

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 24, 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: In FX markets, the CHF was among the main outperformers following the Swiss government's proposal y-day for domestic banks to raise further the level of capital requirements against their mortgage books, to 2% from 1% currently, in an effort to halt the pace of property price appreciation.

GREECE: In an e-mail sent to Greece's Minister of Development Costis Hatzidakis earlier this week, the troika reportedly set as a key prerequisite for the completion of the current program review, the removal of existing regulatory barriers to completion in several sectors of the Greek economy that were identified by the OECD.

SOUTH EASTERN EUROPE

SERBIA: According to the Association of Serbian Banks, total credit fell by 5.8%YoY in 2013. The Central Bank intervened anew in the FX markets over the last couple of sessions in order to support the dinar.

ROMANIA: In the context of discussions with the IMF on the second review of the country's Stand-by Agreement, President Basescu announced his objection to sign the Memorandum of Understanding should the fuel tax hike be maintained.

BULGARIA: According to recently released NSI data, Bulgaria's average house prices fell by 1.8%YoY in 2013. The stock market resumed its recent rally on Thursday

CESEE Markets: Emerging stock markets closed broadly lower, **regional currencies** remained under pressure on Thursday amid concerns about China's growth outlook ahead. Expectations about further QE tapering at the FOMC's monetary policy meeting next week also weighed on investor demand for risky assets.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the negative tone on Wall Street overnight, Asian bourses moved lower on Friday pressured by China's weaker-than-expected January manufacturing PMI. An unexpected modest increase in US initial jobless claims last week and modestly softer than projected US December existing home sales, also weighed on market sentiment towards risky assets. In FX markets, the CHF was among the main outperformers following the Swiss government's proposal y-day for domestic banks to raise further the level of capital requirements against their mortgage books, to 2% from 1% currently, in an effort to halt the pace of property price appreciation.

GREECE

In an e-mail sent to Greece's Minister of Development Costis Hatzidakis earlier this week, the troika reportedly set as a key prerequisite for the completion of the current program review, the removal of existing regulatory barriers to completion in several sectors of the Greek economy that were identified by the OECD. In more detail, in its "Competition Assessment Reviews" published late last year, the organization identified 555 problematic restrictions in the production and trade of goods, ranging from fresh milk to drugs, bread and books, arguing that the removal of these restrictions could foster competition and facilitate the price adjustments needed to support the domestic economy.

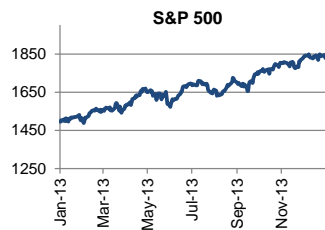
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

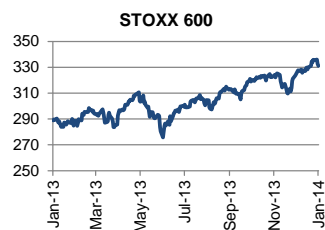
CESEE markets

Emerging stock markets closed broadly lower on Thursday amid concerns about China's growth outlook ahead. Expectations about further QE tapering at the FOMC's monetary policy meeting next week also weighed on investor demand for risky assets. Against this backdrop, the MSCI emerging equities index dropped by 1.28%. Turkey's BIST 100 index led the losses in the **CESEE region** with a 2.88% decline. Along similar lines, **regional currencies** remained under pressure on Thursday. The Turkish lira hit a fresh record low of 2.3029/USD after the Central Bank left interest rates unchanged at its MPC meeting earlier this week. Although CBT's decision was in line with the market's median forecast, speculation had recently emerged that the Central Bank would take more decisive action to halt the pace of the lira's recent depreciation. The lira's renewed downtrend prompted direct CBT intervention in the FX markets on Thursday, of a reported ca USD2bn amount. Note that the lira has lost more than 20% vs. the USD since end-2012 on the back of persisting domestic political jitters and worries over the potential impact of the withdrawal of the Fed's monetary stimulus on foreign capital inflows towards the country's assets. The Hungarian forint plummeted to a 10-month low of 305.58 on Thursday, breaking below key support levels and largely shrugging off a well-received government bond auction. In view of deteriorating risk sentiment, **government bonds** broadly weakened in spite of well-received auctions in Poland and Hungary. In the **external debt markets**, Turkey sold USD2.5bn in 10-year notes at 5.85% and 299bps over US Treasuries. In spite of recently emerged domestic political tensions and concerns about further Fed QE tapering ahead, the offered bond was four times oversubscribed and completed half of the country's borrowing requirements for the year.

