developments:** After a modest consolidation in the beginning of the week, Bulgarian equities regained their upside momentum on Wednesday and Thursday. SOFIX added 0.8% and 1.5% respectively to close 9.4% higher year to date. Elsewhere, the local rates market remained relatively quiet with government bond yields being little changed on Thursday.

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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	1845.89	-0.1%	-0.1%	EUR/USD	1.361	-0.1%	-1.0%	UST - 10yr	2.84	0	-19	GOLD	1244	0.1%	3.2%
Nikkei 225	15734.46	-0.1%	-3.4%	GBP/USD	1.6334	-0.1%	-1.3%	Bund-10yr	1.77	-1	-16	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	333.99	-0.2%	1.7%	USD/JPY	104.34	0.0%	0.9%	JGB - 10yr	0.68	0	-6	LME X	3164	-0.2%	0.1%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.93	-5	-8
1-week	8.25	0	-3
1-month	8.54	2	-4
3-month	8.81	0	-7
6-month	9.11	2	-4

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.06	0	1
5Y RSD	12.14	4	-68
7Y RSD	13.29	8	-52

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.21	0	-79
USD Nov-24	6.80	0	-11

**CDS**

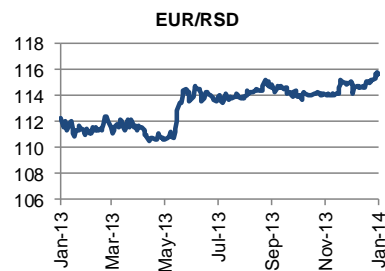
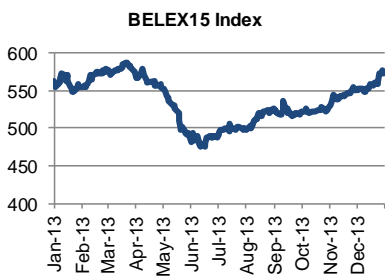
	Last	ΔDbps	ΔYTD bps
5-year	373	3	-36
10-year	408	3	-40

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	571.9	-0.05%	2.49%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.5	0.08%	-0.82%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.98	0	-76
1-month	1.36	0	-52
3-month	1.96	0	-48
6-month	2.62	0	-37
12-month	2.77	0	-38

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.29	0	-66
5Y RON	4.26	0	-39
10Y RON	5.16	0	-14

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.63	-1	-22
USD Aug-23	4.82	0	1

**CDS**

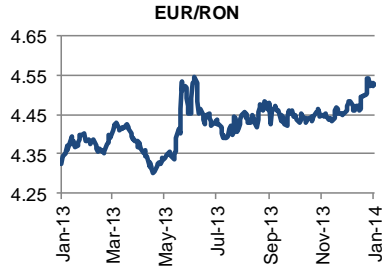
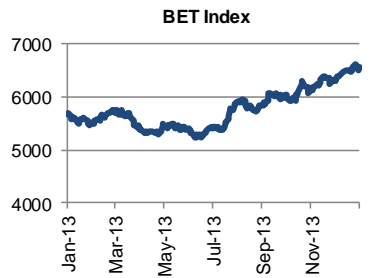
	Last	ΔDbps	ΔYTD bps
5-year	177	0	-7
10-year	224	0	-8

**STOCKS**

	Last	ΔD	ΔYTD
BET	6539.8	0.21%	0.71%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5277	0.02%	-1.21%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.30	0	-2
3-month	0.65	1	0
6-month	1.16	0	1
12-month	2.21	1	2

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.11	0	2
5Y BGN	1.87	0	2
10Y BGN	3.55	0	5

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.78	-2	21
EUR Jul-17	1.68	3	-13

**CDS**

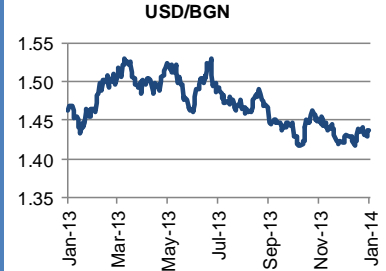
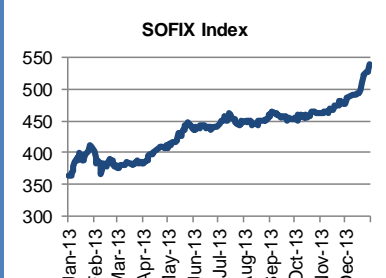
	Last	ΔDbps	ΔYTD bps
5-year	124	0	0
10-year	173	-1	-2

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	537.8	1.53%	9.41%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4371	-0.06%	-0.97%



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