

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 27, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- January 28: FOMC decision
- January 29
  - Jobless claims (Jan 24)
  - Pending home sales (Dec)
- January 30
  - GDP (Q4)
  - UoM consumer confidence index (Feb)
  - Chicago PMI (Jan)

### EUROZONE

- January 26
  - DE: Ifo (Jan)
  - Eurogroup meeting
- January 30
  - HICP (Jan, flash)
  - U/E rate (Dec)

### SEE

#### SERBIA

- January 26: Real wages (Dec)
- January 30
  - Industrial production (Dec)
  - Trade balance (Dec)
  - Retail sales (Dec)
  - GDP (Q4, p)

#### ROMANIA

- January 26: 5.85% 2023 T-Bonds auction

#### BULGARIA

- January 26: 1.1% 2018 T-Bonds auction
- January 27: Gross external debt (Nov)
- January 30: Budget Balance (Dec)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their cue from modest gains in Wall Street overnight, Asian bourses broadly firmed on Tuesday. Bucking the positive trend elsewhere, the majority of European stock markets fell at the time of writing on disappointing earnings results from large European companies. In FX markets, the euro recovered some ground in European trade on profit taking.

**GREECE:** According to local media reports, the winner of Sunday's snap general elections, leftist anti-MoU SYRIZA, has brokered a deal to form a coalition government with the right-wing anti-Memorandum Greek Independents party (ANEL). Prime Minister Alexis Tsipras, who was sworn in yesterday, is expected to announce his cabinet's composition later today. According to local media, the post of the Finance Minister will be taken over by economics professor Yanis Varoufakis.

### SOUTH EASTERN EUROPE

**SERBIA:** According to the latest wage data released on Monday by the Statistical Office of the Republic of Serbia, net wages stood at RSD 49,970 (ca €410) in December, marking a 3.3%YoY decrease in real terms.

**BULGARIA:** According to the latest Bulgarian National Bank (BNB) monetary statistics report, deposits of the non-government sector increased modestly by 1.5%YoY in December to BGN 57.640bn corresponding to 73.2% of GDP.

**CESEE MARKETS: Emerging stock markets firmed modestly** on Tuesday, while **CESEE currencies** were mixed. Focus today is on the Hungarian MPC meeting (announcement due at 13:00 GMT), where the Central Bank is broadly anticipated to hold its fire.

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## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from modest gains in Wall Street overnight, Asian bourses broadly firmed on Tuesday with Japan's Nikkei index leading the way higher as the yen's renewed weakness favoured exporters' shares. Bucking the positive trend elsewhere, the majority of European stock markets fell at the time of writing with their recent post-ECB QE rally running out of steam in the wake of disappointing earnings results from large European companies. In FX markets, the euro recovered some ground in European trade on profit taking. The EUR/USD hovered around levels of 1.1272/74 at the time of writing, having pulled back from an 11-year low of 1.1098 hit on Monday after Greece's January 25 snap general election outcome announcement.

### GREECE

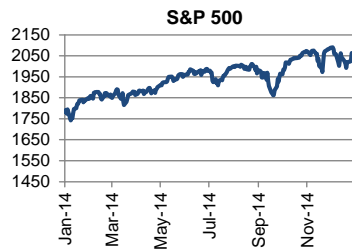
According to local media reports, the winner of Sunday's snap general elections, leftist anti-MoU SYRIZA, which scored 36.34% of the total ballot, has brokered a deal to form a coalition government with the right-wing anti-Memorandum Greek Independents party (ANEL), which came sixth on the January 25 polls with a share of 4.75%. Their alliance translates into 162 seats in the 300-seat Parliament. Prime Minister Alexis Tsipras, who was sworn in yesterday, is expected to announce his cabinet's composition later today. According to local media, the post of the Finance Minister will be taken over by economics professor Yanis Varoufakis. Reportedly, Independent Greeks will most likely take over the Ministry of Defense and a few deputy minister positions. According to the same reports, the two allies have also agreed on the government's President nominee Dimitris Avramopoulos, who is a member of the New Democracy party and incumbent European Commissioner for Migration, Home Affairs and Citizenship. He had previously held the posts of Minister for Foreign Affairs and Minister for National Defence, as well as the Mayor of Athens. He is currently the

## Latest developments in the CESEE region

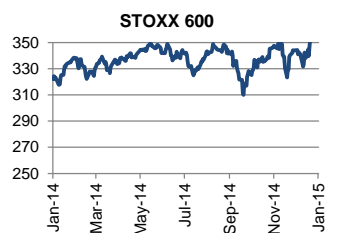
### CESEE markets

**Emerging stock markets firmed modestly** on Tuesday, with the MSCI index of emerging equities standing in a marginally positive territory of 0.10% at the time of writing. In FX markets, **CESEE currencies** were mixed in Europe today. The Turkish lira gave back intraday gains following comments by Turkish Central Bank Governor Erdem Basçi earlier in the session signaling possibility of an emergency monetary policy meeting. Speaking on the sidelines of the updated Inflation Report presentation, he added that such action is possible as soon as February 4, if January inflation falls more than 1 percentage point. Against this backdrop, the USD/TRY rose towards 2.3650 from an intraday low of 2.2360 hit in earlier in Europe. Elsewhere, the Hungarian forint eased ahead of today's MPC meeting (announcement due at 13:00 GMT), where the Central Bank is broadly anticipated to hold its fire and keep its key policy rate stable at the current record low level of 2.10% for the fifth month running following 490bps of monetary easing since August 2012. However, the accompanying statement is likely to be closely scrutinized by market participants for any hints about the MNB's monetary policy deliberations ahead. With annual CPI standing at a lifetime trough of -0.9% in December and risks to the domestic growth outlook lingering, the prospect of a resumption of measured rate cuts in the coming months can not be ruled out entirely.

