

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 6, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- June 2: ISM manuf (May)
- June 3
  - Factory orders (Apr)
  - Car sales (May)
- June 4
  - ADP employment (May)
  - Trade balance (Apr)
  - ISM non-manuf (May)
- June 5: Initial jobless claims (May 31)
- June 6
  - NFP (May)
  - U/E rate (May)

### EUROZONE

- June 2: PMI manuf (May)
- June 3: HICP (May)
- June 4: GDP (Q1)
- June 5: ECB MPC meeting

### SEE SERBIA

- June 3: 7-Y T-Bonds auction
- June 4: 10-Y EUR T-Bonds auction
- June 6: PPI (May)

### ROMANIA

- June 2: International reserves (May)
- June 3
  - Retail sales (Apr)
  - PPI (Apr)
- June 4: GDP (Q1, p)
- June 6: Net wages (Apr)

### BULGARIA

- June 4: GDP (Q1, f)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In line with market expectations, the **ECB unveiled at its monetary policy meeting on Thursday** a new round of stimulus measures aimed at addressing deflation risks and supporting liquidity towards SMEs. In more detail, the Central Bank reduced all its main policy rates to record low levels and announced €400bn long-term refinancing operations (TLTROs) to be conducted in September and December 2014, with four year maturities.. In response to the ECB policy announcement, **Asian and European stock markets** moved broadly higher on Friday, tracking gains in **Wall Street** overnight where both the S&P 500 and the Dow Jones industrial average indices closed at fresh record highs. Nonetheless, caution prevailed ahead of the non-farm payrolls (NFP) report from the US later on the day.

### SOUTH EASTERN EUROPE

**SERBIA:** The Public Debt Administration sold on Thursday RSD 3bn worth of 6M T-Bills at a yield of 7.65%, 34bps lower compared to an auction of similar maturity paper a month ago.

**ROMANIA:** The MoF issued yesterday RON 800mn in 12M T-Bills, as planned, at an average accepted yield of 2.52%, 3bps higher than that recorded at an auction of similar maturity paper in April.

**BULGARIA:** According to the latest NSI data released earlier this week, Q1 2014 real GDP growth was revised upwards to 1.2%YoY, in line with the prior quarter's increase, from an initial estimate of 1.1%YoY.

**CESEE Markets: Emerging stock markets** moved broadly higher and **CESEE currencies** stood near recent multi-week/month peaks in European trade on Friday, after the ECB announced yesterday a new round of stimulus measures.

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## Latest world economic & market developments

### GLOBAL MARKETS

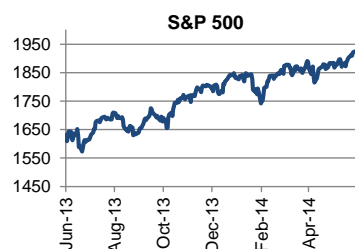
In line with market expectations, the **ECB unveiled at its monetary policy meeting on Thursday** a new round of stimulus measures aimed at addressing deflation risks and supporting liquidity towards SMEs. In more detail, the Central Bank reduced all its main policy rates to record low levels, with its main refinancing rate down by 10bps to 0.15%, the marginal lending facility rate cut by 35bps to 0.40% and the deposit facility rate slashed by 10bps to -0.10%. Additionally, it announced, among other, €400bn long-term refinancing operations (TLTROs) to be conducted in September and December 2014, with four year maturities. It stopped short of announcing any quantitative easing (QE) measures, but ECB President Mario Draghi left the door open for additional action if necessary. In response to the ECB policy announcement, **Asian and European stock markets** moved broadly higher on Friday, tracking gains in **Wall Street** overnight where both the S&P 500 and the Dow Jones industrial average indices closed at fresh record highs. Nonetheless, caution prevailed ahead of the non-farm payrolls (NFP) report from the US later on the day. In **the FX markets, the EUR** recovered some ground against the US dollar on Friday on the view that any further ECB action is unlikely to come any time soon. Against this backdrop, the EUR/USD hovered around levels of 1.3627/28 at the time of writing, having bounced from Thursday's 4-month trough near 1.35.

