

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 20, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Jan. 23
  - Initial jobless claims (Jan. 18)
  - House price index (Nov)
  - Existing home sales (Dec)

### EUROZONE

- Jan. 21
  - DE: ZEW (Jan)
- Jan. 23: PMI manuf (Jan)

### SEE

#### SERBIA

- Jan. 20: CAD (Nov)
- Jan 24: real wages (Dec)

#### ROMANIA

- Jan. 20: RON500mn T-bonds auction
- Jan. 23: RON1bn 3.4% 2019 T-bonds auction

#### BULGARIA

- Jan. 20
  - U/E rate (Dec)
  - T-bonds auction
- Jan. 24: Gross external debt (Nov)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The USD retained a firm tone in European trade on Monday supported by a flurry of positive US data released over the last couple of weeks in the aftermath of the disappointing December non-farm payrolls report.

**GREECE:** According to some press reports, the January 27 Eurogroup is likely to outline four prior actions that Greece has to fulfil so as to be entitled for the disbursement of the next EU loan tranche. As a reminder, the heads of the troika mission are now expected to return to Athens soon after the January Eurogroup to resume discussions with domestic authorities on the current program review.

### SOUTH EASTERN EUROPE

**SERBIA:** Fitch downgrades Serbia's long-term foreign and local currency credit ratings to "B+" from "BB-".

**ROMANIA:** Current account posts EUR 1.33bn deficit in Jan-Nov 2013.

**BULGARIA:** C/A records a surplus of 2.8%-of-GDP over Jan-Nov 2013; equities posted modest losses on Friday on profit-taking.

**CESEE Markets:** Emerging stock markets, regional currencies extended their recent losses on Friday.

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## Latest world economic & market developments

### GLOBAL MARKETS

The USD retained a firm tone in European trade on Monday supported by a flurry of positive US data released over the last couple of weeks in the aftermath of the disappointing December non-farm payrolls report. The EUR/USD was hovering around 1.3540/45 at the time of writing, after hitting a two-month low of 1.3506 earlier in Asia. Elsewhere, taking their lead from the modestly negative tone on Wall Street on Friday, the majority of Asian bourses ended lower today pressured by the weaker-than-expected US Q4 earnings results announced recently by a number of big US corporates.

### GREECE

**Latest Political & Macro Developments:** According to some press reports, the January 27 Eurogroup is likely to outline four prior actions that Greece has to fulfil so as to be entitled for the disbursement of the next EU loan tranche including: (i) identification of the size of a projected fiscal gap in FY-2014 and of the sources of funding for its coverage; (ii) the size of a projected fiscal gap in 2015-16; (iii) reduction in social security contributions by a cumulative 3.9ppts over the 3-year period 2014-16; and (iv) removal of existing regulatory barriers to competition in several sectors of the Greek economy. As a reminder, the heads of the troika mission are now expected to return to Athens soon after the January 27 Eurogroup in order to resume discussions with domestic authorities on the current program review. **Market Developments:** Friday was a quiet day for Greek corporate bonds. Prices were little changed from their previous closing levels, while trade volumes were relatively low. Modest selling pressure was evidenced in Ote14 and Intralot.

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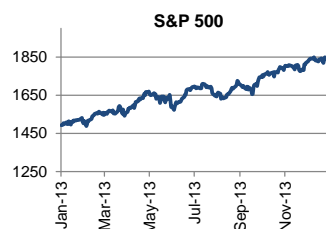
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## Latest developments in the CESEE region

