

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 5, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 5
 - ADP employment (Feb)
 - ISM non manuf (Feb)
- Mar 6: Initial jobless claims (Feb 21)
- Mar 7
 - NFP report (Feb)

EUROZONE

- Mar 5: PMI services (Feb, f)
- Mar 6: ECB meeting

SEE

SERBIA

- Mar 6: MPC rate announcement
- PPI (Feb, harmonized)

ROMANIA

- Mar 4
 - Retail sales (Jan)
 - PPI
- Mar 5: GDP (Q4, p)
- Mar 6: RON 700mn T-Bonds auction
- Mar 7: Net wages (Jan)

BULGARIA

- Mar 4: International reserves (Feb)
- Mar 5: GDP (Q4, f)
- Mar 7: U/E rate (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity markets opened lower on Wednesday, giving back some of Tuesday's hefty gains, as market participants shifted their focus from the crisis in Ukraine to Thursday's ECB monetary policy meeting and the key US February's non-farm payrolls report due for release the following day. Easing Ukraine-related jitters dented the safe-haven appeal of the JPY.

GREECE: The Economic Sentiment Indicator for Greece improved for the second consecutive month in February, hitting a 5-1/2-year peak of 94.8. In other news, domestic authorities and the troika have reportedly failed so far to bridge their differences on a number of key issues underlying the present program review, including, among others, the domestic banking system's capital needs following the completion of a new stress test conducted by BlackRock Solutions late last year.

SOUTH EASTERN EUROPE

SERBIA: Central Bank repeated interventions in the FX markets keep the EUR/RSD in consolidation mode.

ROMANIA: New government was approved by Parliament on Tuesday.

BULGARIA: General government budget deficit shrinks by nearly 30% YoY to BGN 373.3mn in January.

CESEE Markets: Emerging stock markets staged a relief rally on Tuesday, recouping part of losses recorded in the prior session, on optimism about easing geopolitical tensions in Ukraine. In a similar vein, **CESEE currencies** broadly firmed on Tuesday.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking gains on Wall Street overnight, Asian bourses ended higher today on allayed fears over an imminent military conflict in Ukraine following y-day's related remarks by Russian President Vladimir Putin. Elsewhere, major European equity markets opened lower on Wednesday, giving back some of Tuesday's hefty gains, as market participants shifted their focus from the crisis in Ukraine to Thursday's ECB monetary policy meeting and the key US February's non-farm payrolls report due for release the following day. Easing Ukraine-related jitters dented the safe-haven appeal of the JPY, assisting the USD/JPY to hit multi-session highs of 102.40 earlier in the European trade.

Greece

The Economic Sentiment Indicator for Greece improved for the second consecutive month in February, hitting a 5-½-year peak of 94.8. The breakdown of the report showed that both the Industrial and Retail Trade Confidence Indicators rose marking their highest level in 5-½ and 4-years respectively, while the Services Confidence Indicator remained in a positive territory for the second month running, a development that takes place for the first time since late 2008. In other news, domestic authorities and the troika have reportedly failed so far to bridge their differences on a number of key issues underlying the present program review, including, among others, the domestic banking system's capital needs following the completion of a new stress test conducted by BlackRock Solutions late last year. As per the same sources, the Bank of Greece estimates total capital needs for the four systemic banks at ca €6bn while official lenders put that amount at ca €8bn. Despite its disagreement with the troika, the Bank of Greece reportedly intends to publish its report on domestic banks' capital requirements by the end of this week.

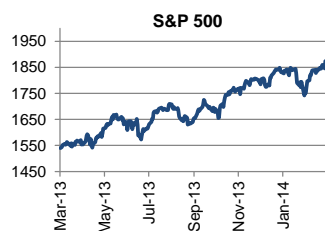
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Latest developments in the CESEE region

