

March 26, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Mar 25
 - CB consumer sentiment (Mar)
 - New home sales (Feb)
- Mar 26: Durable goods orders (Feb)
- Mar 27
 - Initial jobless (Mar 21)
 - GDP (Q4, 3rd release)
 - Pending home sales (Feb)
- Mar 28: UoM consumer confidence (Mar, p)

EUROZONE

- Mar 24: PMI (Mar)
- Mar 25: DE: Ifo (Mar)
- Mar 26: DE: Gfk (Mar)

SEE SERBIA

- Mar 25
 - Real wages (Feb)
 - 2-year RSD T-bonds auction
- Mar 26: 2-year EUR T-bonds auction
- Mar 28: 3-year RSD T-bonds auction

ROMANIA

- Mar 24: RON 300mn T-bonds auction
- Mar 27: RON 500mn T-bonds auction
- Mar 28: MPC announcement

BULGARIA

- Mar 24: 1.5% 2016 T-bonds auction
- Mar 25: Gross external debt (Jan)
- Mar 28: PPI (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the positive tone in Wall Street overnight and in Asia earlier today, major European equity markets opened higher, assisted by a bulk of positive US data releases in the prior session. In FX markets, the EUR retained a negative tone in European trade on Wednesday weighed down by ECB official Jens Weidmann's comments that the prospect of the Central Bank embarking on a QE program is not "generally out of the question".

GREECE: According to the latest available data for the execution of the State Budget on a modified cash basis, the Central Government primary balance recorded a surplus of €2,063mn compared to a surplus target of €1,047mn and a surplus of €487mn registered over the same period of the previous year. Separately, the latest available Bank of Greece data showed that Greece's current account balance showed a deficit of €295mn in January 2014 compared to a shortfall of €314mn recorded in the same month a year earlier.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold on Tuesday RSD 8.875bn (€76mn) worth of floating rate 2-year RSD-denominated bonds with an accepted fixed spread of 1.49% and a coupon of NBS reference interest rate plus the fixed spread of 1.49%.

ROMANIA: M2 money supply increased by 10.7% on an annual basis in February.

BULGARIA: The Ministry of Finance sold BGN 50mn in 2.5-year bonds on Monday at an average accepted yield of 1.07% and a 4.73 bid to cover ratio.

CESEE Markets: Emerging stock markets extended their recent rally on Wednesday morning; **CESEE currencies** broadly firmed after G7 leaders abstained from imposing new economic sanctions on Russia earlier this week; better-than-anticipated corporate earnings results in China and a string of upbeat US data also favoured.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the positive tone in Wall Street overnight and in Asia earlier today, major European equity markets opened higher, assisted by a bulk of positive US data releases in the prior session. News that G7 leaders decided at their meeting on Monday to hold off from the imposition of more economic sanctions to the Russian Federation unless tensions with Ukraine escalate further, also favored market sentiment towards risky assets. In FX markets, the EUR retained a negative tone in European trade on Wednesday weighed down by ECB official Jens Weidmann's comments that the prospect of the Central Bank embarking on a QE program is not "generally out of the question". After hitting a three-week low of 1.3750 late on Tuesday in the wake of the ECB official's comments, the EUR/USD was hovering around 1.3810/15 at the time of writing, still below a multi-session high of 1.3845 recorded earlier this week.

Greece

According to the latest available data for the execution of the State Budget on a modified cash basis, the Central Government balance recorded a surplus of €487mn in the first two months of this year 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 €2,063mn compared to a surplus target of €1,047mn and a surplus of €487mn registered over the same period of the previous year. Separately, the latest available Bank of Greece data showed that Greece's current account balance showed a deficit of €295mn in January 2014, narrower compared to a shortfall of €314mn recorded in the same month a year earlier, mainly due to the improved income account.

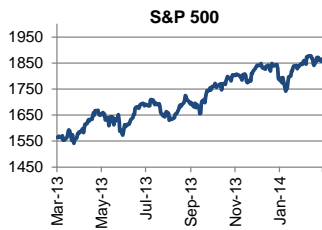
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Latest developments in the CESEE region

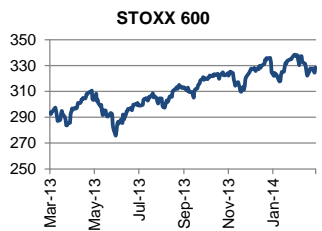
CESEE markets

Emerging stock markets extended their recent rally on Wednesday morning, after G7 leaders abstained from imposing new economic sanctions on Russia earlier this week, issuing a warning about such action in the event of a further escalation of tensions with Ukraine. Additionally, Chinese shares were boosted by better-than-anticipated corporate earnings results, while a string of upbeat US data also favoured regional bourses. Against this background, the MSCI emerging equities index firmed 0.78% earlier today, marking its fourth consecutive session of gains. Meanwhile, Turkey's BIST100 outperformed its CESEE regional peers with a 1.28% rise. Nonetheless, additional gains were capped as caution prevails ahead of Sunday's local elections, seen as a key gauge of the ruling AKP's popularity. Separately, **CESEE currencies** broadly firmed on Wednesday morning. The Hungarian forint consolidated near Tuesday's levels in the wake of the MPC meeting, where the Central Bank (MNB) delivered a 10bps cut pushing its base rate to a new record low of 2.60%, in line with the market's median forecast. Against this backdrop, the EUR/HUF was hovering around 311.68 earlier today not too far from yesterday's 1-week trough of 310.60 hit after the MNB signaled that the latest rate cut may prove to be the last under the current monetary easing cycle should international financial market conditions worsen significantly.

