

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 17, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Mar 17
  - Empire state (Mar)
  - IP (Feb)
  - NAHB house index (Mar)
- Mar 18
  - CPI (Feb)
  - Housing starts (Feb)
  - House permits (Feb)
- Mar 19: FOMC announcement
- Mar 20:
  - Initial jobless (Mar 15)
  - Existing home sales (Feb)

#### EUROZONE

- Mar 17: HICP (Feb, f)
- DE:
  - Mar 18: ZEW (Mar)

### SEE

#### SERBIA

- Mar 20: CAD (Dec)
- 7-year RSD T-bonds auction

#### ROMANIA

- Mar 17
  - CAD (Jan)
  - RON 400mn T-bonds auction
- Mar 20: RON 300mn T-bonds auction

#### BULGARIA

- Mar 17: CAD (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian bourses weakened today on persisting geopolitical jitters in Ukraine. In FX markets, ongoing geopolitical woes favored the safe-haven appeal of the JPY with the USD/JPY hovering around 101.70/75 in European trade, not far from a year-to-date low of 100.80 hit in early February. Elsewhere, the EUR gave back some of its recent gains on market anxiety ahead of the release of Eurozone's final February CPI later in the day.

**GREECE:** Domestic authorities and the troika held a series of meetings over the weekend in an effort to conclude Greece's current program review as soon as possible. Official discussions will continue today with the agenda reportedly focusing on the key stumbling blocks. The troika heads are reportedly scheduled to depart from Athens on Tuesday night, at the latest.

### SOUTH EASTERN EUROPE

**SERBIA:** Ruling Progressive Party (SNS) scores a landslide victory on Sunday's parliamentary elections.

**ROMANIA:** According to media reports, MoF to consider switching back to a progressive income tax from 2015 for individuals by introducing reduced tax brackets for low income households.

**BULGARIA:** Bulgarian equities record their largest drop in a year on geopolitical jitters in Ukraine.

**CESEE Markets: Emerging stock markets** opened broadly higher on Monday, snapping a 3-session losing streak on bargain hunting and news about a government housing plan in China which lifted the country's shares. Separately, **CESEE currencies** were little changed earlier today with the Serbian dinar leading the winners' pack in the wake of Sunday's snap general elections.

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## Latest world economic & market developments

### GLOBAL MARKETS

Asian bourses weakened today on persisting geopolitical jitters in Ukraine. On the referendum that took place on Sunday in Crimea ca 97% of participants voted in favor of the region's annexation to the Russian Federation. Both the EU and the US have announced that they deem the referendum as illegal and issued fresh warnings for the imposition of additional sanctions on the Russian Federation. In FX markets, ongoing geopolitical woes favored the safe-haven appeal of the JPY with the USD/JPY hovering around 101.70/75 in European trade, not far from a year-to-date low of 100.80 hit in early February. Elsewhere, the EUR gave back some of its recent gains on market anxiety ahead of the release of Eurozone's final February CPI later in the day. The EUR/USD was hovering around 1.3900 at the time of writing, having retreated from Friday's 1.3940 session peak and a 2-½-year peak of 1.3967 just a couple of sessions ago.

### Greece

Domestic authorities and the troika held a series of meetings over the weekend in an effort to conclude Greece's current program review as soon as possible. Official discussions will continue today with the agenda reportedly focusing on the key stumbling blocks including: (i) repeal or amendment of rules and provisions hindering competition in key sectors of the domestic economy, in line with OECD recent recommendations; (ii) adoption of new measures aiming to induce more flexibility in the labor market including the troika's proposal for the abolishment of maturity coefficients for private sector employees on minimum wage; (iii) establishment of 2014 quarterly minimum targets for the mobility scheme; and (iv) distribution of windfall revenues in excess of the agreed General Government primary balance target. The troika heads are reportedly scheduled to depart from Athens on Tuesday night, at the latest.