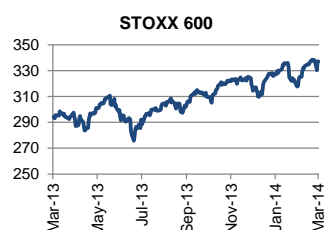
CESEE markets

Emerging stock markets staged a relief rally on Tuesday, recouping part of losses recorded in the prior session, on optimism about easing geopolitical tensions in Ukraine. Adding to the positive tone, Russian gas company Gazprom may reportedly offer a \$2-3bn loan to Ukraine in order for the country to pay gas debt to the firm. Along these lines, Hungary's BUX index led the gains in the region, jumping by 3.73%, driven primarily higher by ca 5% spike in the shares of OTP Bank which has presence in Ukraine. Likewise, Turkey's BIST100 rose by 3%, with developments in Ukraine overshadowing domestic political jitters. The index outperformed a 0.58% increase in the broader MSCI emerging equities index. In a similar vein, **CESEE currencies** broadly firmed on Tuesday. The Ukrainian hryvnia remained the region's outperformer for the third consecutive session, rallying by 6.25% on the day to close at 9.00 against the US dollar. Separately, the Turkish lira trailed behind, firming by 1.15% to 2.2053/USD on Tuesday's settlement. Meanwhile, the Polish zloty and the Hungarian forint recorded respective gains to the tune of 0.97% and 0.81% against the euro to end at 4.1818 and 310.34, receiving additional support from stronger-than-expected February's PMI data released earlier in the week.

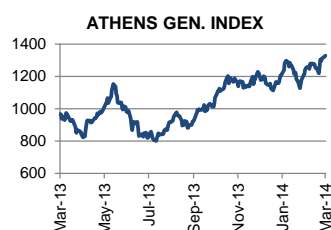
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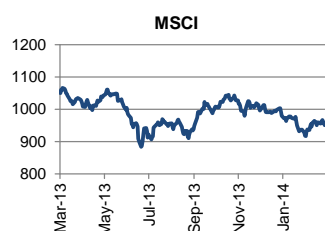
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

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

SERBIA

(Belgrade, 5/3/2014, 8:30 CET): **Market Developments:** The Ministry of Finance announced on Tuesday that it sold €50mn worth of 53-week EUR-nominated T-Bills. The issue was oversubscribed 1.7 times, while the accepted yield came in at 3.29%, below 3.50% achieved at an auction of similar maturity paper in December last year. **Market Developments:** The Central Bank (NBS) intervened in the FX markets anew on Tuesday in order to support the dinar, selling roughly €30mn in the wake of a €50mn sale on Monday. Excluding yesterday's intervention, the NBS has sold a total of ca €660mn in the FX markets so far this year. Against this backdrop, the EUR/RSD continued to consolidate around levels of 115.90/10 on Tuesday. In other news, the Central Bank holds its MPC meeting tomorrow, where the NBS key policy rate is expected to remain unchanged at 9.50%. Elsewhere, the domestic stock market extended its recent downtrend on Tuesday, with the BELEX15 index closing 0.93% lower and marking the fifth consecutive session of declines.

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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
	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, 5/3/2014, 09:10 EET): **Latest Political & Macro Developments:** Parliament approved on Tuesday a new government, formed after the previous ruling coalition broke down last week. The new ruling coalition was approved by a comfortable margin of 346 votes, compared to the minimum 288 required. However, Romania's President announced he would delay the swearing-in of the new government until it secures a vote of confidence in Parliament on its governing program. **Market Developments:** The EUR/RON spent most of Tuesday's session hovering around levels of 4.5150/250, before closing near 4.5080 on easing geopolitical tensions in Ukraine.

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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	
	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

