

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 14, 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: Retreating global equity markets and lower US front-end yields continued to exert a negative impact on the USD with the USD/JPY marking a fresh one-month low earlier today. Elsewhere, the EUR remained under pressure across the board mainly due to heightened expectations that the ECB will embark a sovereign-bond buying programme in the coming weeks/months.

GREECE: The **Harmonized Index of Consumer Prices (HICP)** dropped in December for the 22th consecutive month, remaining steadily below the euro area average since July 2011. Separately, in a statement issued y-day, **Moody's** said that the recent political turmoil in Greece and early general elections have increased the risk of a Greek exit from the euro area. Yet, the ratings agency added that the likelihood of such a scenario is still lower than during the peak of the crisis in 2012 and remains relatively unlikely.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD remained bound in a tight range of 122.65/85-122.80/00 on Tuesday, as caution prevailed ahead of the upcoming MPC meeting later in the week.

ROMANIA: According to final data, real GDP growth came in at 3.3%YoY in Q3 2014, revised slightly upwards from a previous 3.2%YoY estimate.

BULGARIA: The Ministry of Finance placed BGN 50mn at an auction on Monday, at an average accepted yield of 3.07% and a bid/cover ratio of 3.62.

CESEE MARKETS: **Emerging stock markets** fell in European trade today, tracking losses in major global bourses as falling oil prices continued to exert a negative impact on energy shares. Elsewhere, the majority of **CESEE currencies** recoiled in the wake of weak inflation data and ahead the Polish MPC meeting later today.

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Latest world economic & market developments

GLOBAL MARKETS

Reflecting the negative tone that prevailed in Wall Street overnight and in the majority of Asian equity markets today, major European bourses moved lower in early trade weighed down by persistently low energy share prices amid oversupply concerns. Investors' reduced risk-taking appetite enhanced the safe-haven appeal of German bonds and US Treasuries with the 2-yr UST yield hitting a fresh multi-week low near 0.52% earlier today. Retreating equity markets and lower US front-end yields continued to exert a negative impact on the USD with the USD/JPY marking a fresh one-month low of 116.52 earlier in European trade. However, in view of the outperformance of the US economy relative to Japan's and the expected divergence of monetary policy between the Fed and the BoJ, any further USD/JPY weakness in the coming sessions is likely to prove limited. Elsewhere, the EUR remained under pressure mainly due to heightened expectations that the ECB will embark a sovereign-bond buying programme in the coming weeks/months following comments earlier today by an Advocate General at the European Court of Justice that the ECB's OMT program is in line with the EU Law under certain conditions. The EUR/USD extended its recent losses making a new nine-year low of 1.1726 earlier in European trade. Technically, strong support stands within 1.1640-1.1660 with investors eagerly awaiting the outcome of the January 22 ECB policy meeting.

GREECE

The **Harmonized Index of Consumer Prices (HICP)** dropped in December for the 22th consecutive month, remaining steadily below the euro area average since July 2011. In more detail, Greece's HICP dropped by 2.5%YoY, a higher pace of decline compared to -1.2%YoY in the prior month. For 2014 as a whole, the HICP remained in negative territory for the second consecutive year falling by an average rate of 1.4%YoY compared to -0.9% in 2013. In other news, speaking to reporters y-day, **Eurogroup President Jeroen Dijsselboem** was quoted as saying that Eurozone finance ministers will work with "whoever wins" the upcoming general election in Greece and that they will do so "keeping the Eurozone intact". The Eurogroup President added that Eurozone officials are "prepared to do more" provided that Greece honors "its part of the deal". Separately, in a statement issued y-day, **Moody's** said that the recent political turmoil in Greece and early general elections have increased the risk of a Greek exit from the euro area. Yet, the ratings agency added that the likelihood of such a scenario is still lower than during the peak of the crisis in 2012 and remains relatively unlikely.

