

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

January 13, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- January 12: Fed's Lockhart speaks
- January 13: Fed's Kocherlakota speaks
- January 14
  - Fed's Plosser speaks
  - Retail sales (Dec)
- January 15
  - Empire Manuf. (Jan)
  - Jobless claims (Jan 10)
  - Philly Fed (Jan)
- January 16
  - CPI (Dec)
  - Industrial prod. (Dec)
  - UoM cons. sent. (Jan)
  - Fed's Kocherlakota, Bullard speak

##### EUROZONE

- January 14: ECB's Praet speaks
- January 16
  - ECB's Costa speaks
  - HICP (Dec, f)

##### SEE

##### SERBIA

- January 12: HICP (Dec)
- January 15: MPC mtg

##### ROMANIA

- January 12:
  - Net wages (Dec)
  - 4.75% 2025 T-Bonds
- January 13
  - CPI (Dec)
  - CAD (Nov)
- January 14
  - GDP (Q3, f)
  - Industrial prod. (Nov)
- January 15
  - 4.75% 2019 T-Bonds

##### BULGARIA

- January 12
  - Trade balance (Nov)
  - 3.10% 2025 T-Bonds
- January 14: CPI (Dec)
- January 15: CAD (Nov)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Mirroring losses in Wall Street overnight, the majority of Asian bourses weakened today pressured by a renewed drop in energy shares. The price of Brent crude oil resumed its downtrend marking a new six year low of \$45.2pb earlier today amid oversupply woes, having declined by ca 60% cumulatively since multi-year highs hit in mid-June 2014.

**GREECE:** Halting a two-month improving trend, the Economic Sentiment Indicator for Greece dropped in December coming in at an eight-month low of 98.9 from 102.7 in November on the back of political uncertainty ahead of the January 25 snap general elections. In other news, speaking in a Bloomberg Television interview y-day, Greece's Minister of Finance Gikas Hardouvelis was quoted as saying that the prospect of Greece "leaving the euro area is not necessarily a bluff" adding that "an accident could happen, and the whole idea is to avoid it".

### SOUTH EASTERN EUROPE

**SERBIA:** Annual HICP came in at a 4-month low of 1.7% in December, easing from 2.4% in November amid falling energy prices and approaching anew a record low of 1.3% hit in June last year.

**ROMANIA:** December's CPI came in slightly weaker than anticipated at a 6-month low of 0.8%YoY, vs. a market median forecast of 0.9%YoY and a 1.3%YoY print registered in the prior month.

**BULGARIA:** Trade balance ran a deficit of BGN 538.9mn in November, narrowing modestly (by BGN 16.6mn) compared to a year earlier.

**CESEE MARKETS: Emerging stock markets** broadly firmed in European trade on Tuesday favored by upbeat trade data from China. Elsewhere, the majority of **CESEE currencies** were mixed in European trade on Tuesday with the Turkish lira remaining the best performer so far this year mostly favored by falling oil prices.

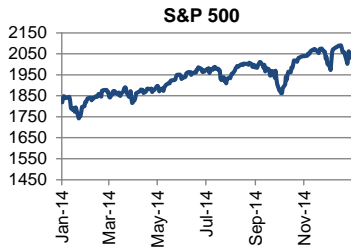
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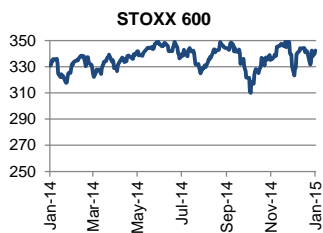
## Latest world economic & market developments

### GLOBAL MARKETS

Mirroring losses in Wall Street overnight, the majority of Asian bourses weakened today pressured by a renewed drop in energy shares. The price of Brent crude oil marked a new six year low of \$45.2pb earlier today amid oversupply woes before recovering modestly to levels near \$46.10pb at the time of writing, having declined by ca 60% cumulatively since multi-year highs hit in mid-June 2014. With investors' taking a cautious stance towards risk assets, major government bonds firmed with the 10-yr UST yield falling to a new multi-month trough of 1.88% earlier today. The latest bout of increased risk aversion favored the safe-haven appeal of the Japanese currency with the USD/JPY hovering close to one-month highs of 118.85 at the time of writing. Yet, amid expectations for further monetary policy easing ahead by the BoJ in an effort to meet its inflation target of 2.0% and continued outflows amid Japanese investors' appetite for higher-yielding assets, any further JPY appreciation in the coming sessions is likely to prove limited and short-lived. Focus today is on UK December's CPI data which have the potential to exert an impact on the GBP's short-term FX outlook.



