Eurobank Global Markets Research
www.eurobank.gr/research
EurobankGlobalMarkets
Research@eurobank.gr

Eurobank

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 12, 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:** Mirroring a lackluster performance on Wall Street overnight, Asian bourses moved lower on Wednesday amid heightened worries over the prospects of the Chinese economy and persisting political jitters in Ukraine. In FX markets, the latest bout of risk aversion favored the safe-haven appeal of the Japanese currency with the USD/JPY hitting multi-session lows of 102.66 earlier today, having retreated ca 0.33% compared to the settlement in the prior session.

**GREECE:** According to Greece's latest national accounts data, real GDP declined by 3.9%YoY in 2013, downwardly revised from a flash estimate of -3.7%YoY reported a month earlier. In other news, preliminary data for the execution of the State Budget on a modified cash basis, revealed that the Central Government primary balance recorded a surplus of €2,072mn compared to a surplus target of €1,047mn and a surplus of €487mn registered over the same period of the previous year

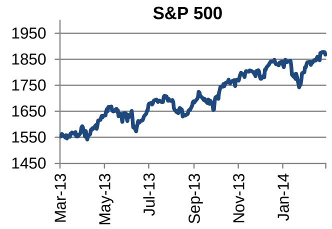
## SOUTH EASTERN EUROPE

**SERBIA:** CB FX reserves drop by €294mn to €10.83bn at the end of February.

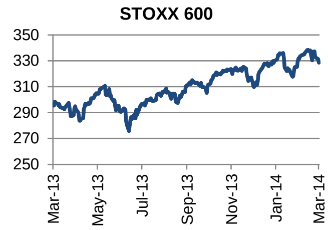
**ROMANIA:** February's CPI came in at 0.3%MoM, as expected, bringing the annual rate of increase to 1.1%, in line with January's print.

**BULGARIA:** MinFin retapped 10-year government bond at an average accepted yield of 3.51%, down by 19bps from a previous auction held in January.

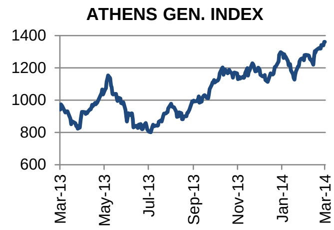
**CESEE Markets:** **Emerging stock markets** closed modestly higher and **CESEE currencies** weakened modestly on Tuesday, with the Turkish lira extending its recent downtrend on worries over a further escalation of domestic political tensions in the run-up to the March 30 local elections.



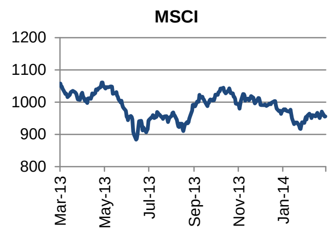

*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*

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

# Latest world economic & market developments

## GLOBAL MARKETS

Mirroring a lackluster performance on Wall Street overnight, Asian bourses moved lower on Wednesday amid heightened worries over the prospects of the Chinese economy and persisting political jitters in Ukraine. In FX markets, the latest bout of risk aversion favored the safe-haven appeal of the Japanese currency with the USD/JPY hitting multi-session lows of 102.66 earlier today, having retreated ca 0.33% compared to the settlement in the prior session. Elsewhere, the EUR was little changed vs. other core currencies with the EUR/USD hovering around 1.3850/55 at the time of writing, not far from a 2- ½ -year peak of 1.3915 hit a few sessions earlier. Recent comments by ECB President Mario Draghi suggesting that the Central Bank does not intend to adopt additional monetary policy measures any time soon in view of improving economic activity in the euro area, continue to favor the EUR.

## Greece

According to Greece's latest national accounts data, real GDP declined by 3.9%YoY in 2013, downwardly revised from a flash estimate of -3.7%YoY reported a month earlier. According to the Hellenic Statistical Authority's press release, this amendment concerns revisions of quarterly national accounts of the period 2005Q1-2013Q3 as a result of the adoption of an improved method for the estimation of the quarterly GDP deflator. In other news, preliminary data for the execution of the State Budget on a modified cash basis, revealed that the Central Government balance for the January-February period recorded a surplus of €495mn compared to a deficit target of €527mn and a shortfall of €788mn marked in the same period a year earlier. Notably, the Central Government primary balance recorded a surplus of €2,072mn compared to a surplus target of €1,047mn and a surplus of €487mn registered over the same period of the previous year.

