

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 3, 2013

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 2: ISM manuf (Nov)
- Dec. 4
 - ADP employment (Nov)
 - Trade Balance (Oct)
 - ISM non-manuf (Nov)
 - New home sales (9&10)
 - Fed Beige Book
- Dec. 5
 - Initial jobless claims (Nov. 29)
 - GDP (Q3)
 - Factory orders (Oct)
- Dec. 6
 - NFP (Nov)
 - U/E rate (Nov)
 - Personal Spending (Oct)
 - Core PCE deflator (Oct)
 - UM Confidence (Dec)

EUROZONE

- Dec. 2: PMI manuf (Decf)
- Dec. 4
 - PMI services (f)
 - GDP (Q3)
- Dec. 5: ECB meeting decision & press conf

SEE

SERBIA

- Dec 3: IMF mission arrives to Serbia

ROMANIA

- Dec 4: GDP (Q3p)
- Dec 5: 5Y Bond auction

BULGARIA

- Dec 3: Budget (Oct)
- Dec 4: GDP (Q3f)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

US: The US ISM manufacturing index rose more than expected in November and US October construction spending surprised positively. The data provide additional support to the view that the Fed may start curtailing its stimulus program sooner than currently expected.

GREECE: The headline Markit Manufacturing Purchasing Managers' Index (PMI) rose to a 51-month high of 49.2 in November compared to 47.3 reordered in the prior month.

SOUTH EASTERN EUROPE

SERBIA: Serbia's trade deficit reached €3.6bn in the first 10 months of the year, recording a 27%yoy drop. The EUR/RSD traded in a tight range y-day.

ROMANIA: President Basescu rejected late on Monday the first review of the Memorandum of Understanding (MoU) of the country's current IMF Stand-By Agreement (SBA). The review was completed last month following negotiations between the domestic authorities and the Fund.

BULGARIA: The latest budget execution data revealed a €227mn deficit over the first ten months of the year (equivalent to 1.1% of projected GDP).

CESEE Markets: CESEE stock markets were mixed on Monday, ahead of a streak of key US macro data this week; regional currencies broadly weakened.

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Latest world economic & market developments

US

The US ISM manufacturing index rose more than expected in November coming in at a 2 ½ year high of 57.3 from 56.4 in the prior month. Separately, construction spending surprised positively in October reaching its highest level in nearly 4 ½ years. The data supported the view that the prospect of the Fed starting to curtail its stimulus program as soon as later this month, cannot be ruled out entirely. Note that the next FOMC monetary policy meeting is scheduled for 17-18 December.

Global Markets

The USD was firmer across the board in early European trade on Tuesday supported by y-day's encouraging US data releases. The EUR/USD hit a multi-session low of 1.3522 earlier today, retreating from Monday's intraday high of 1.3616.

GREECE

Latest Political & Macro Developments: The headline Markit Manufacturing Purchasing Managers' Index (PMI) rose to a 51-month high of 49.2 in November compared to 47.3 recorded in the prior month. However the index remained below the boost-or-bust level of 50. The breakdown of the report showed that the November improvement was mainly due to the output component which increased for the first time since September 2009 as well as the new orders sub-index which stabilized, halting two consecutive months of declines. **Market Developments:** Monday was a quiet day for Greek corporate bonds with prices closing broadly unchanged on the day. Trading volumes increased. Some buying interest was evidenced in Ote18 yesterday. Ote18 continued its upward move, standing close to 113.20 (offer side).