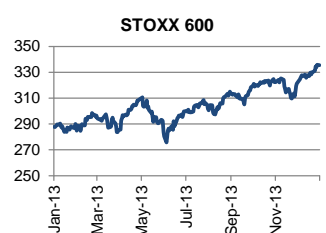
### CESEE markets

**Emerging stock markets** extended the prior session's losses on Friday, with the MSCI index of emerging equities shedding 0.24% to close the week in a marginally positive territory (+0.22%). Turkey's BIST 100 index remained the primary underperformer in the region, ending 1.81% lower amid persisting domestic political jitters and the Fed's decision to start tapering its QE programme last month. Elsewhere, bourses in the **CESEE region** presented a mixed picture on Friday. Poland's WIG halted a 5-day rising streak, registering a 1.07% drop in the prior session, with Hungary's BUX trailing behind with a 1.05% fall. The rally recently witnessed in Bulgaria's SOFIX appears to have been rather overstretched with the index sliding by 0.23% on profit taking. **Regional currencies** extended their recent losses on Friday. The Turkish lira plummeted to a new lifetime low of 2.2364/USD. The Central Bank holds its MPC meeting this week, however, the market's median forecast is for interest rates to remain unchanged. Even so, an increase at the overnight lending rate aimed at supporting the domestic currency, can not be ruled out entirely, in our view. Elsewhere, the Serbian dinar approached a recent 16-month low of 116.07/EUR on Friday after Fitch's announcement about a one notch downgrade on Serbia's long-term foreign and local currency credit ratings to "B+" from "BB-", with stable outlook.

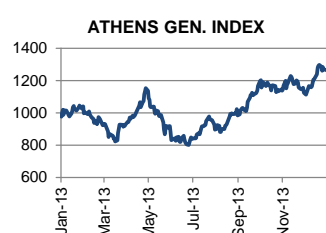
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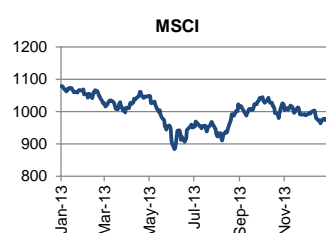
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 17/1/2014, 16:45 CET): **Latest Political & Macro Developments:** Fitch Ratings downgraded Serbia's long-term foreign and local currency issuer default ratings to B+ from BB-, with outlook stable. Fitch based its decision on the continuing deterioration in public finances, in spite of the recent consolidation measures undertaken by the government. In other news, it is worth noting that Serbia will hold local elections in Belgrade on March 16<sup>th</sup>. These elections in Serbia's capital are of high importance, as a third of the country's voters go to the polls. It is reportedly possible general snap elections to be called on the same day, as the ruling SNS may be eager to capitalize on its currently high popularity.

**Market Developments:** The EUR/RSD remained below 116.00 as Serbia's National Bank continues to intervene in the FX markets in order to halt the dinar's recent downward momentum. NBS intervened directly into the FX market selling EUR 60mn on Friday, a day after Fitch's credit rating downgrade announcement. Technically, strong support lies at 115.50. Meanwhile, the main stock index BELEX15 gained 0.67% on Friday, still on relatively low volumes of €0.2m.

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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, 20/1/2014, 09:30 EET): **Latest Political & Macro Developments:** The Liberal Party - member of the current government coalition announced that intends to ask the IMF for a second 3-month delay (to June 2014) as regards the proposed fuel exercise hike. The IMF is scheduled to return to Romania on Jan. 21 for a two-week mission that will focus on how the government plans to cover a revenue gap triggered by the postponement of the said fuel excise hike. In other news, Romania's current account recorded a deficit of EUR 1.33bn in the first eleven months of last year, shrinking 75.4%YoY. Romania had been generating current account surpluses - partly driven by improving exports - until August 2013. **Market Developments:** In the FX market, the EUR/RON remained range-bound within 4.5260-4.5370 on Friday, while bond markets were little changed.

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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, 17/01/2014, 17:45 EET): **Latest Political & Macro Developments:** According to the latest Central Bank data, the balance of payments swung to a deficit of EUR 0.8bn in Jan-Nov 2013 from a surplus of EUR 1.6bn over the same period a year earlier. Additionally, the current account recorded one of its highest surpluses over the last few years amounting to EUR 1.13bn (or 2.8% of estimated GDP) over the said period, primarily thanks to a shrinking trade deficit (-37%YoY). Foreign Direct Investments in the country dropped by 29%YoY to EUR 1.23bn (or 3.0% of estimated GDP) in the first eleven months of last year. Meanwhile, the total financial account posted a deficit of EUR 1.88bn compared to a positive balance of EUR 1.7bn over Jan-Nov 2012. **Market Developments:** Indices on BSE-Sofia closed mixed on Friday as profit-taking emerged. Against this backdrop, SOFIX lost 0.23% but the broader BGBX 40 added 0.14%. On the local bond market, some buying appetite was evidenced in the 3-5y sector ahead of the forthcoming issuance of the new 5-year BGN benchmark on Monday.