ppetropoulou@eurobank.gr

# Latest developments in the CESEE region

## CESEE markets

**Emerging stock markets** closed modestly higher on Tuesday on bargain hunting, with the MSCI emerging equities index adding 0.09% to 955.89points. In a similar vein, the majority of CESEE stock indices firmed, with Ukraine's PFST leading the way higher, posting gains to the tune of 3.06% despite the ongoing geopolitical crisis in the area. On the flipside, Hungary's BUX broadly underperformed its peers with a 1.07% drop extending Monday's losses on the back of falling OTP Bank shares. Recall that, the bank has operations in both Ukraine and Russia and the recent escalation of political tensions in the region has weighed on its stocks. Separately, **CESEE currencies** weakened modestly on Tuesday, with the Turkish lira extending its recent downtrend on worries over a further intensification of domestic political tensions in the run-up to the March 30 local elections. Along these lines, the USD/TRY hit a 2-week peak of 2.2463 intraday, well above Monday's settlement of 2.2174. Separately, the Hungarian forint also came under pressure after weaker-than-anticipated inflation data for February added to expectations for further Central Bank (MNB) monetary easing ahead. Note that, MNB has rendered 430bps of cumulative policy rate cuts since August 2012, which have pushed the base rate to a record low of 2.70%, presently. Against this backdrop, the EUR/HUF bounced as far as 313.94 approaching anew a 2-year high of 314.80 hit in late February.

gphoka@eurobank.gr

## SERBIA

| 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

*(Belgrade, 11/3/2014, 16:45 CET):* **Market Developments:** According to the Central Bank (NBS) FX reserves amounted to €10.83bn at the end of February, marking a drop of €294mn compared to the previous month. Separately, net FX reserves (excluding commercial banks' reserve requirements and IMF drawings) stood at €7.46bn. Recall that, the NBS sold a total of €280mn in February, in an effort to halt the dinar's depreciating momentum. **Market Developments:** The EUR/RSD was little changed on Tuesday closing at 115.96, with the dinar failing to capitalize on renewed Central Bank intervention in the FX markets aimed at propping up the domestic currency. The NBS is estimated to have sold EUR10mn in the FX markets on Tuesday, bringing its year-to-date euro sales to ca EUR 760mn. In other news, the debt agency sold 83.38% of a planned RSD 10bn 2Y T-bond. In line with higher interest rates in other tenors, the accepted yield stood at 9.80% above a yield of 8.98% achieved at a previous tender of similar maturity paper held on January 28th. Elsewhere, the domestic stock market lost 0.27% on subdued trading activity as caution prevails ahead of the March 16 elections.

Zoran.Korac@eurobank.rs
ivan.radovic@eurobank.rs

## ROMANIA

| 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

*(Bucharest, 12/3/2014, 09:05 EET)*: **Latest Political & Macro Developments:** According to the National Statistics Institute February's CPI came in at 0.3%MoM, as expected, pushing the annual rate of increase to 1.1%, unchanged from the prior month's reading. **Market Developments:** The EUR/RON remained range-bound within 4.4950/4.5050 on Tuesday. Meanwhile, the money market and government bonds were little changed.

Bogdan.Radulescu@bancpost.ro

## BULGARIA

| 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

*(Sofia, 11/3/2014, 17:305 EET)*: **Latest Political & Macro Developments:** According to NSI data released earlier this week, industrial production increased by 2.3%YoY (working day adjusted) in January, on the back of a strong performance in the mining sector. This follows flat growth a month earlier. Meanwhile, retail trade ex-auto rose for the tenth consecutive month in January, marking a 5.5%YoY increase (working date adjusted, at constant prices) in line with December's reading. The breakdown of the report was as rosy as the headline depicting broad-based improvement in all economic activities. According to NSI data on trade with the EU, the value of Bulgarian exported goods totaled BGN 26.1bn in 2013, reflecting a 9.1%YoY increase. On the other hand, imports from the EU rose by 3.4%YoY to BGN 30.2bn, with the trade deficit (FOB-CIF) standing at BGN 4bn, BGN 1.3bn less from 2012. **Market Developments:** Bulgarian equities resumed their uptrend on Tuesday, with all indices closing with gains between 1.6% and 2.5%. The main SOFIX index spiked 1.78% to close at a new multi-year high of 617.77 points. In other news, Monday's retapped 10-year government bond auction came in better than expected. The Ministry of Finance sold BGN 50mn at an average accepted yield of 3.51% compared to 3.70% achieved at the paper's first issuance in mid-January. The Bid/cover ratio was at 3.60, the highest seen for this tenor since 2012. Most of the issue was acquired by banks (37.53%) and pension funds (34.42%), while the rest was purchased by insurance companies (14.06%), guarantee funds (7.29%), investment intermediaries and others (6.07%). Including Monday's auction, the total sold issue amounts to BGN 100mn.

