

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 29, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan. 27: New home sales (Dec)
- Jan. 28
 - CB cons sentiment (Jan)
- Jan. 29: FOMC meeting
- Jan. 30
 - GDP (Q4)
 - Pending home sales (Dec)
 - Initial jobless claims (Jan 25)
- Jan. 31
 - Personal spending (Dec)
 - UoM cons conf (Feb)

EUROZONE

- Jan. 27:
 - DE: Ifo (Jan)
- Jan. 31: CPI (Jan)

SEE

SERBIA

- Jan. 28: 2-year RSD T-Bond auction
- Jan. 29: 5-year EUR T-Bond auction
- Jan. 31:
 - IP (Dec)
 - Trade balance (Dec)
 - Retail sales (Dec)
 - GDP (Q4, p)

BULGARIA

- Jan. 27:
 - U/E rate (Dec)
 - RON 500mn T-Bond auction
- Jan. 31: Budget (Dec)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: All eyes today are on the FOMC two-day policy meeting which concludes late this evening. Market expectations are for a further \$10bn reduction in the monthly pace of asset purchases in the wake of a bulk of positive US data releases over the last few weeks.

GREECE: According to a high-level FinMin official, the General Government primary balance is projected to record a surplus “over €1bn” for the full-year 2013 against the troika’s baseline forecast for a balanced primary position (ESA95 terms), a development that could open the door for additional debt relief measures by official lenders.

SOUTH EASTERN EUROPE

SERBIA: 2-year Treasury-bond auction received strong demand, despite domestic political uncertainty ahead of the upcoming elections.

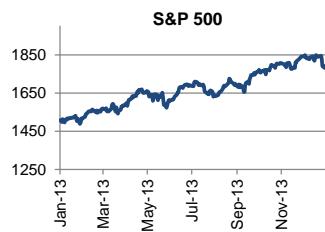
ROMANIA: RON markets recover in the wake of Turkey’s Central Bank decision.

BULGARIA: Business sentiment improves across all sectors in January; interest rates on new deposits continue to slide in December.

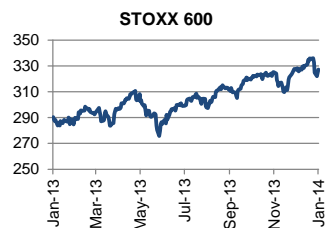
CESEE Markets: The Central Bank of Turkey sharply raised interest rates at its extraordinary monetary policy meeting on Tuesday evening.

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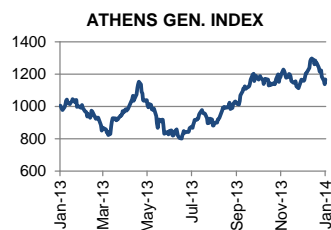
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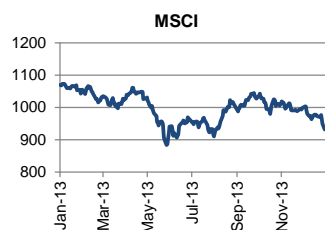
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

Latest world economic & market developments

GLOBAL MARKETS

Global equity markets firmed on Tuesday following Turkish Central Bank's decision to raise its key policy rates more aggressively than expected. All eyes today are on the FOMC two-day policy meeting which concludes late this evening. Market expectations are for a further \$10bn reduction in the monthly pace of asset purchases in the wake of a bulk of positive US data releases over the last few weeks.

GREECE

According to a high-level FinMin official, the General Government primary balance is projected to record a surplus "over €1bn" for the full-year 2013 against the troika's baseline forecast for a balanced primary position (ESA95 terms), a development that could open the door for additional debt relief measures by official lenders. As explicitly spelled out in the 26/27 November 2012 Eurogroup statement, official lenders committed themselves to consider further measures and assistance to Greece, if necessary, until the country regains market access to international markets, conditional upon a vigorous implementation of the requirements and objectives of the agreed adjustment program. Eurostat's next EDP report is due on April 23, 2014.