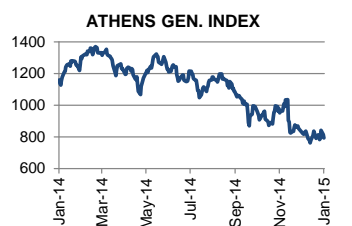
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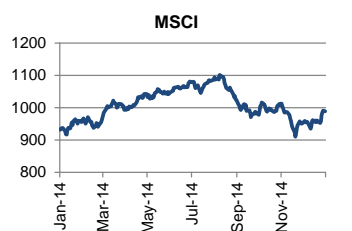
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Credit Ratings		
	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

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

(Belgrade, 26/1/2015, 16:30 CET): **Latest Political & Macro Developments:** According to the latest wage data released on Monday by the Statistical Office of the Republic of Serbia, net wages stood at RSD 49,970 (ca €410) in December, marking a 3.3%YoY decrease in real terms. This follows a 2.1%YoY drop in the prior month, with the average aggregate salary falling by 1.5% in real terms over the January-December period in a possible indication of the negative impact of last year's recession on wages. **Market Developments:** The EUR/RSD closed 0.4% higher at a new record high of 123.60/80 on Monday, with the dinar giving back all of its recent gains on increased local demand for hard currency. Meanwhile, the main stock BELEX15 index firmed by 0.55% to close at a 3-week peak of 662.38 points.

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## BULGARIA

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

(Sofia, 26/1/2015, 17:25 CET): **Latest Political & Macro Developments:** According to the latest Bulgarian National Bank (BNB) monetary statistics report, deposits of the non-government sector increased modestly by 1.5%YoY in December to BGN 57.640bn corresponding to 73.2% of GDP. On the flipside, claims on loans to the non-government sector fell by 8.2%YoY to BGN 50.387bn, equivalent to 64% of GDP, with the aforementioned decline primarily attributed to the exclusion of Corporate Commercial Bank (KTB) from the monetary statistics since November 2014. In support of the aforementioned, the breakdown of the data showed that the highest decrease in loans was recorded in those granted to non-financial (-11.6%YoY) and financial institutions (8.4%YoY), followed by households (-1.6%YoY). Meanwhile, non-performing and restructured loans (€4.711bn) as share of total loan portfolio (excluding financial institutions and overdrafts) increased by 1.39ppts on an annual basis to 24.03% in December. **Market Developments:** Domestic stock indices ended marginally higher in a choppy trade on Monday, with the main SOFIX advancing by 0.26% to close at 498.61 points. In other news, the Ministry of Finance sold BGN 50mn in 3-year T-bonds at an average accepted yield of 0.69% and a bid-to-cover ratio of 4.40, with strong interest evidenced in both competitive and non-competitive orders. Commercial banks remained the major buyer on the primary market acquiring 50% of the total amount auctioned, followed by pension funds with 32.67% and mutual funds with 17.33%.

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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	2057.09	0.3%	-0.1%	EUR/USD	1.1279	0.4%	-6.8%	UST - 10yr	1.81	-1	-36	GOLD	1280	-0.1%	8.1%
Nikkei 225	17768.30	1.7%	1.8%	GBP/USD	1.5081	0.0%	-3.2%	Bund-10yr	0.39	-1	-15	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	3711.10	-0.3%	8.3%	USD/JPY	118.09	0.3%	1.3%	JGB - 10yr	0.26	3	-7	LMEX	2740	1.7%	-6.0%

**SEE MARKETS**

SERBIA				ROMANIA				BULGARIA			
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	on	-2	-217	O/N	0.65	-2	8	LEONIA	0.01	0	-1
1-week	7.94	-6	-207	1-month	0.72	-2	-19	1-month	0.19	0	-3
1-month	8.23	-3	-182	3-month	1.56	-1	-14	3-month	0.43	0	-1
3-month	8.54	-1	-131	6-month	1.8	0	-21	6-month	0.82	0	2
6-month	8.75	-5	-104	12-month	1.84	0	-18	12-month	1.54	0	3
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.12	-6	8	3Y RON	1.61	-1	-40	3Y BGN	0.44	-10	-60
5Y RSD	10.20	0	2	5Y RON	2.07	-1	-44	5Y BGN	0.69	-12	-75
7Y RSD	11.25	0	1	10Y RON	2.65	-3	-86	10Y BGN	2.16	1	-59
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.88	0	-38	EUR Sep-20	1.35	-1	-38	EUR Jul-17	0.81	12	-35
USD Nov-24	-0.01	-654	-315	USD Aug-23	3.21	-4	-41				
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	277	-2	-14	5-year	115	0	-28	5-year	192	1	1
10-year	344	-2	-10	10-year	156	0	-30	10-year	241	2	0
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	669.0	1.00%	0.30%	BET	6997.2	-0.03%	-1.21%	SOFIX	500.5	0.38%	-4.14%
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	123.59	-0.25%	-1.81%	EUR/RON	4.4692	0.13%	0.32%	USD/BGN	1.7344	0.35%	-6.80%

**BELEX15 Index**

**BET Index**

**SOFIX Index**

**EUR/RSD**

**EUR/RON**

**USD/BGN**

Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 13:10 EET

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