VBoteva@postbank.bg

# DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION



## GLOBAL MARKETS

*Stock markets*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| S&P 500 | 1867.63 | -0.5% | 1.0% |
| Nikkei 225 | 14830.39 | -2.6% | -9.0% |
| STOXX 600 | 328.49 | -0.9% | 0.1% |

*FOREX*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/USD | 1.3866 | 0.0% | 0.9% |
| GBP/USD | 1.6621 | 0.0% | 0.4% |
| USD/JPY | 102.76 | 0.3% | 2.5% |

*Government Bonds*

| (yields) | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| UST - 10yr | 2.75 | -2 | -28 |
| Bund-10yr | 1.61 | -3 | -32 |
| JGB - 10yr | 0.63 | -1 | -11 |

*Commodities*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| GOLD | 1355 | 0.5% | 12.4% |
| BRENT CRUDE | 168 | 0.0% | 0.4% |
| LMEX | 2939 | -1.9% | -7.0% |

## SEE MARKETS

### SERBIA

*Money Market*

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| T/N | 7.90 | 0 | -11 |
| 1-week | 8.16 | 2 | -12 |
| 1-month | 8.48 | 2 | -10 |
| 3-month | 8.83 | 2 | -5 |
| 6-month | 9.08 | -1 | -7 |

*RS Local Bonds*

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 3Y RSD | 10.15 | -1 | 19 |
| 5Y RSD | 11.29 | 0 | -153 |
| 7Y RSD | 11.57 | 0 | -223 |

*RS Eurobonds*

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| USD Nov-17 | 4.08 | 1 | -93 |
| USD Nov-24 | -0.15 | -678 | -705 |

*CDS*

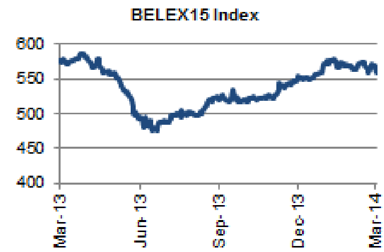
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 385 | 0 | -24 |
| 10-year | 421 | -1 | -26 |

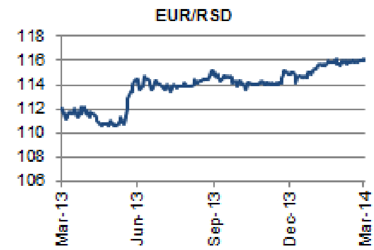
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BELEX15 | 560.1 | -1.13% | 0.38% |

*FOREX*

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




### ROMANIA

*Money Market*

| ROBOR | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| O/N | 1.17 | -6 | -57 |
| 1-month | 2.19 | -1 | 31 |
| 3-month | 3 | -2 | 56 |
| 6-month | 3.45 | 0 | 46 |
| 12-month | 3.48 | 0 | 33 |

*RO Local Bonds*

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 3Y RON | 3.83 | 0 | -12 |
| 5Y RON | 4.50 | 3 | -15 |
| 10Y RON | 5.31 | 1 | 1 |

*RO Eurobonds*

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| EUR Sep-20 | 3.41 | -1 | -43 |
| USD Aug-23 | 4.47 | 4 | -33 |

*CDS*

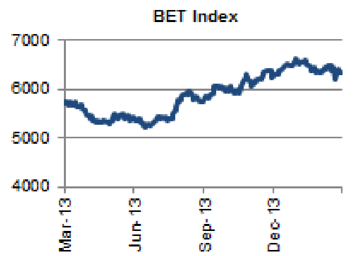
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 169 | 0 | -16 |
| 10-year | 215 | 0 | -17 |

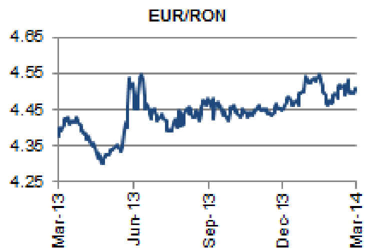
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BET | 6308.5 | -0.32% | -2.85% |

