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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

April 2, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 1: ISM manuf (Mar)
- Apr 2: ADP employment chg (Mar)
- Apr 3
  - Initial jobless (Mar 28)
  - Trade balance (Feb)
- Apr 4
  - NFP report (Mar)
  - U/E rate (Mar)

EUROZONE

- Mar 31: HICP (Mar)
- Apr 1: PMI manuf (Apri, f)
- Apr 3
  - PMI services (Apri, f)
  - ECB policy rate announcement

SEE

SERBIA

- Mar 31
  - GDP (Q4, f)
  - IP (Feb)
  - Trade balance (Feb)
  - Retail sales (Feb)
  - 2-year RSD T-bonds auction

ROMANIA

- Apr 1: International reserves (Mar)
- Apr 2
  - Retail sales (Feb)
  - PPI (Feb)
  - GDP (Q4, f)

BULGARIA

- Mar 31: Budget balance (Feb)
- Apr 1: International reserves (Mar)

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, the majority of major European bourses were firmer in early trade on Wednesday. US manufacturing-PMI improved in March for the second month in a row coming in at 53.7 from February's 53.2.

GREECE: Following the staff-level agreement between the Greek government and the troika on the 4th program review on March 18, 2013 and the recent approval by the Hellenic Parliament of the key multi-bill, the informal April 1st Eurougroup gave the political approval for the release of the next EFSF installment to Greece amounting to €8.3bn.

SOUTH EASTERN EUROPE

SERBIA: Serbia's trade deficit continued to improve in February.

ROMANIA: Foreign currency reserves decreased by EUR 380mn in March to EUR 31.28bn, suggesting Central Bank sales of EUR 350mn in the FX markets last month.

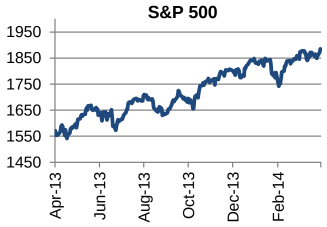
BULGARIA: The rate of unemployment modestly decreased by 0.1ppt MoM to 13.1% in February.

CESEE Markets: With Fed Chair Janet Yellen's recent comments still in investors' ears, **emerging stock markets** extended their recent gains on Tuesday, receiving additional support from overall favourable US macro data. Adding to the positive tone, were ongoing expectations that the Chinese government is poised to take additional action in order to support domestic economic activity.

Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the positive tone in Wall Street overnight where the S&P 500 index hit a fresh record closing high of 1,8852pts, the majority of major European bourses were firmer in early trade on Wednesday. US manufacturing-PMI improved in March for the second month in a row coming in at 53.7 from February's 53.2. Optimism that the Chinese authorities are willing to adopt addition measures to prevent a deeper-than-expected slowdown in 2014 real GDP growth and somewhat easing political jitters in Ukraine, also favored. Firmer equity markets dented the safe-haven appeal of the JPY with the USD/JPY hitting a 2½-month high near 104.00 earlier today. Elsewhere, the EUR/USD was little changed compared to Tuesday's levels as caution prevails ahead of the ECB monetary policy meeting on Thursday.



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Greece

Following the staff-level agreement between the Greek government and the troika on the 4th program review on March 18, 2013 and the recent approval by the Hellenic Parliament of the key multi-bill, the informal April 1st Eurougroup gave the political approval for the release of the next EFSF installment to Greece amounting €8.3bn. The first EFSF sub-tranche of €6.3bn will be disbursed by the end of April, conditional on the full implementation of the policies agreed between Greek authorities and the troika in the context of the 4th program review, as were laid out in the multi-bill. The other two, worth €1bn each, will be paid out in June and July respectively, subject to fulfillment of six milestones which have reportedly already been agreed between the two sides. On his part, Greece's Minister of Finance Yiannis Stournaras reiterated that the government is preparing to return to international capital markets for funding in H1 2014 with the issuance of a bond bearing a three to five years maturity.