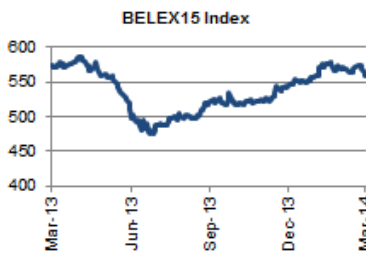
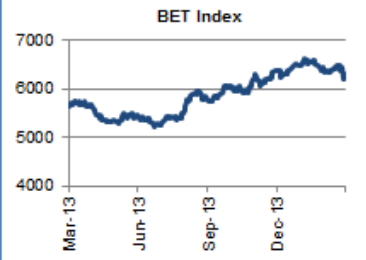
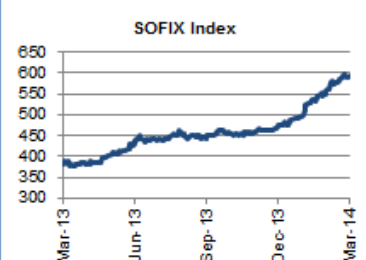
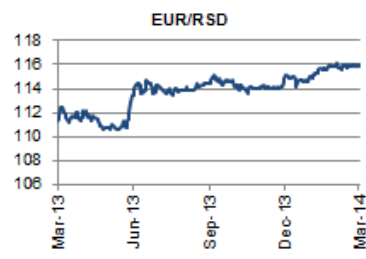

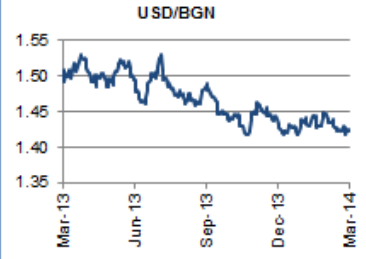
(Sofia, 4/3/2014, 17:40 EET): **Latest Political & Macro Developments:** According to the Ministry of Finance, Bulgaria's general government ran a BGN 373.3mn budget deficit in January, marking a BGN 163.2mn narrowing compared to the shortfall recorded over the same month a year earlier. Revenues and grants rose by 15.8% YoY to BGN 2.07bn (or 6.7% of the 2014 Budget Law). Meanwhile, the fiscal reserve came in at BGN 6.6bn, including, among others, BGN 4.4bn deposits in BNB and domestic commercial banks. **Market Developments:** Domestic stock markets closed broadly lower on Tuesday, with the SOFIX index losing 0.73% to end at 590.1 points.

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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	1873.91	1.5%	1.4%	EUR/USD	1.3731	-0.1%	-0.1%	UST - 10yr	2.69	-1	-34	GOLD	1335	0.1%	10.8%
Nikkei 225	14897.63	1.2%	-8.6%	GBP/USD	1.6677	0.1%	0.7%	Bund-10yr	1.62	2	-31	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	337.10	0.0%	2.7%	USD/JPY	102.4	-0.2%	2.8%	JGB - 10yr	0.61	2	-13	LMEX	3107	1.7%	-1.7%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	7.84	-1	-17	O/N	2.51	-22	77	LEONIA	0.03	0	-4		
1-week	8.13	-2	-15	1-month	3.01	-14	113	1-month	0.28	-1	-4		
1-month	8.46	-3	-12	3-month	3.37	1	93	3-month	0.57	-2	-8		
3-month	8.82	-2	-6	6-month	3.61	-2	62	6-month	1.07	-3	-9		
6-month	9.06	-3	-9	12-month	3.61	-2	46	12-month	2.08	-5	-12		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	10.10	-7	14	3Y RON	4.00	-2	5	3Y BGN	1.02	0	-7		
5Y RSD	11.34	0	-148	5Y RON	4.59	-2	-6	5Y BGN	1.72	0	-13		
7Y RSD	11.76	0	-204	10Y RON	5.41	-2	11	10Y BGN	3.39	0	-10		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	4.11	1	-90	EUR Sep-20	3.44	2	-41	USD Jan-15	0.76	-6	18		
USD Nov-24	0.77	-587	-614	USD Aug-23	4.47	-8	-34	EUR Jul-17	1.55	-4	-25		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	384	-10	-25	5-year	173	0	-12	5-year	128	0	4		
10-year	420	-10	-26	10-year	219	-1	-13	10-year	176	1	1		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	560.4	0.07%	0.44%	BET	6319.9	0.23%	-2.68%	SOFIX	591.8	0.28%	20.39%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	116.1	0.07%	-1.27%	EUR/RON	4.5167	-0.18%	-0.97%	USD/BGN	1.4245	-0.08%	-0.10%		
BELEX15 Index				BET Index				SOFIX Index					
													
EUR/RSD				EUR/RON				USD/BGN					
													

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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