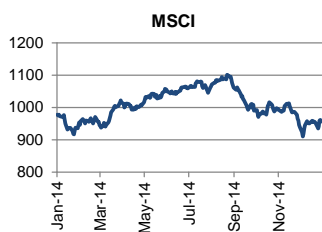
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

### GREECE

Halting a two-month improving trend, the Economic Sentiment Indicator for Greece dropped in December coming in at an eight-month low of 98.9 from 102.7 in the prior month on the back of political uncertainty ahead of the January 25 snap general elections. This followed a six-year high of 103.7 hit in June 2014. The breakdown of the report showed that, with the exception of the Construction Confidence Indicator, the remaining four components moved lower. In other news, speaking in a Bloomberg Television interview y-day, Greece's Minister of Finance Gikas Hardouvelis was quoted as saying that the main challenge facing whichever government emerges from the January 25 ballot will be to successfully complete discussions with official lenders in the context of the current program review. As per the finance minister, the prospect of Greece "leaving the euro area is not necessarily a bluff" adding that "an accident could happen, and the whole idea is to avoid it".

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** broadly firmed in European trade on Tuesday favored by upbeat trade data from China. In the CESEE region, Turkey's main stock index - which last year rallied more than 26% primarily thanks to lower oil prices - was advancing modestly by 0.25% at the time of writing, poised to mark its highest close since mid-2013. It is worth noting that the country imports the vast majority of the oil it consumes, with lower energy prices contributing significantly to the domestic bourse's recovery over recent months. Elsewhere, the majority of **CESEE currencies** were mixed in European trade on Tuesday with the Turkish lira remaining the best performer so far this year mostly favored by falling oil prices. In more detail, the USD/TRY slid to a 1-month low of 2.2700 earlier today before pulling back towards 2.2810 at the time of writing. Data which showed that the current account deficit expanded for the first time in 10 months on an annual basis in November, rising to \$5.6bn from \$4.2bn a year earlier and exceeding the market's median forecast for a smaller rise to \$5.4bn, appeared to have a rather limited impact. Technically, a break below today's USD/TRY trough, may pave the way towards 2.2620 (90-day moving average) ahead of 2.2470 (50% Fibonacci retracement from July's lows to December's highs).

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SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	0.0
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-5.8	-7.2	-5.7
Current Account/GDP	-5.0	-6.1	-4.7
EUR/RSD (eop)	114.57	120.50	124.50
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	8.00	7.00

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

## SERBIA

(Belgrade, 13/1/2015, 9:00 CET): **Latest Political & Macro Developments:** According to the latest inflation data, released on Monday, annual HICP came in at a 4-month low of 1.7% in December, easing from November's 9-month peak of 2.4% amid lower energy prices and approaching anew a record low of 1.3% hit in June last year. The latest HICP reading stands below the lower bound of the Central Bank's (NBS) 4+/-1.5% target tolerance band for the tenth month running. Notwithstanding the aforementioned, we anticipate the NBS to hold its fire at the upcoming MPC meeting on Thursday and maintain its key policy rate (1-week repo rate) at the current 8.00% level as strong depreciation pressures on the dinar persist. **Market Developments:** The EUR/RSD closed little changed at 122.75/95 on Monday, having recovered from a drop to 122.55/75 intraday and remaining not too far from a record peak of 122.85/123.05 hit late last week.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.5	3.0
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP	-2.3	-2.2	-2.2
Current Account/GDP	-1.1	-1.2	-1.5
EUR/RON (eop)	4.46	4.40	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.50	2.25

