

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 24, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 25
  - Cons sentiment CB (Feb)
- Feb. 26: New home sales (Jan)
- Feb 27
  - Initial jobless claims (Feb 21)
  - Durable goods (Jan)
- Feb 28
  - GDP (Q1)
  - Cons conf UoM (Mar,p)

### EUROZONE

- Feb 24
  - DE: IFO (Feb)
  - HICP (Jan, f)
- Feb 28: HICP (Feb, p)

### SEE

#### SERBIA

- Feb 25
  - 3Y T-Bond auction
  - Real wages (Jan)
  - IP (Jan)
- Feb 28
  - IP (Jan)
  - Trade balance (Jan)
  - Retail sales (Jan)

#### ROMANIA

- Feb 24: RON 600mn 4.75% 2019 T-Bonds auction

#### BULGARIA

- Feb 25: Gross external debt (Jan)
- Feb 28: Budget balance (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Tracking losses in their Asian counterparts earlier today, the majority of European equity markets opened lower on Monday following press reports suggesting that banks in China have tightened their lending criteria on loans provided to property-related companies. Meanwhile, US data continued to disappoint, mainly due to adverse weather conditions. In FX markets, the EUR gave back some of its recent gains against the US dollar in European trade on Monday weighed down by market anxiety ahead of this week's euro area inflation figures.

**GREECE:** After a near two-month-long pause, the heads of the EC/ECB/IMF mission returned to Athens to resume discussions with domestic authorities in the context of the current (4<sup>th</sup>) program review. The first high-level meeting between Minister of Finance Yiannis Stouraras and the troika mission is scheduled for this afternoon.

### SOUTH EASTERN EUROPE

**SERBIA:** Consumer inflation came in at 3.1% year on year in January, moving into the Central Bank target tolerance band of  $4 \pm 1.5\%$  for the first time since September 2013.

**ROMANIA:** Official discussions between the two main coalition partners, the National Liberal Party and the Social Democratic Party, for the appointment of new ministers who will take over the currently vacant cabinet seats, are expected to conclude later on the day.

**BULGARIA:** Parliament approved a 5% preference threshold for candidates of political parties and coalitions for the upcoming European Parliament elections.

**CESEE Markets: Emerging stock markets and local currencies** broadly firmed on Friday, following news that Ukraine's opposition leaders signed a peace deal with President Yanukovich, paving the way for early snap Presidential elections on May 25 and stirring hopes about easing political tensions following months of turmoil.

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## Latest world economic & market developments

### GLOBAL MARKETS

Tracking losses in their Asian counterparts earlier today, the majority of European equity markets opened lower on Monday following press reports suggesting that banks in China have tightened their lending criteria on loans provided to property-related companies. Meanwhile, US data continued to disappoint, mainly due to adverse weather conditions. Specifically, US existing home sales fell in January to the lowest level since July 2012, marking the fifth decline over the last six months. In FX markets, the EUR gave back some of its recent gains against the US dollar in European trade on Monday weighed down by market anxiety ahead of this week's euro area inflation figures.

### Greece

After a near two-month-long pause, the heads of the EC/ECB/IMF mission returned to Athens to resume discussions with domestic authorities in the context of the current (4<sup>th</sup>) program review. The first high-level meeting between Minister of Finance Yiannis Stouraras and the troika mission is scheduled for this afternoon and according to the current plan, the EC/ECB/IMF officials are expected to stay in Athens until March 7. Speaking on the sidelines of the February 17 Eurogroup, Greece's finance minister had appeared fairly confident that a staff-level agreement will be reached in time for the March 10 Eurogroup, paving the way for the approval of the next EFSF loan tranche.