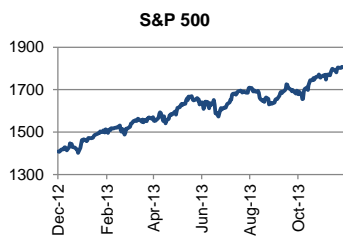
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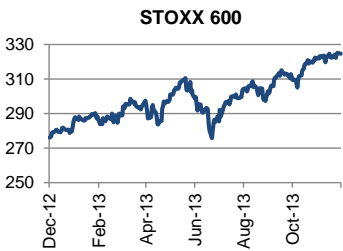
Latest developments in the CESEE region

CESEE markets

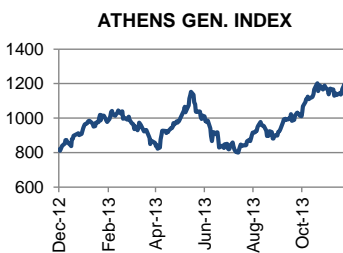
CESEE stock markets were mixed on Monday, ahead of a streak of key US macro data later this week. Romania's BET Index led the gains in the region rising by 0.82% on the day, while the MSCI benchmark index of emerging equities slid by 0.48%. Poland's WIG was among the major underperformers ending 1.41% lower at 53,934.52, but remaining not too far from a 6-year high of 55,384.83 hit early last week. Separately, **regional currencies** broadly weakened on Monday. The Hungarian forint slid to an 8-month trough of 304.02/EUR intraday, in view of persisting speculation for further Central Bank monetary policy easing ahead. It is worth noting that the Central Bank cut its key policy rate to a record low of 3.20% last week and left the door open for additional easing in the imminent future. Since August 2012, the CB cut its base rate by a cumulative 380bps in an effort to support the domestic economy amidst subdued inflation pressures. Elsewhere, the Ukrainian Central Bank intervened in the FX markets y-day selling dollars aiming to stem the hryvnia's depreciation. The domestic currency was hovering near multi-year lows at 8.2480/USD in late European trade y-day amidst lingering political turmoil. In the **external debt markets**, Ukraine's 5-year CDS spreads jumped by 75bps on Monday to close at 1,056.42bps after the government declined to sign last week, as planned originally, a trade agreement with the EU and opposition leaders called for President and his cabinet to resign.



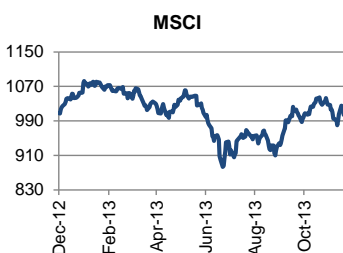
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings

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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2012	2013f	2014f
Real GDP growth %	-1.7	2.0	1.0
CPI (pa, yoy %)	7.3	8.4	5.5
Budget Balance/GDP	-6.4	-5.6	-5.5
Current Account/GDP	-10.5	-6.0	-4.5
EUR/RSD (eop)	112.30	115.34	123.00
	current	2013f	2014f
Policy Rate (eop)	10.00	10.00	9.50

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

SERBIA

(Belgrade, 2/12/2013, 15:30 CET): **Latest Political & Macro Developments:** Serbia's trade deficit reached €3.6bn in the first 10 months of the year, recording a 27%yoy drop. The improvement was mainly on the back of solid export demand in the automobile industry (FIAT). **Market developments:** The EUR/RSD traded in a tight range (113.92/12 – 114.00/20) y-day, with the Central Bank refraining from intervening in the domestic currency market. Including Friday's intervention, the Central Bank has bought €435m so far this year to stem the dinar's appreciation, with €345m of purchases having taken place since October 11. December will likely be a quiet month in terms of currency volatility and trading volumes and hence, the recent 114.00 – 115.00 range is unlikely to be breached. Separately, the stock market rose by another 0.55% yesterday.

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ROMANIA: Indicators	2012	2013f	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	5.0	1.8	3.0
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.43	4.45
	current	2013f	2014f
Policy Rate (eop)	4.00	4.00	4.00

