

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 11, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 13
 - Initial jobless claims (Mar 7)
 - Retail sales (Feb)
- Mar 14: UoM conf (Mar,p)

CHINA

- Mar 13
 - IP (Jan/Feb)
 - Retail sales (Jan/Feb)

SEE

SERBIA

- Mar 11: 2-y T-bonds auction
- Mar 12
 - HICP (Feb)
 - Trade balance (Jan)

ROMANIA

- Mar 10: RON 100mn 5.85% 2023 T-Bonds auction
- Mar 11
 - CPI (Feb)
 - IP (Jan)
- Mar 12: Trade bal. (Jan)
- Mar 13: RON 400mn T-Bonds auction

BULGARIA

- Mar 10
 - IP (Jan)
 - Retail sales (Jan)
 - BGN 50mn 4% 2024 T-Bonds auction
- Mar 11: U/E rate (Feb)
- Mar 12: Trade Bal. (Jan)
- Mar 13: CPI (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In spite of persisting jitters in Ukraine, the EUR retained a firm in European trade on Tuesday supported by the prevailing market view that the ECB does not intend to take any further monetary easing steps in the near future. In line with market expectations, the BoJ kept its monetary policy unchanged today and gave no indication about additional monetary measures ahead. That said, market focus turned to disappointing Japanese data pushing the JPY lower.

GREECE: Speaking in the press conference following the conclusion of the March 10 Eurogroup, President Jeroen Dijsselbloem said that, though some progress has been made since the return of the Troika to Athens near two weeks ago, further work is still needed on several fronts before Greece's current (4th) program review is concluded. According to the latest ELSTAT data, Greece's EU-harmonized consumer inflation rate (HICP) dropped to 0.9%YoY in February, a slower pace of decline compared to 1.4%YoY in the prior month, remaining though below the euro area average for the 32nd consecutive month.

SOUTH EASTERN EUROPE

SERBIA: EUR/RSD remains range-bound following new Central bank intervention in the FX markets.

ROMANIA: Fitch affirms Romania's foreign currency long-term sovereign credit rating at BBB-, with outlook stable.

BULGARIA: Following last week's strong performance, the domestic stock market fell modestly on Monday.

CESEE Markets: Emerging stock markets broadly fell on Monday, government bonds weakened on reignited global growth concerns after disappointing export data from China, reinforced expectations for further Fed QE tapering and ongoing geopolitical jitters in Ukraine. Separately, **CESEE currencies** were little changed yesterday in the wake of Friday's sell-off.

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Latest world economic & market developments

GLOBAL MARKETS

In spite of persisting jitters in Ukraine, the EUR retained a firm in European trade on Tuesday supported by the prevailing market view that the ECB does not intend to take any further monetary easing steps in the near future. Against this background, the EUR/USD was hovering around 1.3855/60 at the time of writing, not far from a 2-½-year peak of 1.3915 recorded late last week. In the absence of major data releases from both sides of the Atlantic today, the pair is expected to remain range-bound within 1.3850/1.3900. In line with market expectations, the BoJ kept its monetary policy unchanged and gave no indication about additional monetary measures ahead. That said, market focus turned to disappointing Japanese data pushing the JPY lower. The USD/JPY was standing close to 103.30/35 in European trade, not far from a multi-week peak of 103.75 touched a couple of sessions ago.

Greece

Speaking in the press conference following the conclusion of the March 10 Eurogroup, President Jeroen Dijsselbloem said that, though some progress has been made since the return of the Troika to Athens near two weeks ago, further work is still needed on several fronts before Greece's current program review is concluded. He expressed euro area finance ministers' "slight" optimism that an agreement between the Greek government and the troika on outstanding issues underlying the current review will be reached by the end of this week. According to the latest ELSTAT data, Greece's EU-harmonized consumer inflation rate (HICP) dropped to 0.9%YoY in February, a slower pace of decline compared to 1.4%YoY in the prior month, remaining though below the euro area average for the 32nd consecutive month.