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## Latest developments in the CESEE region

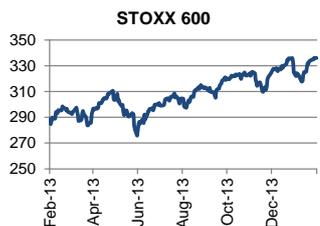
### CESEE markets

**Emerging stock markets** closed broadly higher on Friday, following news that Ukraine's opposition leaders signed a peace deal with President Yanukovich, paving the way for early snap Presidential elections on May 25 and stirring hopes about easing political tensions following months of turmoil. The positive impact was most evidenced on CESEE financial markets, with Ukraine's PFTS leading the gains in the region recording a 5.66% rise. Poland's WIG20 and Romania's BETI trailed behind, posting respective increases of 1.01% and 0.98%, outperforming a 0.91% advance in the broader MSCI emerging equities index. Note that although contagion risks from Ukraine via the trade channel seem rather limited for CESEE economies, concerns had recently emerged about potential foreign capital outflows from regional markets. Additionally, fears lingered over a potential disruption in the operations of several CESEE companies located in the country. Along similar lines, **regional currencies** firmed. The Turkish lira led the winners' pack firming by more than 1% to 2.1750/USD on the day, while the Hungarian forint spiked to a 3-session peak of 309.50 intraday. In the **local rates markets**, government bonds broadly firmed on hopes about an eventual resolution on Ukraine's current political turmoil. Hungarian sovereign paper broadly outperformed, with the corresponding 3- and 10-year yields plunging by 10bps and 16bps respectively. In the **external debt markets**, Ukrainian sovereign bonds rallied on Friday, with 5-year CDS spreads closing ca 170bps narrower at 1,177bps. Against this backdrop, S&P's downgrade on Friday on the country's sovereign credit ratings for the second time in less than a month was largely shrugged off. In detail, the agency cut its ratings to "CCC" from "CCC-", citing concerns about default as a result of a substantial deterioration in the domestic political situation.

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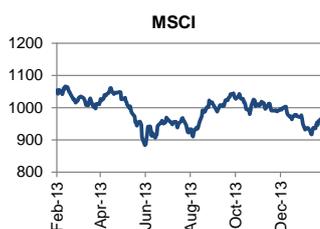
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

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	-4.1	-3.2
EUR/RSD (eop)	112.30	115.34	123.00
	<b>current</b>	<b>2013f</b>	<b>2014f</b>
Policy Rate (eop)	10.00	10.00	9.50

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

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

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

## SERBIA

(Belgrade, 21/2/2014, 17:15 CET): **Market Developments:** January CPI rose to 3.1% YoY from 2.2% YoY a month earlier, moving into the Central Bank's target tolerance band of  $4 \pm 1.5\%$  for the first time since September 2013. In the wake of the release of the aforementioned data, the Central Bank noted that it expects the headline index to remain within the target range in the following months. **Market Developments:** The National Bank of Serbia intervened anew on Friday selling an estimated amount of €40mn in order to halt the dinar's depreciation momentum. Nonetheless, the ensuing impact on the domestic currency appeared to be rather limited with the EUR/RSD closing at 115.86, unchanged compared to the settlement in the prior session. Elsewhere, the stock market closed marginally lower on Friday, but still managed to end the week with gains to the tune of 1.32%.

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## ROMANIA

(Bucharest, 24/2/2014, 09:15 EET): **Latest Political & Macro Developments:** Discussions between the two main coalition government parties, the Social Democratic Party and the National Liberal Party, are expected to reach a decision later in the day for the appointment of new ministers who will take over the currently vacant cabinet seats. The outcome will implicitly determine whether the coalition government will survive in its current form.

**Market Developments:** The EUR/RON approached anew on Friday a 3-week high of 4.5250 recorded in the prior session, before closing little changed on a daily basis at 4.5100 amid growing hopes about an eventual resolution of the domestic political crisis in Ukraine. In money markets, short-term RON rates moved lower, with the 1M implied from swaps moving below the 3.50% monetary policy rate compared to levels of 4.25% early last week. In ROMGB, the MoF holds on Monday the last primary market auction for this month, for an amount of RON 600mn in new 5Y benchmark bonds (Jun 2019). Demand is likely to remain subdued, with average accepted yield expected to come in at around 5.00-5.10%.