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

ROMANIA

(Bucharest, 2/12/2013, 17.15 EET): **Latest Political & Macro Developments:** President Basescu rejected late on Monday the *recently-completed* first review of the Memorandum of Understanding (MoU) of the country's current IMF Stand-By Agreement (SBA). The President cited that the main reason for his rejection is the 20% increase in fuel taxes envisaged in the MoU. In other news, NBR international reserves declined to EUR 32.4bn in November from EUR 34.5bn in the previous month. The outflow observed was mainly driven by ca €1bn in IMF loan repayments and a €1.3bn EUR-denominated government bond redemption. **Market Developments:** The EUR/RON jumped by 100 pips overnight on the IMF Memorandum news, fully offsetting the prior session's gains. The cross was trading around 4.4450 in early trade on Tuesday. Short-term RON rates (maturities up to 1M) rose by 25bps in anticipation of higher liquidity needs in the domestic economy as we are moving closer to the end of the year. In the domestic government bond markets, the MoF issued RON 800mn in 6M T-Bills yesterday at a record low 2.78% average/2.85% maximum yield.

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BULGARIA: Indicators	2012	2013f	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.5	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	2013f	2014f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

BULGARIA

(Sofia, 2/12/2013, 17.15 EET): **Latest Political & Macro Developments:** The latest budget execution data revealed a EUR 227mn deficit in the first ten months of the year (equivalent to 1.1% of projected GDP), compared to a EUR 184m shortfall over the Jan-Sept 2013 period. State revenues and grants grew by 7.3%yoy to EUR 12.14bn, covering 78.2% of the respective annual budget target. Expenditures outpaced revenues rising by 9.0%yoy to EUR 12.37bn, while the fiscal reserve decreased by EUR 32mn relative to its September level to EUR 2.5bn (6.2% of GDP). Recall that the fiscal reserve level, under the relevant legislation, should stand at EUR2.3bn at the end of the year. **Market Developments:** The government held a 3Y BGN benchmark bond auction on Monday. On the stock market, SOFIX recorded modest losses on Monday, giving back some of its recent hefty gains.

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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	1805.29	0.0%	26.6%	EUR/USD	1.3554	-0.3%	2.7%	UST - 10yr	2.79	5	104	GOLD	1229	-2.0%	-26.7%
Nikkei 225	15655.07	0.0%	50.6%	GBP/USD	1.6368	0.0%	0.7%	Bund-10yr	1.74	5	42	BRENT CRUDE	168	-0.1%	7.6%
STOXX 600	324.64	-0.2%	16.1%	USD/JPY	102.93	-0.5%	-15.7%	JGB - 10yr	0.62	1	-17	LMEX	3037	0.5%	-12.1%

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	8.61	4	-125	O/N	1.98	20	-432	LEONIA	0.02	1	-2
1-week	8.83	5	-162	1-month	1.99	5	-405	1-month	0.31	0	-10
1-month	9.09	2	-201	3-month	2.7	0	-335	3-month	0.65	0	-28
3-month	9.32	2	-243	6-month	3.16	-2	-311	6-month	1.16	0	-52
6-month	9.59	1	-262	12-month	3.35	-1	-295	12-month	2.24	0	-80
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	11.09	-14	-83	3Y RON	4.05	0	-205	3Y BGN	1.13	-1	-3
5Y RSD	12.86	0	243	5Y RON	4.68	0	-142	5Y BGN	1.91	-1	26
7Y RSD	13.81	0	106	10Y RON	5.26	1	-99	10Y BGN	3.52	0	16
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	5.22	1	91	EUR Sep-20	4.01	3	-66	USD Jan-15	0.70	2	-55
USD Nov-24	6.93	0	652	USD Aug-23	4.88	6	47	EUR Jul-17	1.85	2	-22
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	422	2	73	5-year	179	#N/A N/A	-36	5-year	126	#N/A N/A	27
10-year	471	1	74	10-year	240	0	-12	10-year	172	#N/A N/A	39
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	544.6	0.55%	3.95%	BET	6387.1	0.82%	24.03%	SOFIX	466.7	-0.38%	35.09%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	114.1	0.02%	-1.27%	EUR/RON	4.4332	-0.02%	0.24%	USD/BGN	1.4429	-0.26%	2.69%

BELEX15 Index		BET Index		SOFIX Index								
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
EUR/RSD		EUR/RON		USD/BGN								
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of ca 18:30 EET of previous session

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