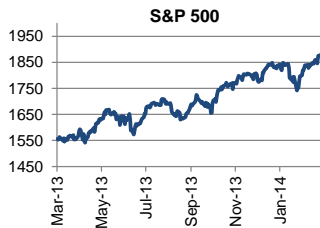
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Latest developments in the CESEE region

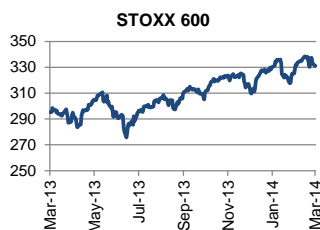
CESEE markets

Emerging stock markets broadly fell on Monday, on reignited global growth concerns after disappointing export data from China, the world's second largest economy. The data follows a better-than-expected US non-farm payrolls report released late last week, which added to the view for further Fed QE tapering ahead. The gradual retrenchment of the FOMC's monetary stimulus, which incepted two months ago, has fanned concerns about the impact of capital inflows towards emerging markets. Against this backdrop, the MSCI emerging equities index closed 1.21% lower at 955.02 points, slipping further below from a 1-½-month peak of 973.30 hit late last week. CESEE bourses were further pressured by persisting geopolitical jitters in Ukraine. Hungary's BUX index led the losses in the region, plummeting by 1.95% with shares of OTP Bank leading the way lower. In a similar vein, Poland's WIG index followed suit declining by 1.54%, with the country's biggest lender PKO BP announcing it wrote off ca PLN 200mn in losses incurred in Q4 2013 via its exposure to Ukraine. Separately, **CESEE currencies** were little changed yesterday in the wake of Friday's sell-off. The Turkish lira underperformed spiking to a 1-week high of 2.2240/USD intraday, amid domestic political uncertainty ahead of the March 30 local elections, which overshadowed January's upbeat industrial production data. In the local rate markets, government bonds broadly fell on waning risk appetite. Turkish paper led the losses with the 2-year corresponding yield spiking by 24bps on the day to a 2-year closing high of 11.41%.

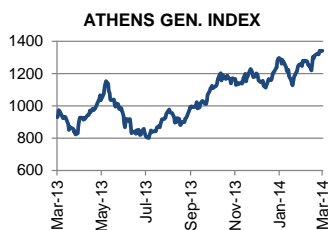
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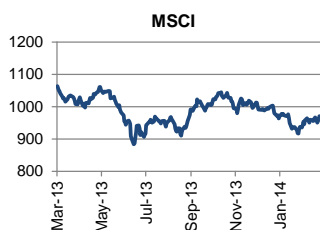
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

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	-6.4	-6.5	-7.1
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, 10/3/2014, 15:30 CET): **Market Developments:** According to the most recent opinion surveys, the ruling Serbian Progressive Party remains the front runner ahead of the upcoming early general elections while the Socialist Party of Serbia (SPS) and the Democratic Party (DS) follow suit. Recall that snap elections are scheduled for March 16th, on the same day with local elections in Belgrade. **Market Developments:** The EUR/RSD remained range-bound around levels of 115.85/05 – 115.95/15 on Monday, with the National Bank of Serbia (NBS) intervening anew in the FX markets, selling EUR 10mn in order to support the domestic currency. Since the beginning of the year, the NBS has injected EUR750mn. Elsewhere, the stock market kicked off the week on a negative footing with Belex15 losing 0.4% on very low volumes, as caution prevails ahead of the March 16 snap elections.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	2.5
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	3.50	3.50

