

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 4, 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 (Apr, f)
- Apr 3
 - PMI services (Apr, 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: The majority of major European bourses were firmer in early trade on Friday, marking their 9th consecutive session of gains, ahead of the NFP report. The EUR remained under pressure in European trade today, in the wake of ECB President Mario Draghi's comments in the post-MPC-meeting press conference.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD was little changed on Thursday in the wake of renewed Central Bank intervention.

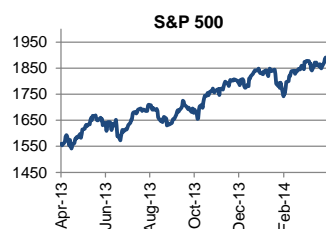
ROMANIA: MoF issued on Thursday RON 1.5bn in 12M T-Bills (2.94% average accepted yield) and 3Y bonds (4.35% average accepted yield), in line with market expectations.

BULGARIA: Retail trade increased by 9.2%YoY in February following a 7.3%YoY rise in the prior month.

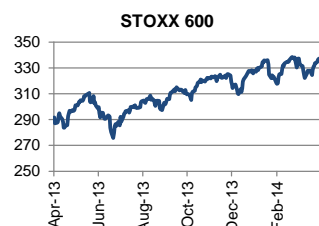
CESEE Markets: Emerging stock markets lost ground on profit taking on Thursday. Bucking the trend, the majority of **CESEE bourses** broadly firmed, while **regional currencies** were relatively steady ahead of the NFP report.

DISCLAIMER

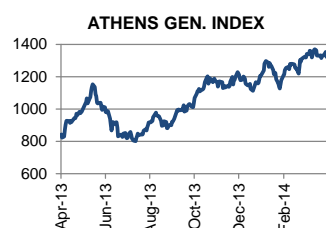
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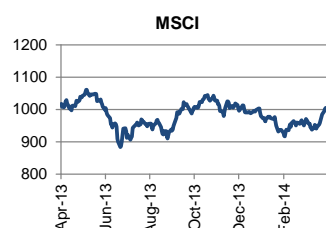
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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- |

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

GLOBAL MARKETS

The majority of major European bourses were firmer in early trade on Friday, marking their 9th consecutive session of gains, on optimism that the non-farm payrolls (NFP) report due for release later today will show a 200k increase in March, the highest since November last year. Along similar lines, the USD retained a firm tone against other major currency peers earlier today, with the dollar DXY index rising to a 1-month peak of 80.54. Meanwhile, the EUR remained under pressure in European trade, falling to a 5-week trough of 1.3694/USD, in the wake of yesterday's ECB monetary policy meeting. In line with market expectations, the Central Bank stayed put on interest rates, but President Mario Draghi adopted a more-dovish-than expected tone in the post-meeting press conference noting that "the Governing Council is unanimous in its commitment to using also unconventional instruments within its mandate in order to cope effectively with risks of a too prolonged period of low inflation".

Latest developments in the CESEE region

CESEE markets

Emerging stock markets lost ground on Thursday, as profit taking emerged, with the MSCI emerging equities index trimming part of gains recorded over the last three weeks to close ca 0.7% lower from a 2014 peak near 1007 points hit earlier on the day. Bucking the trend, the majority of bourses in the CESEE region broadly firmed. Turkey's BIST 100 outperformed its peers with a 1.27% rise, amid optimism about subsiding, at least in the near-term, domestic political uncertainty after the March 30 local elections revealed a clear victory for Prime Minister Erdogan and his ruling AK Party. On the other hand, Poland's WIG fell by 0.73%. Separately, the majority of **CESEE currencies** were relatively steady on Thursday. The Turkish lira closed slightly weaker against the USD on the day, but remained near a 3-month peak of 2.1190/USD hit a session earlier, benefiting from March's higher-than-anticipated CPI data. The Hungarian forint consolidated near a 2-month high of 306.50/EUR hit intraday on Thursday ahead of Sunday's (April 6th) general elections where the ruling Fidesz party is broadly anticipated to secure a second term in office. In the **local rates markets**, Turkish government bonds came under pressure in the wake of the CPI data release, with the 2 and 10-year benchmark yields ending 20bps and 13bps higher, respectively, at 10.72% and 10.44% on Thursday's settlement. On the other hand, Polish and Hungarian paper remained supported by yesterday's well received government bond auctions. In detail, Hungary's Debt Management Agency sold ca HUF 78.5bn in 3, 5 and 10-year bonds, more than HUF 60bn initially planned at yields lower compared to recent tenders of similar maturity paper and with an aggregate bid/cover ratio at 1.84. Separately, Poland's Finance Ministry sold PLN 5.78bn in 10-year benchmark bonds and floating 2019 paper, exceeding an initial PLN 3-5bn target. In the **external debt markets**, emerging sovereign debt spreads over USTs on the EMBI+ index edged out nearly 2bps to 321bps on Thursday's settlement, but remained close to a near 1-year low just below 320bps hit earlier this week in reflection to the recent improvement in risk appetite.

