

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 18, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 18
  - Empire State (Feb)
  - NAHB (Feb)
- Feb 19
  - PPI (Jan)
  - Housing starts & permits (Feb)
- Feb 20
  - CPI (Jan)
  - Initial jobless claims (Feb 14)
- Feb 21
  - Existing home sales (Jan)

### EUROZONE

- Feb 18
  - DE: ZEW (Feb)
- Feb 20: PMI service & manuf (Feb, P)

### SEE

#### SERBIA

- Feb 19: 3Y T-Bond auction
- Feb 21: HICP (Jan)

#### ROMANIA

- Feb 20: EUR 200mn T-Bonds auction

#### BULGARIA

- Feb 17: U/E rate (Dec)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The JPY weakened across the board in European trade on Tuesday while Japan's Nikkei 225 benchmark stock index gained 3.1% following the BoJ's decision to extend and expand certain loan schemes in an effort to stimulate bank lending.

**GREECE:** Speaking at the press conference following the conclusion of the February 17 Eurogroup, President Jeroen Dijsselbloem said that the troika mission is expected to return to Athens in the coming sessions, probably by the end of the week, to assess the progress made by domestic authorities on outstanding issues underlying the current (4<sup>th</sup>) program review.

### SOUTH EASTERN EUROPE

**ROMANIA:** A meeting between the two main coalition partners did not yield an agreement over vacant seats in the Cabinet.

**BULGARIA:** According to the latest Employment Agency data, the rate of unemployment increased to 12.2% in January from 11.80% in the prior month.

**CESEE Markets: Emerging equity markets** extended last week's gains on Monday, boosted by somewhat easing political tensions in Ukraine and better than anticipated lending data from China which soothed concerns about a sharper than currently expected slowdown in the world's second largest economy. Meanwhile, the majority of **CESEE currencies** closed little changed ahead of key Central Bank monetary policy meetings in Hungary and Turkey scheduled for later today.

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## Latest world economic & market developments

### GLOBAL MARKETS

The JPY weakened across the board in European trade on Tuesday while Japan's Nikkei 225 benchmark stock index gained 3.1% following the BoJ's decision to extend and expand certain loan schemes in an effort to stimulate bank lending. Against this background, the USD/JPY hit a two-week high of 102.73 earlier in the day, having recovered from Monday's multi-session low of 101.37. Elsewhere, major European bourses opened mixed on Tuesday after hitting a three-week high in the prior session with investors taking a cautious stance ahead of the German February ZEW survey due later in the day.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

### Greece

Speaking at the press conference following the conclusion of the February 17 Eurogroup, President Jeroen Dijsselbloem said that the troika mission is expected to return to Athens in the coming sessions, probably by the end of the week, to assess the progress made by domestic authorities on outstanding issues underlying the current (4<sup>th</sup>) program review. On his part, European Commission for Economic and Monetary Affairs Olli Rehn expressed his optimism that a staff level agreement on the current program review will probably be sealed by the March 10 Eurogroup, paving the way for an approval of the next EFSF loan tranche to Greece. The EU Commissioner added that official lenders will decide on additional debt relief measures in the second half of this year.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging equity markets** extended last week's gains on Monday, boosted by somewhat easing political tensions in Ukraine and better than anticipated lending data from China which soothed concerns about a sharper than currently expected slowdown in the world's second largest economy. The MSCI emerging equities index closed 0.73% higher, while Turkey's BIST 100 posted gains to the tune of 1.10%, remaining for the second consecutive session among the region's main outperformers. Elsewhere, the majority of **CESEE currencies** closed nearly flat on Monday ahead of key EM Central Bank monetary policy meetings this week. Among others, the MNB meets later today and is broadly expected to announce a 10bps interest rate cut. If delivered, it will bring the MNB base rate to a new record low of 2.75%, following cumulative 415bps of rate cuts since August 2012. Along these lines, the EUR/HUF hovered around levels of 308 yesterday, nearly flat from the previous session's settlement and within distance from a near 2-week low of 307.82 hit last week. Elsewhere, the Turkish lira extended its recent gains ahead of the MPC meeting later on Tuesday, where the CBT is anticipated to stay put on interest rates. Recall that at an extraordinary meeting called in late January, the Central Bank of Turkey resorted to hefty rate hikes in an effort to halt the lira's steep depreciation trend. Specifically, the CBT hiked the o/n borrowing rate to 8.00% from 3.50%, the key policy 1-week repo rate to 10.00% from 4.50% and the overnight lending rate to 12.00% from 7.75%. Against this backdrop, the USD/TRY eased as far as a 1-month trough of 2.1752 on Monday, sliding further below a record high of 2.39 hit in January. In the **external debt markets**, Ukrainian sovereign bonds firmed across the board after protesters ended a 2-month occupation of several key government buildings and Russia agreed to provide \$2bn of financial aid to Ukraine later this week.