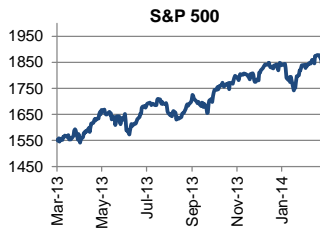
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## Latest developments in the CESEE region

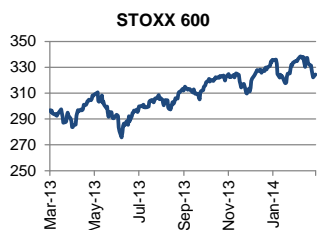
### CESEE markets

**Emerging stock markets** opened broadly higher on Monday, snapping a 3-session losing streak on bargain hunting and news about a government housing plan in China which lifted the country's shares. Meanwhile, caution prevailed in the wake of Sunday's referendum in Crimea, which showed strong popular support for the region's secession from Ukraine and consequent accession to the Russian Federation. Both the US and the EU have deemed the referendum as illegal and EU Foreign Ministers meet today to discuss potential sanctions towards Russia, if it proceeds with Crimea's annexation. Nonetheless, Russian bourses firmed for the first time in the last few days, on speculation about potentially milder-than-previously-feared US/EU sanctions, while their recent downtrend appeared overstretched. Along these lines, the MSCI emerging equities index pared a small part of its recent losses advancing by ca 0.2% earlier today, while Hungary's BUX led the gains in the CESEE region with a 1.6% rise. Separately, **CESEE currencies** were little changed earlier today. The Turkish lira underperformed its regional peers in European trade on Monday with a ca 0.4% drop at 2.2198/USD. On the flipside, the Serbian dinar led the winners' pack in the wake of Sunday's snap general elections which resulted to a landslide victory by the ruling Serbian Progressive Party (SNS), which is now tipped to form a single-party government.

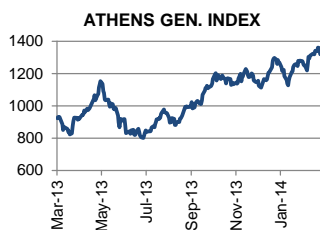
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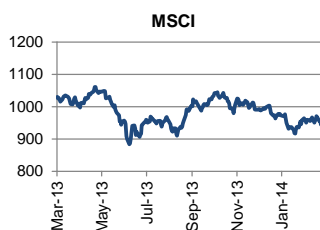
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	<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, 17/3/2014, 8:45 CET): **Latest Political & Macro Developments:** The Serbian Progressive Party (SNS) achieved a landslide victory on Sunday's early parliamentary elections, scoring over 48% of the popular vote. The said result corresponds to around 157 MPs in the 250-seat Assembly and suggests that SNS is poised to form a single party government alleviating concerns about a fragile coalition or a hung parliament. Leader of SNS and outgoing Deputy Prime Minister Aleksandar Vucic is tipped to take over the Prime Minister's post. He has promised a swift formation of the new government, before May 1<sup>st</sup>, and is a proponent of an anti-corruption agenda as well as of a fast progress towards the country's EU integration. In other news, the Statistical Office of the Republic of Serbia announced late last week that January's trade deficit narrowed by around one-third on an annual basis to €262mn as growth of 10.7%YoY in exports (at €731mn) outpaced a 5.2%YoY decrease in imports (to €993mn). At the end of January the export-import ratio stood at 73.6% vs. 63.0% seen over the same month a year earlier. **Market Developments:** In view of Sunday's clear elections outcome, the EUR/RSD moved lower in early trade on Monday, hovering around levels of 115.70/90 after hitting a 115.95/116.15 intraday peak in the prior session.

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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, 17/3/2014, 09:305 EET): **Latest Political & Macro Developments:** The recently appointed Finance Minister announced late last week that the 16% flat income tax will remain unchanged in 2014. However, from 2015 onwards the government will reportedly consider switching back to a progressive income tax for individuals by introducing three tax brackets with corresponding rates of 8, 12 and 16 percent. **Market Developments:** The EUR/RON on Friday, staying trapped within its recent tight range of 4.5080/150. Market speculation arose about potential central bank intervention in the FX markets in order to address depreciation pressures on the leu, due to geopolitical jitters from the crisis in Ukraine. In the local rate markets, selling pressure on 2017-2018 bonds on Friday pushed the mid part of the yield curve some 10 basis points higher. On Monday the MoF holds a primary market auction for RON 400mn of the new 5Y bond (first opened last month). Given the general risk-off mood demand may be limited, with expected yields around 4.85-95%.