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| 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, 3/4/2014, 16:10 CET): **Latest Political & Macro Developments:** According to the Statistical Office of the Republic of Serbia, retail trade turnover rose by 0.2%YoY in February, following growth of 0.6%YoY a month earlier and marking the fifth consecutive month in expansion. **Market Developments:** The EUR/RSD was little changed on Thursday, remaining bound within its recent 115.30/50-115.45/65, with the EUR failing to capitalize significantly on renewed Central Bank intervention in the foreign exchange market aimed at halting the dinar's recent appreciating momentum. Thursday's intervention was the third on the EUR-buy side in 2014 and follows purchases of EUR 10mn on Tuesday and EUR 20mn last Friday. Elsewhere, the domestic equity market extended its recent gains on Thursday, with the BELEX15 index rising by 1.04%.

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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, 4/4/2014, 09:20 EET): **Latest Political & Macro Developments:** According to National Institute of Statistics second estimate data, Q4 GDP growth was revised to 5.4%YoY from 5.2%YoY announced previously. Meanwhile, for the whole of last year real GDP growth remained unchanged at 3.5%. **Market Developments:** The EUR/RON was little changed on Thursday, closing just below 4.4700 with a move towards an intraday peak of 4.4780 proving short-lived. In government bonds, the MoF held two primary market auctions on Thursday, selling RON 1bn in 12M T-Bills and RON 500mn in 3Y (Jun 2017) bonds, as planned. Both auctions were well received, achieving average accepted yields of 2.94% and 4.35% respectively, in line with market expectations.

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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

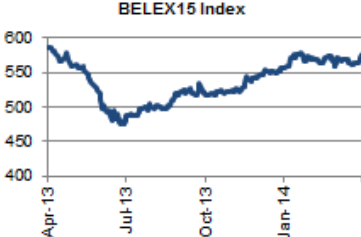
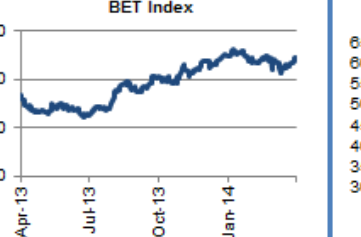
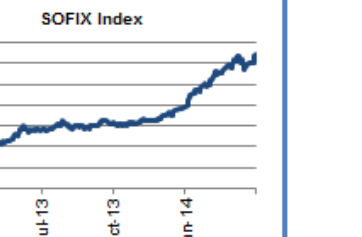


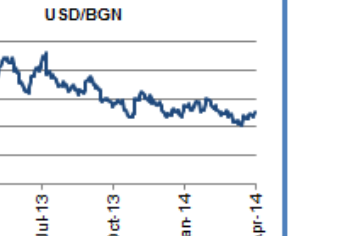
(Sofia, 3/4/2014, 18:00 EET): **Latest Political & Macro Developments:** The rate of increase in retail trade accelerated in February, coming in at by 9.2%YoY from 7.3%YoY in the prior month. **Market Developments:** The domestic stock market broadly firmed on Thursday, with the main SOFIX index rising by 0.87% to 622.85 points and surpassing a previous 5-year high of 617.95 points achieved earlier on March, 13.