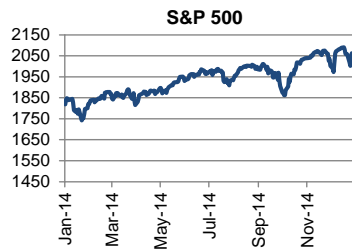
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Latest developments in the CESEE region

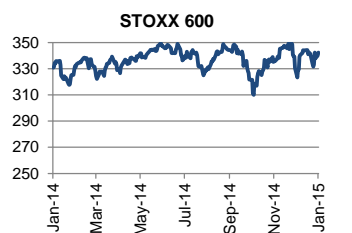
CESEE markets

Emerging stock markets fell in European trade today, tracking losses in major global bourses as falling oil prices continued to exert a negative impact on energy shares. Elsewhere, the majority of **CESEE currencies** weakened, with the Hungarian forint falling near a 3-year low of 320.75/EUR in European trade after annual CPI slid to a lifetime trough of -0.9% in December, reigniting market talk about a potential resumption of MNB rate cuts in the months ahead. The Polish zloty also posed among the region's worst performers, with the EUR/PLN hitting a multi-session peak of 4.2970, ahead of the MPC meeting later today. The Central Bank is broadly anticipated to hold its key monetary policy rate stable at the record low 2.00%. But, further monetary easing ahead cannot be ruled out entirely as inflation pressures remain subdued and risks to the country's domestic growth outlook linger.

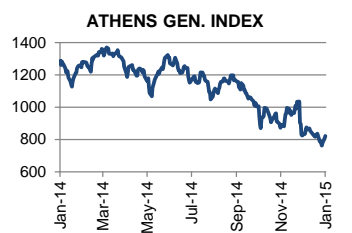
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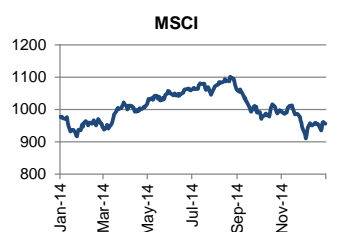
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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
	2014	current	2015f
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, 17:10 CET): **Market Developments:** The EUR/RSD remained bound in a tight range of 122.65/85-122.80/00 on Tuesday, as caution prevailed ahead of the upcoming MPC meeting later in the week. Despite an estimated economic contraction of 2% last year and persistently subdued inflation pressures, we anticipate – in line with market expectations – stable interest rates at the upcoming MPC meeting on Thursday as strong depreciation pressures on the dinar persist. Note that, in data released earlier this week HICP of 1.7%YoY in December remained below the 4+/-1.5% Central Bank (NBS) target tolerance band for the tenth month running. The currency's down-move over recent months has been in line with a regional depreciation trend, instigated by weak price pressures, CESEE Central Bank and ECB monetary easing expectations as well as market anticipation for a Fed rate hike at some point in 2015. Meanwhile, ongoing domestic fiscal consolidation concerns and last year's economic downturn added to the dinar's downward momentum. Recall that, in this environment, the EUR/RSD rose by ca 6% in 2014 and hit a record peak of 122.85/123.05 late last week, despite repeated Central Bank interventions to prop up the domestic currency.

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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	
	2014	current	2015f
Policy Rate (eop)	2.75	2.50	2.25

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

ROMANIA

(Bucharest, 14/1/2015, 9:15 EET): **Latest Political & Macro Developments:** According to final data, real GDP growth came in at 3.3%YoY in Q3 2014, revised slightly upwards from a previous 3.2%YoY estimate. The breakdown of the data showed that final consumption increased by 4.3%YoY, while gross capital formation contracted by 2.1%YoY. Exports of goods and services recorded a modest 1.6%YoY increase marginally outpacing a 1.5%YoY concomitant rise in imports. In other data releases earlier this week, the current account deficit shrank by 62%YoY to € 302mn over January-November 2014, mainly on the back of the balance of services which turned to a surplus of € 600mn from a deficit of € 500mn over the same period a year earlier. **Market Developments:** The EUR/RON remained trapped within a tight range between 4.4850/950 on Tuesday. On the money market, the implied 1-3M rates from swaps moved around 5-10bps higher from the historical lows touched on Monday (1M moved to 0.45% and 3M to 0.85%), while short term rates remained pinned around the deposit facility rate of 0.25%. Government bonds were favored by the low inflation print published yesterday morning, with the entire curve moving ca 5bps lower on average.

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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	
	current	2014	2015f
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, 16:20 EET): **Market Developments:** Bucking the broadly positive trend in the CESEE region, the domestic stock market returned into a negative territory on Tuesday, with the main SOFIX index shedding ca 0.76% to close at 501.54 points. In other news, the Ministry of Finance published on Tuesday the results of this year's first 10-year government bond auction held a day earlier. In more detail, the FinMin placed BGN 50mn at an average accepted yield of 3.07% and a bid/cover ratio of 3.62.