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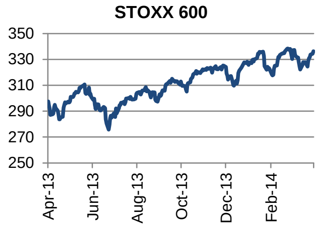
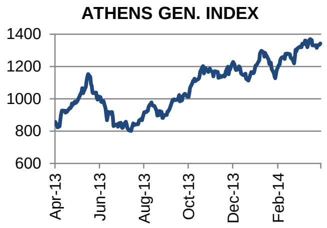


Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE markets

With Fed Chair Janet Yellen's recent comments still in investors' ears, **emerging stock markets** extended their recent gains on Tuesday, receiving additional support from overall favourable US macro data, which showed an increase in ISM manufacturing and better-than-anticipated vehicle sales in March. Adding to the positive tone, were ongoing expectations that the Chinese government is poised to take additional action in order to support domestic economic activity. Nonetheless, caution prevailed ahead of the ECB meeting on Thursday and Friday's US nonfarm payrolls report. Along these lines, the MSCI emerging equities index firmed for the 8th consecutive session, advancing by 0.62% to a new 3-month peak of 1,000.79pts. The said index has nearly erased to the full earlier year-to-date losses. In a similar vein, CESEE bourses moved higher on Tuesday, with Ukraine's PFTS extending Monday's rally to close 4.83% higher on Tuesday and register cumulative gains of ca 6% so far this week. Turkey's BIST 100 index trailed behind with a 1.61% rise. In the **CESEE** currencies' space, the Turkish lira's post-election rally appeared to be running out of steam on Tuesday, with the USD/TRY consolidating near a 3-month trough of 2.1350. Elsewhere, the Hungarian forint and the Polish zloty marginally weakened to close at 307.19/EUR and 4.1704/EUR, respectively, in the wake of March's PMI releases which showed a slowdown in both countries' manufacturing activity. In the **external debt markets**, spreads over USTs on the EMBI+ index narrowed by ca 7bps to a multi-month low of 320.64bps, reflecting the recent improvement in risk appetite.

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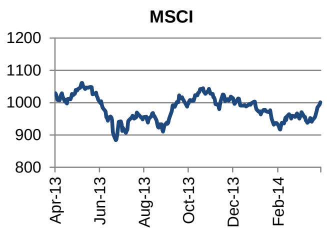

Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Moody's	S&P	Fitch
SERBIA	*B1*	*BB-*	*B+*
ROMANIA	*Baa3*	*BB+*	*BBB-*
BULGARIA	*Baa2*	*BBB*	*BBB-*
CYPRUS	*Caa3*	*B-*	*B-*

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA

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

(Belgrade, 2/4/2014, 09:10 CET): **Latest Political & Macro Developments:** According to the latest trade balance figures released on Tuesday by the Statistical Office of the Republic of Serbia, the deficit continued to improve, marking a 22.6%YoY narrowing and coming in at €595mn year-to-February. The value of exports still lagged that of imports (€1.61bn vs. €2.20bn), with the former covering 73% of the latter. Nonetheless, the latter reflected an improvement from coverage of 64% over the same period a year earlier. **Market Developments:** The EUR/RSD consolidated around levels of 115.40 on Tuesday, as the Central Bank (NBS) intervened in the FX markets anew in order to halt the pair's recent downside momentum. Yesterday's action follows a similar move on Monday, and adds to the prevailing view that the NBS seems poised to continue intervening on either direction in order to keep the cross bound within its recent 115.30-116.00 trading range. Separately, the domestic stock market moved sideways on Tuesday, eventually closing 0.29% higher.

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ROMANIA

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

(*Bucharest, 2/4/2014, 09:10 EET*): **Latest Political & Macro Developments:** According to the latest Central Bank (NBR) data, official reserves decreased by EUR380mn to EUR 31.28bn in March. The said data suggests that the NBR sold an estimated EUR 350mn in the FX markets last month in order to support the leu. **Market Developments:** The EUR/RON was little changed yesterday, remaining trapped within its recent 4.4550/650 range. Money market rates remained at their earlier relatively elevated levels, with the 1-3M implied rates from swaps standing at around 2.50%. However, with market participants anticipating lower short term rates ahead, government bonds up to 12M remained in demand. On the other hand, 2-7Y yields moved ca 5bps higher yesterday on profit taking, with 3Y and 5Y yields quoted around 4.30% and 4.65%, respectively.