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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 | 1888.77 | -0.1% | 2.2% | EUR/USD | 1.37 | -0.1% | -0.3% | UST - 10yr | 2.79 | 0 | -23 | GOLD | 1287 | 0.0% | 6.8% |
| Nikkei 225 | 15045.08 | -0.2% | -7.6% | GBP/USD | 1.6585 | -0.1% | 0.2% | Bund-10yr | 1.61 | 1 | -32 | BRENT CRUDE | 167 | 0.0% | 0.0% |
| STOXX 600 | 337.25 | 0.1% | 2.7% | USD/JPY | 103.88 | 0.0% | 1.4% | JGB - 10yr | 0.65 | 0 | -9 | LMEX | 3021 | -0.1% | -4.4% |

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 | 7.91 | 1 | -10 | O/N | 2.43 | 0 | 69 | LEONIA | 0.06 | 1 | -1 |
| 1-week | 8.15 | 0 | -13 | 1-month | 2.45 | 0 | 57 | 1-month | 0.29 | 0 | -3 |
| 1-month | 8.43 | 0 | -15 | 3-month | 2.95 | 0 | 51 | 3-month | 0.56 | 0 | -8 |
| 3-month | 8.83 | 0 | -5 | 6-month | 3.31 | 0 | 32 | 6-month | 1.08 | 0 | -8 |
| 6-month | 9.06 | 0 | -9 | 12-month | 3.35 | 0 | 20 | 12-month | 2.09 | 0 | -11 |
| RS Local Bonds | | | | RO Local Bonds | | | | BG Local Bonds | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | (yields) | Last | ΔDbps | ΔYTD bps |
| 3Y RSD | 10.20 | 0 | 24 | 3Y RON | 3.85 | 0 | -10 | 3Y BGN | 0.98 | 0 | -11 |
| 5Y RSD | 11.41 | 0 | -142 | 5Y RON | 4.52 | 0 | -13 | 5Y BGN | 1.61 | 0 | -23 |
| 7Y RSD | 12.20 | 0 | -160 | 10Y RON | 5.32 | 0 | 2 | 10Y BGN | 3.26 | 0 | -23 |
| RS Eurobonds | | | | RO Eurobonds | | | | BG Eurobonds | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps |
| USD Nov-17 | 4.18 | 0 | -83 | EUR Sep-20 | 3.42 | -2 | -43 | USD Jan-15 | 0.62 | -3 | 6 |
| USD Nov-24 | 5.35 | -130 | -155 | USD Aug-23 | 4.55 | -1 | -26 | EUR Jul-17 | 1.42 | 1 | -38 |
| CDS | | | | CDS | | | | CDS | | | |
| | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps | | Last | ΔDbps | ΔYTD bps |
| 5-year | 325 | -10 | -84 | 5-year | 167 | #N/A N/A | -18 | 5-year | 127 | #N/A N/A | 4 |
| 10-year | 363 | -11 | -84 | 10-year | 216 | 6 | -16 | 10-year | 172 | 0 | -3 |
| STOCKS | | | | STOCKS | | | | STOCKS | | | |
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD |
| BELEX15 | 576.5 | 1.07% | 3.32% | BET | 6457.7 | 0.40% | -0.56% | SOFIX | 622.9 | 0.87% | 26.72% |
| FOREX | | | | FOREX | | | | FOREX | | | |
| | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD | | Last | ΔD | ΔYTD |
| EUR/RSD | 115.4 | -0.08% | -0.77% | EUR/RON | 4.4686 | 0.00% | 0.10% | USD/BGN | 1.4276 | -0.14% | -0.32% |
| BELEX15 Index | | | | BET Index | | | | SOFIX Index | | | |
|  | | | |  | | | |  | | | |
| EUR/RSD | | | | EUR/RON | | | | USD/BGN | | | |
|  | | | |  | | | |  | | | |

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:20 EET

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