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Latest developments in the CESEE region

CESEE markets

Emerging equity markets edged up on Tuesday reversing a 3-session losing streak on hopes that the Turkish Central Bank would take decisive action to halt the lira's steep downtrend. In view of strong depreciation pressures on the Turkish currency recently, CBT announced on Monday it would hold an extraordinary meeting on Tuesday evening, so as "to discuss recent developments and take the necessary policy measures for price stability". In the **CESEE region**, stock markets were mixed, with Turkey's BIST100 leading the losses to post a 1.59% decline. On the flipside, Ukraine's PFTS index spiked by 3.38% after Russian President Vladimir Putin reaffirmed plans about a \$15bn loan to Ukraine. The news follows the resignation of Ukrainian Prime Minister Mykola Azarov earlier on the day, "for the sake of the peaceful resolution of the conflict". Recall that, Ukraine has been mired in a political turmoil since the government decided not to endorse an EU trade treaty in November last year. In the **FX markets**, most regional currencies firmed on Tuesday, recouping part of their recent losses. The TRY led the gains in the region ahead of the CBT announcement. It is worth noting that the currency has broken below successive record lows over recent weeks, with the latest lifetime trough at 2.39/USD hit on Monday. Yet, the TRY reversed course to stage a relief rally in response to the Central Bank's more aggressive than expected decision last night, bouncing by ca 5% vs. the USD in morning trade on Wednesday. In more detail, the Central Bank sharply raised interest rates y-day as the "recent domestic and external developments are having an adverse impact on risk perceptions, leading to a significant depreciation in the Turkish lira and a pronounced increase in the risk premium". Specifically, CBT hiked the o/n borrowing rate to 8.00% from 3.50%, the key policy 1-week repo rate to 10.00% from 4.50% and the overnight lending rate to 12.00% from 7.75%. The market's median forecast was for a 225bps increase on the latter. Regional stock markets and currencies are also likely to respond positively from the news.

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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	-6.5	-7.1	-5.2
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

SERBIA

(Belgrade, 28/1/2014, 15:30 CET): **Latest Political & Macro Developments:** EBRD announced that its investments in Serbia totaled €424mn in 2013. Investments were realized through 24 different projects, three of which related to the public sector. The Bank has not yet decided on the corresponding amount earmarked for this year. **Market Developments:** In spite of ongoing Central Bank interventions in the FX markets in order to halt the dinar's recent depreciation momentum, the EUR/RSD retains a positive tone continuing to trade close to the upper limit at of its recent 115.90/10 – 116.05/25 trading range. In other news, the MinFin sold, as planned, RSD 10bln in 2Y T-bills. The auction was well received generating a yield of 8.98% and a 1.85 bid-to-cover ratio.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.7	2.7
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, 29/1/2014, 09.00 EET): **Market Developments:** The EUR/RON firmed on Tuesday closing around 4.5300 vs. opening levels of 4.5415. RON short term interest rates moved lower, with the Government yield curve falling by ca 10 bps in the 2-5Y segment.

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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, 28/01/2014, 18:20 EET): **Latest Political & Macro Developments:** According to NSI data, the general business sentiment index increased by 4.6ppts in January from the previous month. The breakdown of the report was as rosy as the headline on the back of increased optimism about new orders growth and the state of the business sector over the next 6 months. In other news, BGN interest rates on new deposits decreased by 21bps on a monthly basis in December to 3.76% and the corresponding EUR rates by 18bps to 3.43%, bringing their annual decline to 108bps and 90bps, respectively. On the flipside, interest rates on BGN consumer loans marked a notable monthly increase of 98bps to 12.57%, contrasted by a decrease of 26bps to 9.01% for those in EUR. Rates on mortgages denominated in BGN fell by 11 bps on the month to 7.06% and by 35bps to 7.17% in EUR. **Market Developments:** After a 3-day rally, the domestic stock market posted a mixed performance. The main SOFIX index outperformed ending 0.46% higher at 549.16 points.