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BULGARIA

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

(*Sofia, 1/3/2014, 17:30 EET*): **Latest Political & Macro Developments:** According to the latest Eurostat figures, the rate of unemployment came in at 13.1% in February, marking a marginal decline from 13.2% in the prior month, but remaining above a 12.9% print recorded over the same month a year earlier. Meanwhile, youth unemployment remained stable at 28.4%. **Market Developments:** The majority of domestic stock indices traded in tight ranges on Tuesday, with the main SOFIX adding 0.13% to 601.09 points. The broader BG TR30 index outperformed, with 0.74% increase.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1885.52	0.7%	2.0%
Nikkei 225	14946.32	1.0%	-8.3%
STOXX 600	336.35	0.6%	2.5%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3807	0.1%	0.5%
GBP/USD	1.663	0.0%	0.4%
USD/JPY	103.81	-0.2%	1.4%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.77	1	-26
Bund-10yr	1.58	1	-35
JGB - 10yr	0.63	1	-11

Commodities

	Last	ΔD	ΔYTD
GOLD	1283	0.3%	6.4%
BRENT CRUDE	167	0.0%	0.0%
LMEX	3005	0.2%	-4.9%

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.93	0	-8
1-week	8.15	-1	-13
1-month	8.42	-3	-16
3-month	8.80	-3	-8
6-month	9.03	-3	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.18	0	22
5Y RSD	11.40	0	-142
7Y RSD	12.13	0	-168

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.12	0	-89
USD Nov-24	5.30	-134	-158

CDS

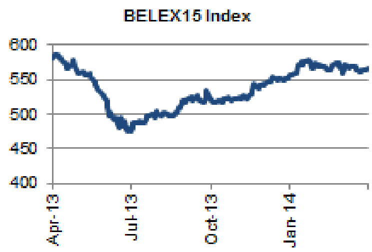
	Last	ΔDbps	ΔYTD bps
5-year	335	3	-74
10-year	375	3	-72

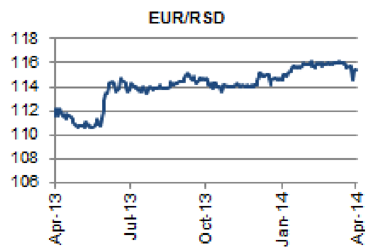
STOCKS

	Last	ΔD	ΔYTD
BELEX15	565.8	0.29%	1.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.30%	-69.56%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.44	0	70
1-month	2.35	0	47
3-month	2.96	0	52
6-month	3.33	0	34
12-month	3.36	0	21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.82	0	-13
5Y RON	4.52	0	-13
10Y RON	5.32	0	2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.46	3	-38
USD Aug-23	4.55	1	-25

CDS

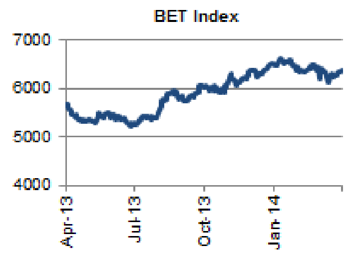
	Last	ΔDbps	ΔYTD bps
5-year	167	#N/A N/A	-18
10-year	219	0	-13

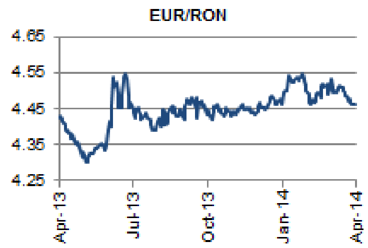
STOCKS

	Last	ΔD	ΔYTD
BET	6359.1	0.56%	-2.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4621	0.00%	0.24%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	-1	-2
1-month	0.29	0	-3
3-month	0.57	1	-8
6-month	1.07	0	-8
12-month	2.08	-1	-12

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.97	0	-12
5Y BGN	1.61	0	-24
10Y BGN	3.27	0	-23

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.63	-8	12
EUR Jul-17	1.43	-3	-37

CDS

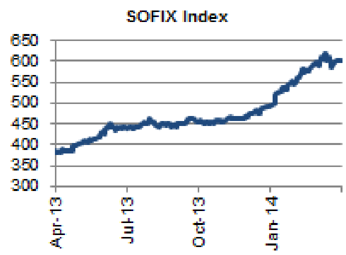
	Last	ΔDbps	ΔYTD bps
5-year	127	#N/A N/A	4
10-year	170	-5	-5

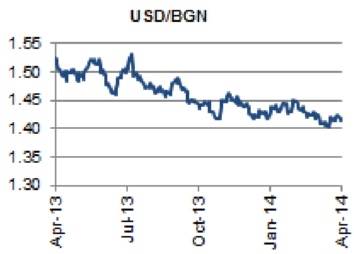
STOCKS

	Last	ΔD	ΔYTD
SOFIX	601.1	0.13%	22.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4158	0.16%	0.52%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:20 EET

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