*FOREX*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/RON | 4.511 | -0.12% | -0.84% |




### 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 | 2.09 | 0 | -11 |

*BG Local Bonds*

| (yields) | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 3Y BGN | 1.01 | 0 | -8 |
| 5Y BGN | 1.68 | -2 | -16 |
| 10Y BGN | 3.34 | 0 | -15 |

*BG Eurobonds*

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| USD Jan-15 | 0.69 | -6 | 11 |
| EUR Jul-17 | 1.51 | -3 | -30 |

*CDS*

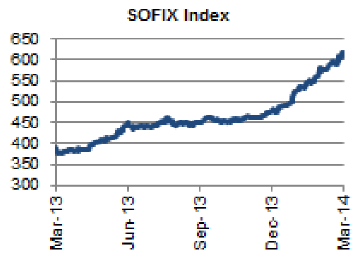
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 128 | 0 | 4 |
| 10-year | 169 | 0 | -6 |

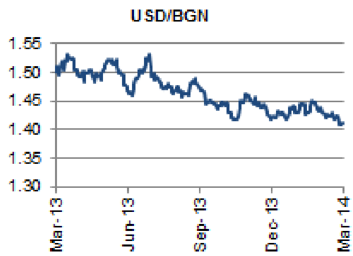
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| SOFIX | 617.6 | -0.03% | 25.65% |

*FOREX*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| USD/BGN | 1.4107 | 0.04% | 0.88% |




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*

*Data updated as of 11:00 EET*

## Contributors to this issue

**Vessela Boteva**
*Expert, trading desk, Eurobank Bulgaria*
*+359 (2) 8166 491*
vboteva@postbank.bg

**Zoran Korac**
*FX dealer, Eurobank ad Beograd*
*+381 11 206 5821*
zoran.korac@eurobank.rs

**Paraskevi Petropoulou**
*G10 Markets Analyst, Eurobank Ergasias*
*+30 210 3718991*
ppetropoulou@eurobank.gr

**Galatia Phoka**
*Emerging Markets Analyst, Eurobank Ergasias*
*+30 210 3718922*
galatia.phoka@eurobank.gr

**Ivan Radović**
*Head, Brokerage Department, Eurobank ad Beograd*
*+381 11 30 27 533*
ivan.radovic@eurobank.rs

**Bogdan Radulescu, CFA**
*Senior Trader, Bancpost*
*+40 21 3656291*
bogdan.radulescu@bancpost.ro

## Eurobank Global Markets Research

### Global Markets Research Team

**Dr. Platon Monokroussos:** *Head of Global Markets Research pmonokrousos@eurobank.gr, + 30 210 37 18 903*

**Paraskevi Petropoulou:** *G10 Markets Analyst ppetropoulou@eurobank.gr, + 30 210 37 18 991*

**Galatia Phoka:** *Emerging Markets Analyst gphoka@eurobank.gr, + 30 210 37 18 922*

### Global Markets Sales

**Nikos Laios:** *Head of Treasury Sales nlaios@eurobank.gr, + 30 210 37 18 910*

**Alexandra Papathanasiou:** *Head of Institutional Sales apapathanasiou@eurobank.gr, +30 210 37 18 996*

**John Seimenis:** *Head of Corporate Sales yseimenis@eurobank.gr, +30 210 37 18 909*

**Achilleas Stogioglou:** *Head of Private Banking Sales astogioglou@eurobank.gr, +30 210 37 18 904*

**George Petrogiannis:** *Head of Shipping Sales gpetrogiannis@eurobank.gr, +30 210 37 18 915*

**Vassilis Gioulbaxiotis:** *Head International Sales vgioulbaxiotis@eurobank.gr, +30 210 3718995*

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

## Eurobank Global Markets Research

More research editions available at htpp://www.eurobank.gr/research

***Greece Macro Monitor***: Periodic overview of key macro & market developments in Greece
***Daily overview of global markets & the SEE region***:
Daily overview of key developments in global markets & the SEE region
***South East Europe Monthly***:
Monthly overview of economic & market developments in the SEE region
***Global Markets & SEE themes***: Special focus reports on Global Markets & the SEE region

**Subscribe electronically at** htpp://www.eurobank.gr/research
**Follow us on twitter:** https://twitter.com/Eurobank Group