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

## ROMANIA

(Bucharest, 13/1/2015, 10:00 EET): **Latest Political & Macro Developments:** December's CPI came in slightly weaker than anticipated at a 6-month low of 0.8%YoY, vs. a market median forecast of 0.9%YoY and a 1.3%YoY print registered in the prior month. This latest inflation reading marks the third consecutive month below the lower bound of the 1.5-3.5% Central Bank (NBR) official targeted range and adds to the view that there may be room for one more 25bps cut in the NBR's key policy rate to a new record low of 2.25% at the next MPC meeting on February 4. **Market Developments:** The EUR/RON kicked off the week little changed, trading in a tight range between 4.4825/85 on Monday. On the money market, short term RON rates, up to 1-week tenor, remained stuck near the deposit facility of 0.25%, while the implied 1-month rate from swaps decreased around 10 bps from Friday touching a new historical low at 0.37%. Government bonds remained well bid, favored by persistently subdued inflation pressures and cheap money market funding. On the primary market, the MoF issued RON 364mn in 10Y bonds (more than the RON 300mn initially planned) at an average accepted yield of 3.28%, around 30bps lower than that achieved at a prior auction of similar maturity paper held in December.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.5	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	2.1	2.2	1.8
EUR/BGN (eop)		1.9558	
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 13/1/2015, 9:00 EET): According to preliminary data by NSI, the trade balance ran a deficit of BGN 538.9mn in November, narrowing modestly (by BGN 16.6mn) compared to the same month a year earlier. The said improvement came primarily on the back of a 3.1%YoY drop in imports (to BGN 4,386.4mn), which snapped a 3-month upward trend. Exports also declined, marking a 3.1%YoY fall to BGN 3,847.5mn in November, after recording two months of increases. **Market Developments:** The domestic stock market recovered ground on Monday, halting a 6-session losing streak with the main SOFIX index rising by 0.87% to close at 505.36 points.

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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	2028.26	-0.8%	-1.5%	EUR/USD	1.1791	-0.4%	-2.5%	UST - 10yr	1.88	-3	-29	GOLD	1238	0.4%	4.5%
Nikkei 225	17087.71	-0.6%	-2.1%	GBP/USD	1.5101	-0.5%	-3.1%	Bund-10yr	0.46	-2	-8	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	342.37	0.7%	0.0%	USD/JPY	118.67	-0.3%	0.9%	JGB - 10yr	0.27	-1	-6	LMEX	2833	-0.6%	-2.8%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-30	-345
1-week	6.87	-29	-314
1-month	7.48	-26	-257
3-month	8.13	-24	-172
6-month	8.56	-16	-123

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.21	-2	16
5Y RSD	10.06	0	-13
7Y RSD	11.19	0	-6

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.23	-6	-3
USD Nov-24	2.92	-368	-22

**CDS**

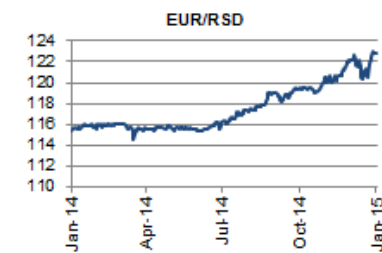
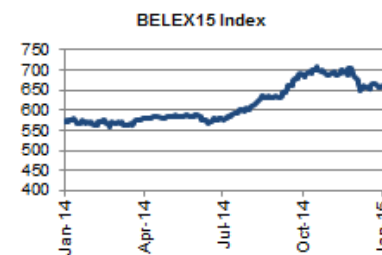
	Last	ΔDbps	ΔYTD bps
5-year	278	3	-12
10-year	346	4	-9

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	657.8	-0.62%	-1.39%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.82	-0.01%	-1.20%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-131
1-month	0.68	0	-120
3-month	1.55	0	-89
6-month	1.83	0	-116
12-month	1.86	0	-129

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	-7	-226
5Y RON	2.21	-4	-244
10Y RON	3.13	-8	-217

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.59	-6	-14
USD Aug-23	3.43	-4	-19

**CDS**

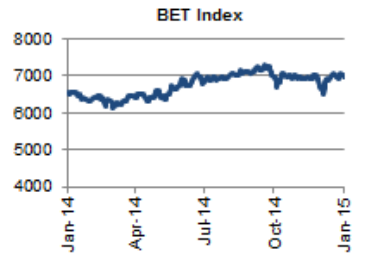
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-13
10-year	173	0	-14

**STOCKS**

	Last	ΔD	ΔYTD
BET	6992.4	-0.36%	-1.28%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4855	0.04%	-0.04%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.20	-1	-2
3-month	0.42	-1	-1
6-month	0.79	-1	-1
12-month	1.49	-1	-2

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.94	-2	-10
5Y BGN	1.29	5	-16
10Y BGN	2.74	0	-1

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-32.84	#N/A N/A	-3185
EUR Jul-17	0.91	-1	-25

**CDS**

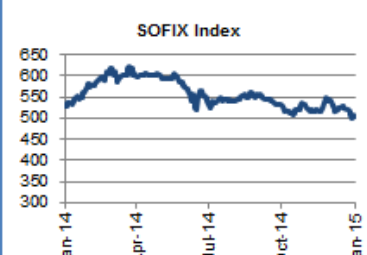
	Last	ΔDbps	ΔYTD bps
5-year	200	2	9
10-year	251	2	10

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	504.6	-0.16%	-3.36%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.6588	-0.37%	-2.55%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:15 EET

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