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## BULGARIA

(Sofia, 21/2/2014, 17:30 EET): **Latest Political & Macro Developments:** According to local press reports, Parliament agreed late on Thursday to increase from 4% currently to 5% the preference threshold for candidates of political parties and coalitions at the upcoming European Parliament elections. **Market Developments:** The domestic stock market enjoyed another positive session on Friday, with major indices closing in green for the second consecutive day. SOFIX added 0.92% to end at 585.92 points, bringing its year-to-date gains to 19.21%.

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**GLOBAL MARKETS**

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	1836.25	-0.2%	-0.7%	EUR/USD	1.3764	0.2%	0.2%	UST - 10yr	2.73	0	-30	GOLD	1334	0.7%	10.6%
Nikkei 225	14837.68	-0.2%	-8.9%	GBP/USD	1.6668	0.3%	0.7%	Bund-10yr	1.68	1	-25	BRENT CRUDE	169	1.1%	1.3%
STOXX 600	336.05	0.0%	2.4%	USD/JPY	102.39	0.1%	2.9%	JGB - 10yr	0.60	-1	-15	LMEX	3113	0.0%	-1.5%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔD	ΔYTD
T/N	7.87	0	-14
1-week	8.17	4	-11
1-month	8.51	1	-7
3-month	8.82	0	-5
6-month	9.10	3	-5

**RS Local Bonds**

	Last	ΔD	ΔYTD
3Y RSD	10.01	0	5
5Y RSD	11.37	0	-145
7Y RSD	12.53	-1	-127

**RS Eurobonds**

	Last	ΔD	ΔYTD
USD Nov-17	4.04	-3	-96
USD Nov-24	2.59	-406	-431

**CDS**

	Last	ΔD	ΔYTD
5-year	406	1	-3
10-year	440	0	-5

**STOCKS**

BELEX15	Last	ΔD	ΔYTD
BELEX15	571.2	0.10%	2.38%

**FOREX**

EUR/RSD	Last	ΔD	ΔYTD
EUR/RSD	115.9	0.00%	-1.16%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔD	ΔYTD
O/N	3.21	234	147
1-month	3.46	-28	158
3-month	3.55	-18	111
6-month	3.61	-5	62
12-month	3.63	-5	48

**RO Local Bonds**

	Last	ΔD	ΔYTD
3Y RON	4.08	-1	13
5Y RON	4.83	-2	18
10Y RON	5.51	-3	21

**RO Eurobonds**

	Last	ΔD	ΔYTD
EUR Sep-20	3.45	2	-39
USD Aug-23	4.50	0	-30

**CDS**

	Last	ΔD	ΔYTD
5-year	182	0	-3
10-year	228	0	-5

**STOCKS**

BET	Last	ΔD	ΔYTD
BET	6486.6	0.03%	-0.11%

**FOREX**

EUR/RON	Last	ΔD	ΔYTD
EUR/RON	4.5051	0.12%	-0.71%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	0.03	0	-4
1-month	0.29	-1	-3
3-month	0.59	0	-6
6-month	1.10	0	-5
12-month	2.14	0	-5

**BG Local Bonds**

(yields)	Last	ΔD	ΔYTD
3Y BGN	1.02	0	-7
5Y BGN	1.76	-1	-8
10Y BGN	3.40	0	-9

**BG Eurobonds**

	Last	ΔD	ΔYTD
USD Jan-15	0.80	-1	22
EUR Jul-17	1.61	-5	-19

**CDS**

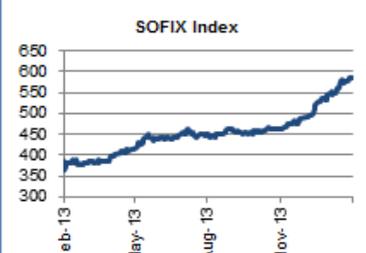
	Last	ΔD	ΔYTD
5-year	123	0	0
10-year	169	-3	-5

**STOCKS**

SOFIX	Last	ΔD	ΔYTD
SOFIX	582.8	-0.53%	18.57%

**FOREX**

USD/BGN	Last	ΔD	ΔYTD
USD/BGN	1.4211	0.18%	0.14%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:45 EET

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