## Latest developments in the CESEE region

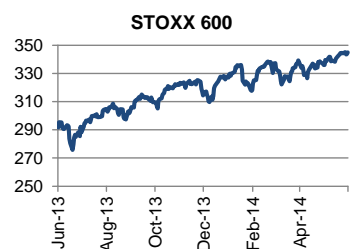
### CESEE markets

**Emerging stock markets** moved broadly higher in European trade on Friday, poised to register weekly gains after the ECB announced yesterday a new round of stimulus measures. Against this backdrop, the MSCI index of emerging equities firmed by around 0.25% at the time of writing, registering weekly gains to the tune of 0.95%. In a similar mode, CESEE bourses advanced, with Turkey's BIST 100 index outperforming its regional peers, rallying to a 5½ month at some point on Friday morning. On the flipside, Romania's BET and Bulgaria's SOFIX indices bucked the region's trend to stand in a negative territory in European trade. In the FX markets, most **CESEE currencies** consolidated near recent highs earlier today, favored by the recently announced ECB easing measures. Indicatively, the Polish zloty remained not far from a 1-year high of 4.1070/EUR hit on Thursday, while the Turkish lira hovered near a 1-week peak of 2.0920/USD tested earlier today largely shrugging off expectations for further Central Bank (CBT) rate cuts in the coming months. Recall that, Turkish Prime Minister Tayyip Erdogan criticized earlier in the week the Central Bank's approach on interest rates and expressed hopes about further imminent monetary easing. In the **local rates markets**, government bonds retained a firm tone in European trade on Friday amid improving investor appetite towards risky assets. With a more dovish than expected tone in the Polish Central Bank's (NBP) accompanying policy statement and post-MPC-meeting press conference earlier in the week still in investors' ears, the Polish 10-year benchmark government bond yield hit a fresh 1-year trough at 3.566% earlier today. Elsewhere, the corresponding Hungarian 3-year yield stood near record low levels of 3.12% touched earlier in the week supported by ECB's new stimulus measures and 460bps of cumulative monetary policy MNB rate cuts since August 2012 which have pushed the MNB base rate to a lifetime low of 2.40%.

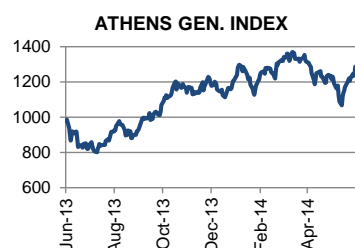
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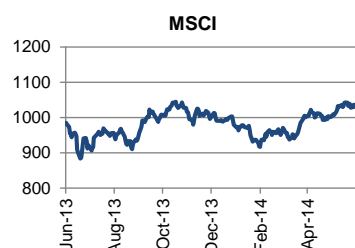
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.5	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-7.5	-5.8	-7.1
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	116.50
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.00	9.00