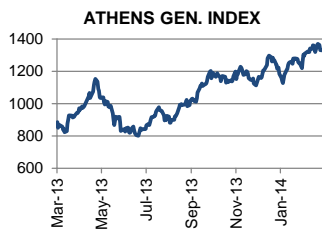
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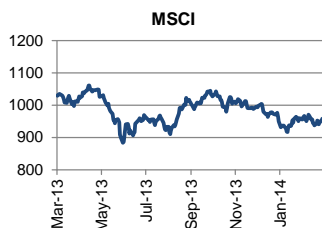
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BB+	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	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	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, 25/3/2014, 18:00 CET): **Market Developments:** The Public Debt Administration announced on Tuesday that Serbia sold RSD 8.875bn (€76mn) worth of floating rate 2-year RSD-denominated bonds with an accepted fixed spread of 1.49% and a coupon of NBS reference interest rate plus the fixed spread of 1.49%. **Market Developments:** The dinar was little changed on Tuesday. Elsewhere, the stock market closed in a marginally positive territory of 0.16% on Tuesday, recovering fully a 0.05% decline in the prior session.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
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, 26/3/2014, 09:10 EET): The M2 money supply increased by 10.7%YoY in February, reflecting central bank monetary easing over recent months. **Market Developments:** The EUR/RON retained a negative tone on Tuesday, closing at 4.4680, 0.16% lower compared to its opening level. Elsewhere, money markets were little changed yesterday, while government bonds consolidated at their current levels, retaining gains recorded in the last few days.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	1.0
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, 25/3/2014, 17:30 EET): **Latest Political & Macro Developments:** According to BNB's monetary statistics, non-government sector deposits reached a record high level of BGN 57.546bn in February, up by 8.7% on an annual basis. Meanwhile, loans to the non-government sector modestly increased, by 0.7% YoY to BGN 54.723bn, with loans to non-financial corporations marking a 1.0%YoY rise. Loans to households and NPISHs rose marginally, by 0.04%YoY, with declines in overdrafts, mortgages and other loans nearly fully offsetting an increase in consumer loans. In other news, Bulgaria's gross external debt fell by 0.3%YoY in January, amounting to EUR 37.269bn (90.4% of projected GDP). The said fall was mainly due to a 10%YoY drop to EUR 5.684bn in banks' external debt, while that of the general government increased by 6.1%YoY to EUR 3.353bn. **Market Developments:** Domestic stock markets erased intraday losses to close in a positive territory on Tuesday, with SOFIX ending 0.46% higher at 599 points. In other news, the Ministry of Finance sold BGN 50mn in 2.5-year bonds on Monday at an average accepted yield of 1.07%, which came in better than expected. The auction's bid to cover ratio reached 4.73, the highest in more than a year.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.92	1	-9
1-week	8.17	0	-11
1-month	8.47	-1	-11
3-month	8.85	-1	-3
6-month	9.11	2	-4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.24	0	28
5Y RSD	11.38	0	-144
7Y RSD	12.12	0	-168

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.04	-1	-97
USD Nov-24	-2.63	-927	-954

CDS

	Last	ΔDbps	ΔYTD bps
5-year	373	-6	-37
10-year	414	-7	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	563.8	0.16%	1.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.8	-0.03%	-1.02%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.1	0	36
1-month	2.21	0	33
3-month	2.97	0	53
6-month	3.36	0	37
12-month	3.42	0	27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.86	-1	-9
5Y RON	4.59	-1	-6
10Y RON	5.37	0	7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.46	2	-39
USD Aug-23	4.61	1	-19

CDS

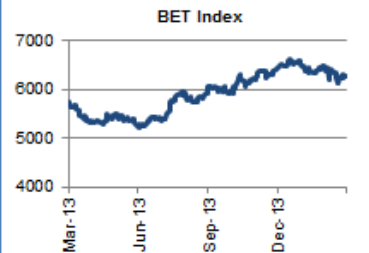
	Last	ΔDbps	ΔYTD bps
5-year	172	0	-13
10-year	217	-3	-15

STOCKS

	Last	ΔD	ΔYTD
BET	6248.7	-0.29%	-3.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.469	0.18%	0.09%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.29	0	-3
3-month	0.56	0	-9
6-month	1.07	0	-8
12-month	2.09	0	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.98	-2	-12
5Y BGN	1.63	-2	-22
10Y BGN	3.28	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.71	-4	12
EUR Jul-17	1.45	-3	-35

CDS

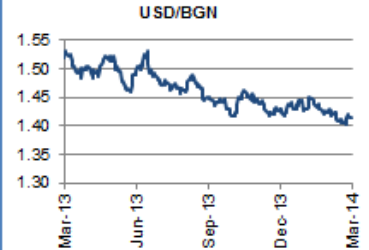
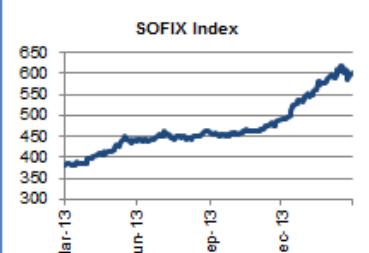
	Last	ΔDbps	ΔYTD bps
5-year	126	0	2
10-year	175	1	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	599.0	0.46%	21.87%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4157	-0.07%	0.52%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 10:00 EET

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