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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	1838.70	-0.4%	-0.5%	EUR/USD	1.3557	0.1%	-1.4%	UST - 10yr	2.82	0	-21	GOLD	1254	0.0%	4.0%
Nikkei 225	15641.68	-0.6%	-4.0%	GBP/USD	1.6442	0.1%	-0.7%	Bund-10yr	1.76	0	-17	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	335.50	-0.1%	2.2%	USD/JPY	104.16	0.2%	1.1%	JGB - 10yr	0.67	-1	-7	LMEX	3181	0.6%	0.7%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.85	-8	-16
1-week	8.16	-9	-12
1-month	8.46	-8	-12
3-month	8.81	0	-7
6-month	9.08	-3	-7

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.06	0	1
5Y RSD	12.18	0	-64
7Y RSD	13.35	0	-45

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.28	1	-72
USD Nov-24	6.80	-1	-10

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	391	-1	18
10-year	426	1	-21

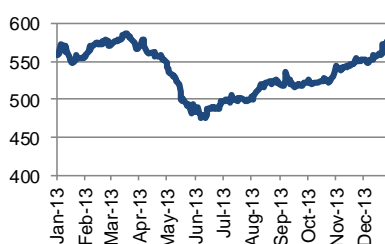
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	575.7	0.67%	3.18%

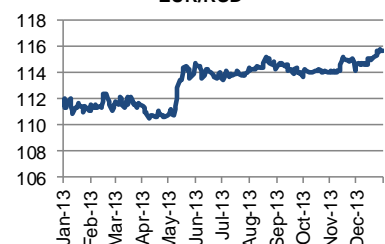
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.6	-0.01%	-0.90%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.99	0	-75
1-month	1.41	0	-47
3-month	1.98	0	-46
6-month	2.63	0	-36
12-month	2.77	0	-38

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.23	-4	-72
5Y RON	4.23	-2	-42
10Y RON	5.14	-2	-16

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.60	1	-25
USD Aug-23	4.82	0	1

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	180	0	-5
10-year	225	1	-7

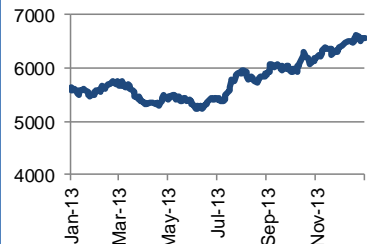
## STOCKS

	Last	ΔD	ΔYTD
BET	6558.6	-0.02%	1.00%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5357	-0.04%	-1.38%

BET Index



EUR/RON



## BULGARIA

## Money Market

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

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.16	4	6
5Y BGN	1.86	5	1
10Y BGN	3.52	0	3

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.80	0	21
EUR Jul-17	1.65	-5	-15

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	172	-2	-2

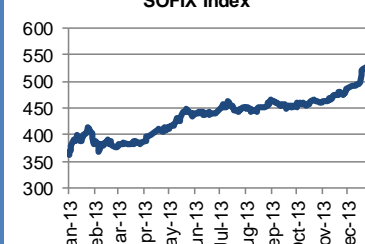
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	538.9	0.45%	9.64%

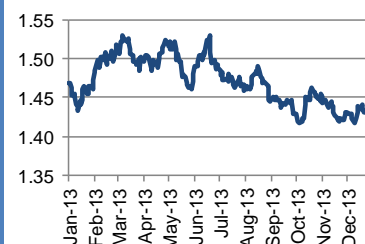
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.443	0.09%	-1.38%

SOFIX Index



USD/BGN



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