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

ROMANIA

(Bucharest, 11/3/2014, 09:05 EET): **Latest Political & Macro Developments:** Fitch credit rating agency, affirmed on Friday Romania's foreign currency long-term sovereign credit rating at "BBB-", with stable outlook. Note that, Romania is presently rated at the lowest investment grade level by both Fitch and Moody's, while the S&P's rating currently stands one notch lower in non-investment territory at "BB+" with positive outlook. Market participants currently expect the next rating move to be an S&P upgrade as the domestic economy has undergone significant adjustments in its external and fiscal imbalances over the last few years. If these expectations are vindicated, Romania will be rated at an investment grade rating by all three major rating agencies. **Market Developments:** The EUR/RON remained range-bound within 4.4900/4.5050 on Monday. Elsewhere, the domestic money market was little changed, while government bonds consolidated in the wake of last week's rally. At a primary market auction on Monday the MoF issued RON 100mn in 10Y bonds (Apr 2023) at an average accepted yield of 5.30%, slightly below the market's median forecast.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.6	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, 10/3/2014, 17:45 EET): **Latest Political & Macro Developments:** The Bulgarian government reportedly appointed a consortium of three banks, Citigroup, HSBC, and JP Morgan, for the sale of a new Eurobond. The upcoming issuance is expected to amount to EUR 1.5bn and is anticipated to be held by mid-year. The resulting revenues will be reportedly earmarked for external debt redemptions of USD 1.086bn sovereign paper maturing in 2015 and plugging budget holes. Recall that, the previous Eurobond was issued in July 2012 with a 5-year maturity, a 4.25% coupon and an average accepted yield of 4.436%, amounting to EUR 950mn. **Market Developments:** Following last week's strong performance, the domestic stock market fell modestly on Monday, with all indices closing in a negative territory. In more detail, the major SOFIX index erased intraday gains to close 0.28% lower at 606.97 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	1877.17	0.0%	1.6%	EUR/USD	1.385	-0.2%	0.8%	UST - 10yr	2.79	1	-24	GOLD	1348	0.6%	11.8%
Nikkei 225	15224.11	0.7%	-6.6%	GBP/USD	1.663	-0.1%	0.4%	Bund-10yr	1.62	0	-31	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	331.12	-0.1%	0.9%	USD/JPY	103.32	0.0%	1.9%	JGB - 10yr	0.64	0	-11	LME X	2995	-1.1%	-5.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.90	2	-11
1-week	8.14	0	-14
1-month	8.46	0	-12
3-month	8.81	-2	-7
6-month	9.09	1	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.13	-4	17
5Y RSD	11.29	0	-153
7Y RSD	11.75	0	-206

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.09	-2	-92
USD Nov-24	0.02	-662	-689

CDS

	Last	ΔDbps	ΔYTD bps
5-year	376	1	-33
10-year	412	4	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	566.9	-0.19%	1.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	116.0	0.04%	-1.22%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.23	-9	-51
1-month	2.2	-9	32
3-month	3.02	-4	58
6-month	3.45	-1	46
12-month	3.48	0	33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.83	-1	-12
5Y RON	4.46	0	-19
10Y RON	5.30	0	0

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.43	-1	-42
USD Aug-23	4.46	1	-35

CDS

	Last	ΔDbps	ΔYTD bps
5-year	168	0	-17
10-year	215	0	-17

STOCKS

	Last	ΔD	ΔYTD
BET	6334.5	0.16%	-2.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.501	-0.10%	-0.62%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.28	0	-4
3-month	0.57	0	-8
6-month	1.07	0	-8
12-month	2.08	0	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.03	2	-7
5Y BGN	1.70	-1	-14
10Y BGN	3.35	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.75	-1	17
EUR Jul-17	1.52	-2	-28

CDS

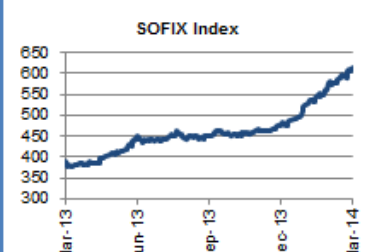
	Last	ΔDbps	ΔYTD bps
5-year	127	0	4
10-year	169	1	-6

STOCKS

	Last	ΔD	ΔYTD
SOFIX	613.9	1.14%	24.89%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4121	-0.18%	0.78%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:00 EET

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