

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 14, 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 Wall Street's lackluster performance overnight, European bourses opened lower on Friday pressured by increased political tensions in Ukraine. Heightened worries over China's economic growth outlook, also weighed. On the flipside, US Treasuries and German government bonds moved higher while the EUR gave back some of its recent gains following comments by ECB President Mario Draghi suggesting that the Central Bank is ready to adopt additional monetary policy easing measures to address potential deflation pressures.

**GREECE:** Greek authorities and the troika have reportedly increased their efforts to reach an agreement by Sunday on outstanding issues underlying the present program review. Once an agreement is finally sealed, the Greek government will reportedly submit to parliament a multi-bill incorporating the legislation for the fulfilment of all relevant quantitative targets and structural benchmarks. On the data front, Greece's non-seasonally adjusted jobless rate hit a new record high of 27.5% in Q4 2013.

### SOUTH EASTERN EUROPE

**SERBIA:** February's HICP rose marginally by 0.1%MoM, bringing the annual rate of increase to 2.6%, just above the lower boundary of the NBS's target tolerance band (4±1.5%).

**ROMANIA:** January's trade balance recorded a deficit of €249mn, coming in against a shortfall of €299mn over the corresponding month a year earlier.

**BULGARIA:** Deflation pressures persist with February's CPI dropping to an all-time low of 2.6%YoY.

**CESEE Markets: Emerging stock markets** opened broadly lower today, adding to yesterday's modest losses, taking their cue from the negative tone in Wall Street overnight and Asian markets. Developments in Ukraine remain in the spotlight, ahead of Sunday's referendum in Crimea. In a similar vein, **CESEE currencies** broadly weakened over the last couple of sessions.

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## Latest world economic & market developments

### GLOBAL MARKETS

Mirroring Wall Street's lackluster performance overnight, European bourses opened lower on Friday pressured by increased political tensions in Ukraine. Heightened worries over China's economic growth outlook following a recent string of disappointing data, also weighed on market sentiment towards risky assets. On the flipside, US Treasuries and German government bonds moved higher with the 10-yr Bund yield trading close to 1.54% in European trade, the lowest since late July 2013. In FX markets, mounting geopolitical jitters and concerns about the prospects of the Chinese economy favored the safe-haven appeal of both the JPY and the CHF. Elsewhere, the EUR gave back some of its recent hefty gains following comments by ECB President Mario Draghi suggesting that the Central Bank is ready to adopt additional monetary policy easing measures to address potential deflation pressures.

### Greece

Greek authorities and the troika have reportedly increased their efforts to reach an agreement by Sunday on outstanding issues underlying the present program review. The main stumbling blocks reportedly include, among others: (i) the repeal or amendment, in line with OECD recent recommendations, of existing regulatory barriers and legal provisions undermining competition in four key sectors of the Greek economy; (ii) a proposed 3.9ppts reduction in social security contributions; (iii) the placement of the second wave of 12.5k public employees to the mobility scheme; and (iv) the extend of windfall revenues in excess of the agreed General Government primary surplus that the government will distribute to vulnerable social groups in the form of social dividend. Once an agreement is finally sealed, the Greek government will reportedly submit to parliament a multi-bill incorporating the legislation for the fulfilment of all relevant quantitative targets and structural benchmarks. On the data front, Greece's non-seasonally adjusted jobless rate hit a new record high of 27.5% in Q4 2013 compared to 24.1% in the corresponding period of the prior year. Yet, the recent improvement in a range of real activity indicators suggests that the jobless rate may be nearing a cyclical peak.

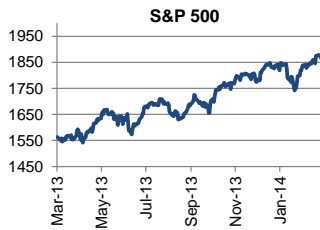
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## Latest developments in the CESEE region

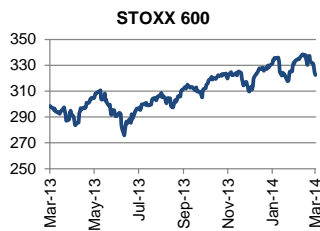
### CESEE markets

**Emerging stock markets** opened broadly lower today adding to yesterday's modest losses, taking their cue from the negative tone in Wall Street overnight and Asian markets. Developments in Ukraine remain in the spotlight, ahead of Sunday's referendum in Crimea, on the region's potential secession and its consequent accession to the Russian Federation. Both the US and the EU have deemed the referendum as illegal. Additionally, they have reportedly signaled they are ready to impose sanctions on Russia depending on its response should the planned referendum result in Crimea's annexation to the country. The MSCI emerging equities index closed 0.15% lower on Thursday, while Ukraine's PFTS led the losses in the CESEE region marking a 3.17% decline. In a similar vein, **CESEE currencies** broadly weakened over the last couple of sessions with the Ukrainian hryvnia posing as the region's major underperformer. In support of the aforementioned, the USD/UAH spiked as far as a multi-session peak of 9.90 earlier today, approaching anew a record high of 11.00 hit in late February. The Turkish lira remained under pressure in European trade on persisting domestic political jitters ahead of the March 30 local elections. Along these lines, the USD/TRY rose to intraday highs of 2.2416, not far from a 1-month peak of 2.2582 hit earlier this week.