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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, 14/3/2014, 17:45 EET): **Latest Political & Macro Developments:** Bulgarian President Rosen Plevneliev announced on Friday that elections for European Parliament will be held on May 25<sup>th</sup>. **Market Developments:** In line with other regional bourses, the domestic stock market retreated on Friday, with all indices losing ca 2.60%, on the back of escalating geopolitical tensions in Ukraine. SOFIX dropped by 2.64% to 601.62 points, recording the largest daily decline since February 2013.

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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	1841.13	-0.3%	-0.4%	EUR/USD	1.3892	-0.2%	1.1%	UST - 10yr	2.67	2	-36	GOLD	1379	-0.3%	14.4%
Nikkei 225	14277.67	-0.3%	-12.4%	GBP/USD	1.6628	-0.1%	0.4%	Bund-10yr	1.56	2	-37	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	324.41	0.7%	-1.2%	USD/JPY	101.81	-0.4%	3.4%	JGB - 10yr	0.62	0	-12	LME X	2938	0.4%	-7.0%

**SEE MARKETS**

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR			
7/N	7.89	-2	-12
1-week	8.17	-1	-11
1-month	8.45	-2	-13
3-month	8.85	-1	-3
6-month	9.09	-2	-6

**RS Local Bonds**

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

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.12	-5	-89
USD Nov-24	1.22	-544	-42

**CDS**

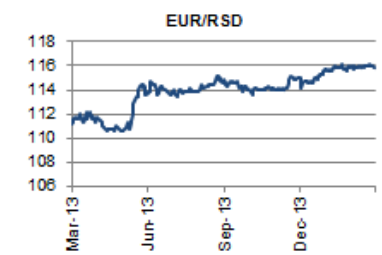
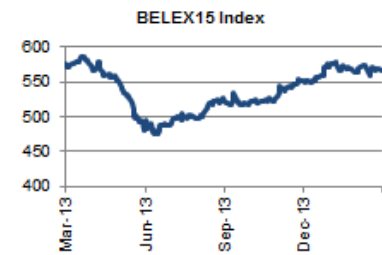
	Last	ΔDbps	ΔYTD bps
5-year	388	-3	-21
10-year	424	-2	-23

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	566.4	-0.58%	1.51%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.8	0.11%	-1.09%



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.98	-3	-76
1-month	2.3	9	42
3-month	3.02	2	58
6-month	3.47	1	48
12-month	3.48	0	33

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.94	1	-1
5Y RON	4.62	2	-3
10Y RON	5.39	3	9

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.54	1	-31
USD Aug-23	4.57	0	-24

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	182	0	-3
10-year	227	6	-5

**STOCKS**

	Last	ΔD	ΔYTD
BET	6207.6	1.17%	-4.41%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5117	-0.05%	-0.86%



**BULGARIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.04	0	-3
1-month	0.28	0	-4
3-month	0.56	-1	-9
6-month	1.07	0	-8
12-month	2.08	-1	-12

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.02	-2	-7
5Y BGN	1.65	-2	-19
10Y BGN	3.32	0	-16

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.79	5	20
EUR Jul-17	1.52	-2	-28

**CDS**

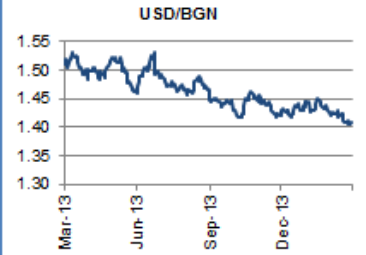
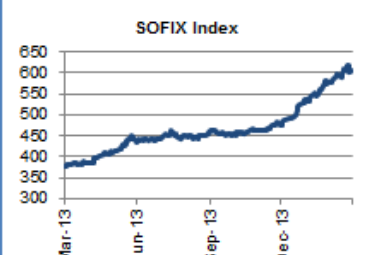
	Last	ΔDbps	ΔYTD bps
5-year	128	0	5
10-year	175	3	0

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	605.8	0.70%	23.25%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.408	-0.15%	1.07%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:00 EET

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