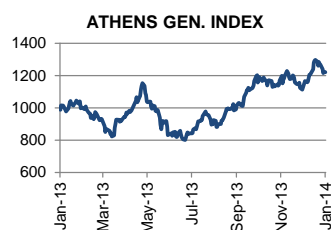
gphoka@eurobank.gr



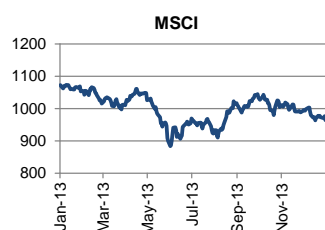
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	7.9	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	114.57	115.00
	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, 23/1/2014, 16:15 CET): **Latest Political & Macro Developments:** According to the Association of Serbian Banks, total credit fell by 5.8%YoY in 2013 to €18.67bn. Serbia's bank loans to GDP stood at 56.8%. Corporate credit recorded the steepest decline, with an 8.9%YoY drop to €12.34bn. Total entrepreneur loans fell 5.2%YoY to €951mn, while retail is the only category to register a positive annual growth rate (of 2%) at €5.37bn. **Market Developments:** The Central Bank sold an estimated EUR20mn in the FX markets on Thursday, after selling EUR10mn in the prior day, to support the dinar. Elsewhere, the Serbian stock market added 0.33% yesterday.

zeljko.devcic@eurobank.rs

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	3.3	4.0	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	4.46	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

ROMANIA

(Bucharest, 24/1/2014, 09.15 EET): **Latest Political & Macro Developments:** In the context of discussions with the IMF on the second review of the country's Stand-by Agreement, President Basescu announced his objection to sign the Memorandum of Understanding should the fuel tax hike be maintained. **Market Developments:** The EUR/RON was little changed on Thursday, hovering around levels of 4.5300. In other news, the MoF held a double auction on Thursday, successfully issuing EUR 280mn in 5Y domestic bonds at an average accepted yield of 3.18% and RON 1bn in 12M T-Bills at a new record low average yield of 2.03%.

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	
	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, 24/01/2014, 09.40 EET): **Latest Political & Macro Developments:** According to recently released NSI data for Q4 2013, housing prices dropped by 0.1% QoQ and by 1.2% on an annual basis. For FY2013, the average house price for the country stood at BGN 865.68, down by 1.8%YoY, with Sofia posing as the most expensive city with an average price of BGN 1 439.79. **Market Developments:** After the market stabilization on Wednesday, Bulgarian equities resumed their recent rally on Thursday. Main stock index SOFIX closed 1.43% higher at 538.73, recovering 0.2% of the losses experienced in the previous four sessions. On the local government bond market, the 6-year sector outperformed in the last few days as yields were weighed down by Monday's better-than-expected 5-year auction.

PMikov@postbank.bg

January 24, 2014

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	1828.46	-0.9%	-1.1%	EUR/USD	1.3671	-0.2%	-0.5%	UST - 10yr	2.75	-3	-28	GOLD	1259	-0.4%	4.4%
Nikkei 225	15391.56	-1.9%	-5.5%	GBP/USD	1.6624	-0.1%	0.4%	Bund-10yr	1.68	-3	-25	BRENT CRUDE	168	0.2%	0.2%
STOXX 600	331.14	-0.5%	0.9%	USD/JPY	102.99	0.3%	2.3%	JGB - 10yr	0.63	-3	-11	LME X	3116	-1.3%	-1.4%

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	7.93	4	-8	O/N	1.28	32	-46	LEONIA	0.03	0	-4		
1-week	8.22	4	-6	1-month	1.41	-4	-47	1-month	0.31	0	-1		
1-month	8.59	12	1	3-month	1.94	-3	-50	3-month	0.64	-1	0		
3-month	8.96	12	8	6-month	2.61	-3	-38	6-month	1.16	0	1		
6-month	9.23	8	8	12-month	2.72	-5	-43	12-month	2.22	1	3		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	10.81	0	-24	3Y RON	3.12	0	-83	3Y BGN	1.10	0	1		
5Y RSD	12.03	-2	-79	5Y RON	4.12	0	-53	5Y BGN	1.81	-2	-4		
7Y RSD	13.26	-2	-54	10Y RON	5.11	2	-19	10Y BGN	3.52	0	3		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	4.41	3	-60	EUR Sep-20	3.54	1	-30	USD Jan-15	0.74	-2	16		
USD Nov-24	6.77	0	-14	USD Aug-23	4.81	2	0	EUR Jul-17	1.69	4	-11		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	365	2	-44	5-year	181	0	-3	5-year	125	0	1		
10-year	401	2	-46	10-year	229	5	-3	10-year	175	2	0		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	578.1	0.33%	3.61%	BET	6542.9	-0.41%	0.76%	SOFIX	539.2	0.08%	9.69%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	115.3	0.16%	-0.67%	EUR/RON	4.5293	0.05%	-1.25%	USD/BGN	1.4307	-0.19%	-0.53%		

SERBIA		ROMANIA		BULGARIA	
BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:15EET

Contributors to this issue

Zeljko Devcic

Head of Trading, Eurobank ad Beograd

+381 11 206 5822

zeljko.devcic@eurobank.rs

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Petko Mikov, CFA, FRM

Head of Trading Desk, Capital Markets Division, Eurobank

+359 28166488

pmikov@postbank.bg

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokrousos: Head of Global Markets
Research pmonokrousos@eurobank.gr, + 30 210 37 18
903

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst
gphoka@eurobank.gr, + 30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apathanasiou@eurobank.gr, + 30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, + 30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, + 30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, + 30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales
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

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