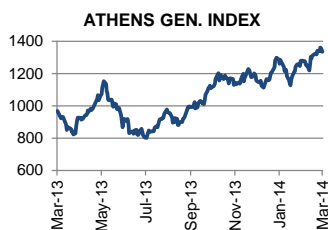
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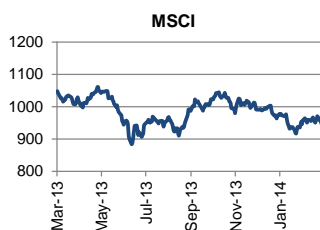
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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-

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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

## SERBIA

(Belgrade, 13/3/2014, 17:05 CET): **Market Developments:** According to Central Bank (NBS) data, February's HICP rose marginally by 0.1%MoM, bringing the annual rate of increase to 2.6%, just above the lower boundary of the NBS's target tolerance band (4±1.5%). **Market Developments:** The Central Bank intervened anew in the FX markets on Thursday to halt the currency's depreciation momentum on the back of persisting market anxiety ahead of Sunday's snap general elections and heightened geopolitical concerns in Ukraine. Against this backdrop, the EUR/RSD remained range-bound within 115.85/05-115.95/15. Including yesterday's intervention the NBS has sold a total amount of €810mn in the FX markets since the beginning of the year.

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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
	<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, 14/3/2014, 09:05 EET): **Latest Political & Macro Developments:** January's trade balance recorded a deficit of €249mn, coming in against a shortfall of €299mn over the corresponding month a year earlier. The said improvement was primarily driven by growth of 6.3%YoY in exports which outpaced a 4.6%YoY rise in imports. **Market Developments:** The EUR/RON moved higher over the past couple of days on deteriorating risk sentiment, closing at 4.5122 on Thursday, not far from a multi-session high of 4.5141 hit in the prior day.

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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	
	<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, 13/3/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest NSI figures, deflation pressures persist with February's CPI dropping to an all-time low of 2.6%YoY. **Market Developments:** The SOFIX index closed 0.41% firmer at 617.95 points on Thursday.

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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	1846.34	-1.2%	-0.1%	EUR/USD	1.3888	0.1%	1.1%	UST - 10yr	2.66	1	-37	GOLD	1371	0.1%	13.7%
Nikkei 225	14327.66	-3.3%	-12.1%	GBP/USD	1.6618	0.0%	0.4%	Bund-10yr	1.54	-1	-39	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	322.45	-0.6%	-1.8%	USD/JPY	101.64	0.2%	3.6%	JGB - 10yr	0.63	-2	-11	LME X	2925	-0.8%	-7.4%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.91	2	-10
1-week	8.18	3	-10
1-month	8.47	0	-11
3-month	8.86	4	-2
6-month	9.11	3	-4

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.21	-3	25
5Y RSD	11.29	0	-153
7Y RSD	11.60	0	-220

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.15	3	-85
USD Nov-24	1.15	-550	-575

**CDS**

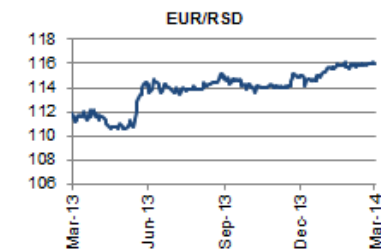
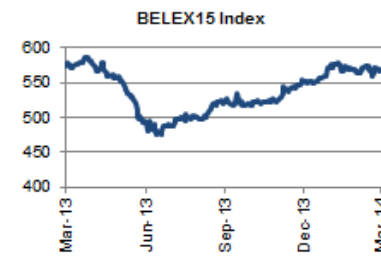
	Last	ΔDbps	ΔYTD bps
5-year	391	6	-18
10-year	426	5	-21

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	567.3	-0.30%	1.68%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	116.0	0.04%	-1.19%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.01	-12	-73
1-month	2.21	-2	33
3-month	3	1	56
6-month	3.46	2	47
12-month	3.48	1	33

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.90	3	-5
5Y RON	4.56	4	-9
10Y RON	5.36	4	6

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.41	1	-43
USD Aug-23	4.56	2	-24

**CDS**

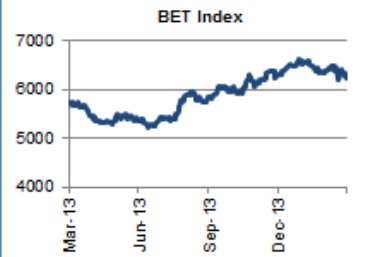
	Last	ΔDbps	ΔYTD bps
5-year	172	0	-13
10-year	221	4	-11

**STOCKS**

	Last	ΔD	ΔYTD
BET	6120.1	-1.75%	-5.75%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5103	0.04%	-0.83%



**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	1.03	0	-7
5Y BGN	1.68	0	-17
10Y BGN	3.33	0	-17

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.65	-2	6
EUR Jul-17	1.49	-5	-31

**CDS**

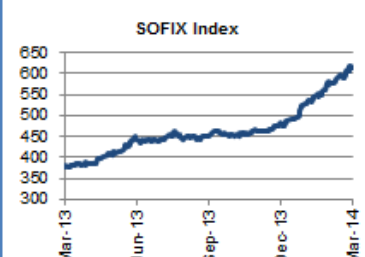
	Last	ΔDbps	ΔYTD bps
5-year	126	0	2
10-year	172	2	-3

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	612.5	-0.89%	24.61%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4083	0.13%	1.05%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:00 EET

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