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

## SERBIA

(Belgrade, 5/6/2014, 17:00 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold on Thursday RSD 3bn worth of 6M T-Bills at a yield of 7.65%, 34bps lower compared to an auction of similar maturity paper a month ago. **Market Developments:** The EUR/RSD moved modestly lower on Thursday, closing near 115.40/60 from an opening level of 115.55/75 in light of long expected new round of ECB easing measures.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	3.0
CPI (pa, yoy %)	3.3	4.0	2.3
Budget Balance/GDP	-3.0	-2.3	2.2
Current Account/GDP	-4.4	-1.1	-1.2
EUR/RON (eop)	4.44	4.46	4.40
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 6/6/2014, 09:10 EET): **Market Developments:** The EUR/RON remained trapped within its recent range of 4.3900/4.4000 on Thursday. On the primary market, the MoF issued yesterday RON 800mn in 12M T-Bills, as planned, at an average accepted yield of 2.52%, 3bps higher than that recorded at an auction of similar maturity paper in April. On the other hand, government bonds firmed in the wake of the ECB meeting, with the corresponding benchmark yield curve shifting some 5-10 bps lower across all maturities.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.9	1.8
CPI (pa, yoy %)	3.0	0.9	-0.2
Budget Balance/GDP	-0.8	-1.5	-1.8
Current Account/GDP	-0.9	1.9	1.0
EUR/BGN (eop)		1.95583	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 5/6/2014, 17:20 EET): **Latest Political & Macro Developments:** According to the latest NSI data released earlier this week, Q1 2014 real GDP growth was revised upwards to 1.2%YoY, in line with the prior quarter's increase, from an initial estimate of 1.1%YoY. The breakdown of the data showed a 3.0%YoY increase in final consumption, marking the first quarter of positive annual growth after remaining in contraction throughout last year. Separately, the annual pace of increase in gross fixed capital formation accelerated to 3.4%YoY from 3.1%YoY in Q4 2013. Imports of goods and services grew by 6.3%YoY after a 6.9% advance in the prior quarter, significantly outpacing growth of 1.5%YoY in exports, which slowed down from 9.3% in Q4 2013. **Market Developments:** The domestic stock market closed in a negative territory for the fourth session running on Thursday, with the main SOFIX index ending 0.90% lower at 589.24 points. (Due to technical issues BSE remained closed in the first part of the trading session)

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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	1940.46	0.7%	5.0%	EUR/USD	1.3653	-0.1%	-0.7%	UST - 10yr	2.57	-1	-46	GOLD	1256	0.2%	4.2%
Nikkei 225	15077.24	0.0%	-7.5%	GBP/USD	1.6809	-0.1%	1.5%	Bund-10yr	1.38	-3	-55	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	344.99	0.4%	5.1%	USD/JPY	102.32	0.1%	2.9%	JGB - 10yr	0.60	-2	-14	LMEX	3121	0.1%	-1.2%

## SEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	7.29	3	-72
1-week	7.68	5	-60
1-month	8.10	6	-48
3-month	8.46	3	-42
6-month	8.60	4	-55

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.93	0	-3
5Y RSD	10.92	0	-190
7Y RSD	11.60	0	-220

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.60	0	-140
USD Nov-24	2.15	-437	-473

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	276	1	-133
10-year	321	1	-126

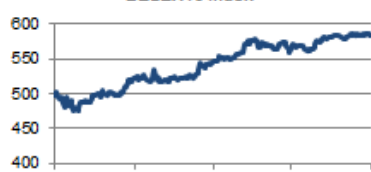
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.6	0.13%	4.76%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.04%	-0.82%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.27	0	53
1-month	2.3	0	42
3-month	2.67	0	23
6-month	3.03	0	4
12-month	3.1	0	-5

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.20	0	-75
5Y RON	3.73	0	-92
10Y RON	4.71	0	-59

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.54	-2	-130
USD Aug-23	3.99	-1	-82

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	147	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

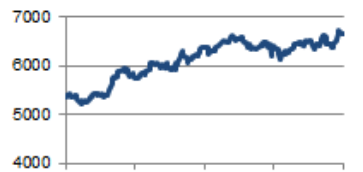
## STOCKS

	Last	ΔD	ΔYTD
BET	6643.3	0.04%	2.30%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3957	-0.06%	1.76%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.07	0	0
1-month	0.30	0	-2
3-month	0.59	0	-6
6-month	1.10	1	-6
12-month	2.05	0	-14

## BG Local Bonds

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	0.82	0	-28
5Y BGN	1.50	0	-35
10Y BGN	3.00	0	-49

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.65	-3	10
EUR Jul-17	1.33	5	-47

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

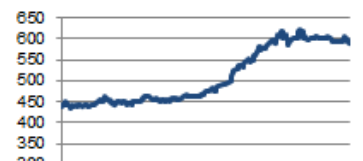
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	589.3	-0.90%	19.89%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4326	-0.05%	-0.66%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:30 EET

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