

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 28, 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: Speculation about additional ECB monetary policy measures in the coming months intensified on Friday with ECB's Jens Weidmann suggesting that negative interest rates are an option to temper the common currency's appreciation and the prospect of the Central Bank embarking on a QE program is not out of the question EMU sovereign bond markets firmed while the EUR came under renewed pressure.

GREECE: The multi-bill that incorporates the legislation required for the implementation of core issues agreed between Greek authorities and the troika in the context of the 4th program review will be reportedly submitted to Parliament later today under an emergency procedure. Parliamentary debate on the said bill will last three days and a roll-call voting is expected to take place at midnight on Sunday.

SOUTH EASTERN EUROPE

SERBIA: The World Bank Country Manager for Serbia, Tony Verheijen, said on Thursday that a potential \$250mn loan, earmarked for covering budgetary needs, will be approved provided that the government begins restructuring its ailing state-owned enterprises by summer.

ROMANIA: NBR expected to keep its key policy rate on hold at 3.50% today, but a further reduction in the minimum reserve requirements is on the cards.

BULGARIA: The average interest rates on new deposits from the household sector with agreed maturity both in BGN and EUR terms continued to fall in February

CESEE Markets: Emerging stock markets closed broadly higher, **CESEE currencies** broadly firmed on Thursday, amidst hopes about Chinese government stimulus measures and news that the IMF agreed on a \$14-18bn two-year Stand-By Arrangement to Ukraine.

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Latest world economic & market developments

GLOBAL MARKETS

Speculation about additional ECB monetary policy measures in the coming months intensified on Friday with ECB's Jens Weidmann suggesting that negative interest rates are an option to temper the common currency's appreciation and the prospect of the Central Bank embarking on a QE program is not out of the question. Against this background, EMU sovereign bond markets firmed while the EUR came under renewed pressure hitting a fresh multi-week low near 1.3700 against the US currency in early European trade.

Greece

The multi-bill that incorporates the legislation required for the implementation of core issues agreed between Greek authorities and the troika in the context of the 4th program review will be reportedly submitted to Parliament later today under an emergency procedure. Parliamentary debate on the said bill will last three days and a roll-call voting is expected to take place at midnight on Sunday. According to the local press, modest amendments on certain contentious provisions of the multi-bill (e.g. the shelf-life of milk), appear to have helped douse objections publicly expressed by eight coalition MPs who had initially threatened to cast a negative vote. As a reminder, Greece's two-party coalition government currently controls 153 seats in the 300-seat Parliament. According to the Constitution of Greece, Parliament cannot resolve on bills without an absolute majority (50% +1) of the attending MPs. Yet, as six Golden Dawn lawmakers are in pretrial custody currently, the government needs at least 148 in-favor votes. That said, the multi-bill is expected to pass by the Hellenic Parliament, opening the way for an approval of the release of the next EFSF loan tranche to Greece at the April 1 Eurogroup.

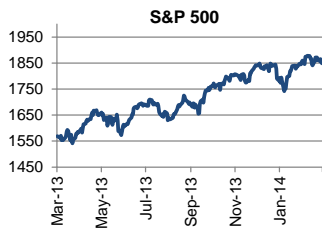
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Latest developments in the CESEE region

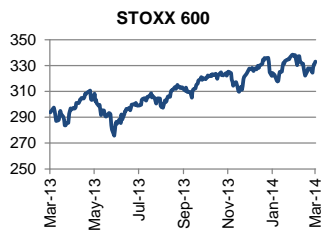
CESEE markets

Emerging stock markets closed broadly higher on Thursday, amidst hopes about Chinese government action to address the likelihood of a more pronounced-than-expected slowdown in the domestic economy. Additionally, news that the IMF agreed on a \$14-18bn two-year Stand-By Arrangement to Ukraine also favoured regional bourses. Including the Fund's financial assistance, the accompanying statement read that financial support from the broader international community, to be provided over the next two years, will amount to \$27bn. Against this backdrop, the MSCI emerging equities index closed 0.73% higher on Thursday. The picture was mixed in the CESEE region. Serbia's BELEX15 led the gains with a 0.39% rise. On the flipside, Turkey's BIST 100 broadly underperformed its peers with a 1.01% decline as investor caution prevailed in the wake of news that the Turkish telecoms authority TIB had taken an "administrative measure" against YouTube, a few days after it blocked access to Twitter. Separately, **CESEE currencies** broadly firmed on Thursday, receiving support from a string of upbeat macro data from the US released earlier this week, hopes about Chinese government stimulus measures and optimism that the crisis in Ukraine will not escalate further. The Ukrainian hryvnia led the winners' pack with a ca 2.5% jump to close at 10.819/USD. Along similar lines, **government bonds** broadly firmed. Hungary's 3 and 10-year yields fell by ca 5bps each to close at 4.67% and 5.83%, respectively, in the wake of the MPC meeting earlier this week, where the Central Bank (MNB) delivered a 10bps cut pushing its base rate to a new record low of 2.60%.