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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	2023.03	-0.3%	-1.7%	EUR/USD	1.1761	-0.1%	-2.8%	UST - 10yr	1.89	-1	-29	GOLD	1229	-0.1%	3.7%
Nikkei 225	16795.96	-1.7%	-3.8%	GBP/USD	1.5197	0.2%	-2.4%	Bund-10yr	0.46	-2	-8	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	343.80	-0.3%	0.4%	USD/JPY	116.95	0.8%	2.3%	JGB - 10yr	0.26	-1	-7	LMEX	2770	-2.2%	-4.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-9	-346
1-week	6.90	-2	-311
1-month	7.44	-8	-261
3-month	8.21	6	-164
6-month	8.61	5	-118

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	16	29
5Y RSD	10.06	0	-12
7Y RSD	11.19	0	-6

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.17	-3	-9
USD Nov-24	2.56	-402	-58

CDS

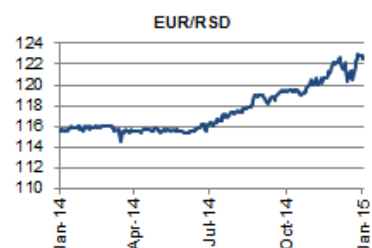
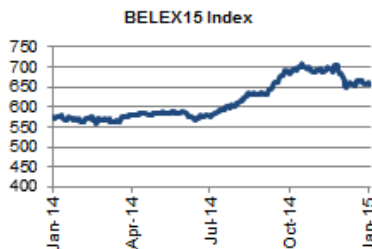
	Last	ΔDbps	ΔYTD bps
5-year	277	-1	-13
10-year	343	-3	-12

STOCKS

BELEX15	Last	ΔD	ΔYTD
	657.9	-0.16%	-1.37%

FOREX

EUR/RSD	Last	ΔD	ΔYTD
	122.50	0.16%	-0.94%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	2	-12
1-month	0.69	1	-22
3-month	1.56	1	-14
6-month	1.85	2	-16
12-month	1.87	1	-15

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.68	-1	-33
5Y RON	2.21	-1	-30
10Y RON	3.13	-1	-38

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.59	0	-14
USD Aug-23	3.35	-2	-27

CDS

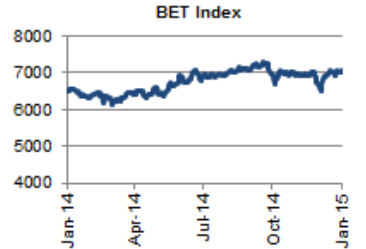
	Last	ΔDbps	ΔYTD bps
5-year	125	-5	-18
10-year	168	-5	-19

STOCKS

BET	Last	ΔD	ΔYTD
	7008.5	-0.60%	-1.05%

FOREX

EUR/RON	Last	ΔD	ΔYTD
	4.4939	0.02%	-0.23%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.95	-1	-8
5Y BGN	1.18	-7	-27
10Y BGN	2.75	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-36.12	-17	-3530
EUR Jul-17	0.91	0	-25

CDS

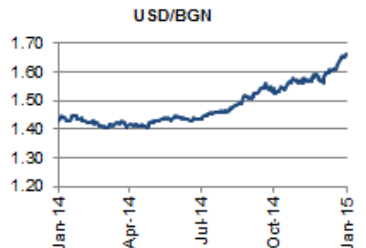
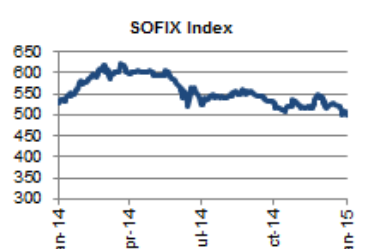
	Last	ΔDbps	ΔYTD bps
5-year	198	-3	7
10-year	248	-3	8

STOCKS

SOFIX	Last	ΔD	ΔYTD
	499.4	-0.43%	-4.35%

FOREX

USD/BGN	Last	ΔD	ΔYTD
	1.663	-0.10%	-2.80%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:20 EET

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