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January 29, 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	1792.50	0.6%	-3.0%	EUR/USD	1.3684	0.1%	-0.4%	UST - 10yr	2.77	2	-26	GOLD	1255	-0.2%	4.1%
Nikkei 225	15383.91	2.7%	-5.6%	GBP/USD	1.6592	0.1%	0.2%	Bund-10yr	1.78	10	-15	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	327.20	0.9%	-0.3%	USD/JPY	102.96	0.0%	2.3%	JGB - 10yr	0.64	0	-11	LMEX	3086	0.0%	-2.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.91	-5	-10
1-week	8.09	-3	-19
1-month	8.43	-4	-15
3-month	8.78	-10	-10
6-month	9.05	-8	-10

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.20	3	-85
5Y RSD	10.57	-7	-226
7Y RSD	11.46	-9	-234

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.55	0	-46
USD Nov-24	6.78	0	-13

CDS

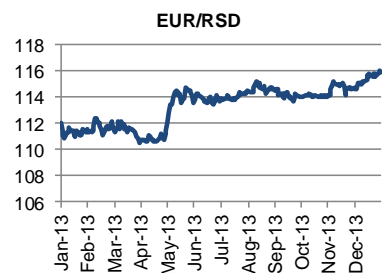
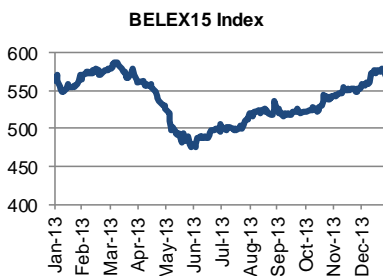
	Last	ΔDbps	ΔYTD bps
5-year	369	-8	-40
10-year	406	-8	-41

STOCKS

	Last	ΔD	ΔYTD
BELEX15	566.0	-0.26%	1.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.9	0.08%	-1.15%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.42	-12	-32
1-month	1.49	-7	-39
3-month	1.94	-1	-50
6-month	2.58	-1	-41
12-month	2.72	0	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.21	-1	-74
5Y RON	4.25	-1	-40
10Y RON	5.32	-1	2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.62	3	-22
USD Aug-23	4.86	2	6

CDS

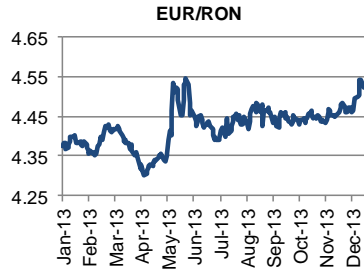
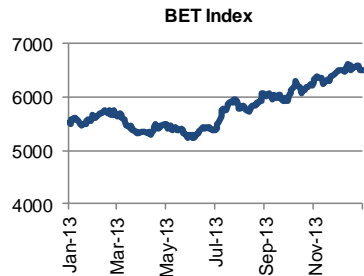
	Last	ΔDbps	ΔYTD bps
5-year	182	0	-3
10-year	230	-2	-2

STOCKS

	Last	ΔD	ΔYTD
BET	6507.3	0.27%	0.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5326	0.04%	-1.32%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.30	-1	-2
3-month	0.64	0	-1
6-month	1.16	6	1
12-month	2.21	9	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.09	-1	0
5Y BGN	1.80	-1	-5
10Y BGN	3.52	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.68	-6	9
EUR Jul-17	1.71	-4	-10

CDS

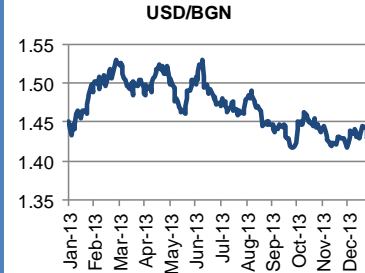
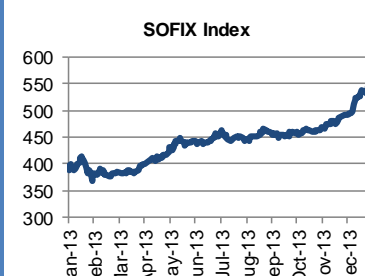
	Last	ΔDbps	ΔYTD bps
5-year	125	0	2
10-year	176	-3	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	553.2	0.73%	12.54%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4294	0.10%	-0.44%



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