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## ROMANIA

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.7	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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

(Bucharest, 18/2/2014, 09:00 EET): **Latest Political & Macro Developments:** The two main allies in the governing coalition, the Social Democratic Party and the National Liberal Party, met on Monday to discuss the latter's proposals for several vacant seats in the Cabinet (including the posts of the Minister of Interior and of Finance). The meeting did not yield an agreement. **Market Developments:** RON markets were little changed on Monday, with trade volumes remaining light due to the US market holiday. In detail, the EUR/RON hovered around levels of 4.4900, while short term RON rates remained close to recent high levels, with 1W and 1M implied from swaps standing at around 4.50%. At the primary market, the MoF sold the planned RON 500mn amount of 2Y bonds at an average yield of 4.08%. The bid-to-cover ratio stood at around 1.2.

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## BULGARIA

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	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		
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 17/2/2014, 18.30 EET): **Latest Political & Macro Developments:** According to the most recent Employment Agency data, the unemployment rate increased to 12.2% in January from 11.8% in the prior month and a rate of 11.9% in January 2012. **Market Developments:** Domestic stock markets recouped losses recorded in early trade on Monday, to finally close in a marginally positive territory. SOFIX added 0.02% to 576.67 points, while the broader BG TR30 increased by 0.33%.

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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	1838.63	0.5%	-0.5%	EUR/USD	1.3712	0.0%	-0.2%	UST - 10yr	2.73	-1	-29	GOLD	1320	-0.7%	9.5%
Nikkei 225	14843.24	3.1%	-8.9%	GBP/USD	1.6685	-0.2%	0.8%	Bund-10yr	1.67	-2	-26	BRENT CRUDE	168	0.0%	#VALUE!
STOXX 600	333.58	-0.3%	1.6%	USD/JPY	102.41	-0.5%	2.8%	JGB - 10yr	0.60	0	-14	LME X	3105	0.2%	-1.7%

**SEE MARKETS**

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
7/N	7.85	-3	-16	O/N	4.58	0	284	LEONIA	0.03	-1	-4		
1-week	8.09	-4	-19	1-month	3.66	0	178	1-month	0.29	-1	-3		
1-month	8.43	-7	-15	3-month	3.64	0	120	3-month	0.58	-3	-6		
3-month	8.75	-5	-13	6-month	3.6	0	61	6-month	1.10	-4	-6		
6-month	9.11	1	-4	12-month	3.6	0	45	12-month	2.15	-5	-4		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	10.04	0	-102	3Y RON	4.00	2	5	3Y BGN	1.02	-1	-7		
5Y RSD	11.40	-2	-142	5Y RON	4.80	1	15	5Y BGN	1.79	0	-6		
7Y RSD	12.91	-1	-90	10Y RON	5.52	1	22	10Y BGN	3.42	0	-7		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	4.15	-1	-86	EUR Sep-20	3.44	0	-41	USD Jan-15	0.87	-6	28		
USD Nov-24	3.50	-317	-341	USD Aug-23	4.62	-1	-18	EUR Jul-17	1.65	-4	-15		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	403	-7	-6	5-year	181	0	-3	5-year	126	0	3		
10-year	437	-11	-10	10-year	225	-3	-8	10-year	167	-2	-8		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	563.9	-0.39%	1.05%	BET	6438.7	0.35%	-0.85%	SOFIX	578.8	0.36%	17.75%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	115.8	-0.02%	-1.06%	EUR/RON	4.4884	-0.04%	-0.35%	USD/BGN	1.4265	0.03%	-0.24%		

  

**BELEX15 Index**

**BET Index**

**SOFIX Index**

  

**EUR/RSD**

**EUR/RON**

**USD/BGN**

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

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