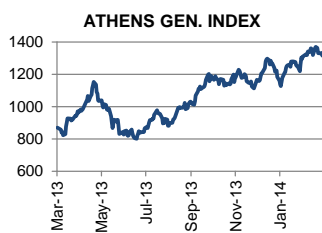
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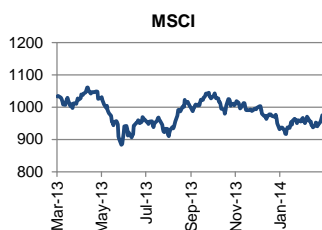
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 27/3/2014, 17:00 CET): **Latest Political & Macro Developments:** The World Bank Country Manager for Serbia, Tony Verheijen, said on Thursday that a potential \$250mn loan, earmarked for covering budgetary needs, will be approved provided that the government begins restructuring its ailing state-owned enterprises by summer. He also reiterated the need for lower public sector wages. **Market Developments:** The EUR/RSD broke below the lower bound of its 115.60/80-116.00/10 recent range on Thursday for the first time in the last couple of months ending at 115.45/65 on market optimism that the incoming government will pursue its promised reform agenda. Elsewhere, the domestic stock market ended 0.39% higher on Thursday.

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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, 28/3/2014, 09:20 EET): **Latest Political & Macro Developments:** The National Bank of Romania (NBR) holds its MPC meeting later today, where it is widely expected to keep its key policy rate unchanged at a record low of 3.50% and vindicate expectations that February's 25bps cut was the last under the current monetary easing cycle. Meanwhile, the prospect of the Central bank announcing a further minimum reserve requirements (MMRs) reduction, seems to be on the cards. Recall that, at its January MPC meeting the Central Bank delivered a 3bps cut in RON reserves to 12% and a 2bps reduction in FX reserves to 18%. **Market Developments:** The EUR/RON remained range-bound between 4.4650/750 on Thursday after touching a fresh multi-week low of 4.4605 in the prior session. Separately, short-term RON interest rates, up to 1M, rose by ca 20bps over the past couple of sessions. Meanwhile, those of longer tenors, up to 12M, remained broadly unchanged. Government bonds extended their recent rally on Thursday, with corresponding yields decreasing by around 35bps in 12M (to 2.90%), by around 15bps in 3Y (to 4.27%) and by 10 bps in 5-10Y on a weekly basis.

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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, 27/3/2014, 17:40 EET): **Latest Political & Macro Developments:** The average interest rate on new deposits from the household sector with agreed maturity both in BGN and EUR terms continued to fall in February, marking respective annual declines of 0.89ppts to 3.66% and 0.68ppts to 3.36%. On the flipside, the average interest rate on consumer loans to the household sector in BGN terms increased by 0.52ppt compared to the same month in the prior year, at 12.01%. Those denominated in EUR, rose by 0.04ppts to 9.44%. Rates on mortgages in BGN terms fell by 0.21ppts to 6.84% while on those in EUR, it rose by 0.14ppts to 7.38%. **Market Developments:** Domestic stock markets erased early gains to close in negative territory. The main SOFIX index lost 0.20% ending slightly below 600pts.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SEE MARKETS

SERBIA

Money Market

SELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.92	1	-9
1-week	8.15	-4	-13
1-month	8.44	-5	-14
3-month	8.83	-4	-5
5-month	9.07	-3	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.18	0	-88
5Y RSD	11.38	0	-144
7Y RSD	12.12	0	-168

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.06	0	-94
USD Nov-24	-4.20	-1083	-1111

CDS

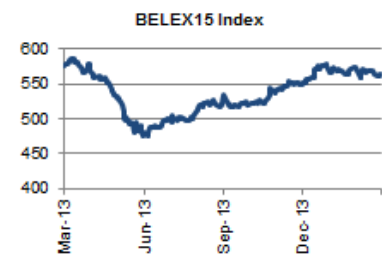
	Last	ΔDbps	ΔYTD bps
5-year	361	-6	-49
10-year	403	-5	-44

STOCKS

BELEX15	Last	ΔD	ΔYTD
	564.7	0.39%	1.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.03%	-0.72%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.39	0	65
1-month	2.37	0	49
3-month	2.97	0	53
6-month	3.36	0	37
12-month	3.41	0	26

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.82	0	-13
5Y RON	4.53	-2	-12
10Y RON	5.34	0	4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.39	-4	-45
USD Aug-23	4.52	-2	-29

CDS

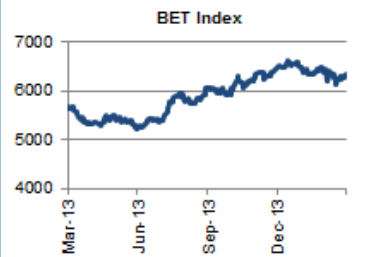
	Last	ΔDbps	ΔYTD bps
5-year	166	0	-18
10-year	216	2	-16

STOCKS

BET	Last	ΔD	ΔYTD
	6366.7	0.52%	-1.96%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4615	0.11%	0.26%



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	1	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.97	-1	-12
5Y BGN	1.59	-3	-26
10Y BGN	3.27	0	-23

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.71	-3	13
EUR Jul-17	1.40	2	-40

CDS

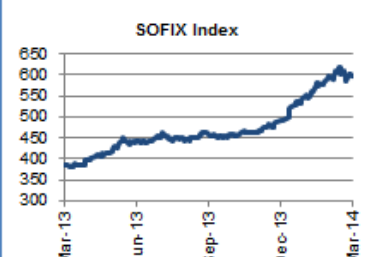
	Last	ΔDbps	ΔYTD bps
5-year	126	0	2
10-year	175	4	0

STOCKS

SOFIX	Last	ΔD	ΔYTD
	596.6	-0.55%	21.38%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4261	-0.19%	-0.21%



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

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