

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

February 28, 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:** The majority of European equity markets opened lower on Friday amid market anxiety ahead of euro area February's inflation figures due for release later in the day. In the FX markets, the JPY was among the main outperformers as heightened jitters in Ukraine favored the currency's safe-haven allure.

**GREECE:** According to the latest Bank of Greece data, private sector deposits (non-financial corporations and households) to domestic MFIs dropped in January, halting a 2-month rising streak. . In other news, the troika reportedly accepted domestic authorities' request the targeted level of the core Tier 1 ratio Greek banks have to meet so as to pass the stress test exercise to stand at 8%, in line with the ECB's.

### SOUTH EASTERN EUROPE

**SERBIA:** The government sold RSD 3bn in 6-Month T-Bills at a yield of at 7.79%.

**ROMANIA:** Negotiations underway for the formation of a new government after the ruling coalition broke up earlier this week.

**BULGARIA:** Domestic stock market resumes its uptrend on the back of improved liquidity, SOFIX moving closer to 600 points.

**CESEE Markets:** The majority of emerging stock markets firmed on Thursday, but tensions between Ukraine and Russia over the Crimea region weighed on Russian and CESEE assets.

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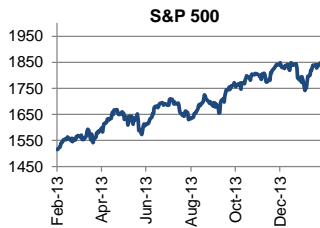
## Latest world economic & market developments

### GLOBAL MARKETS

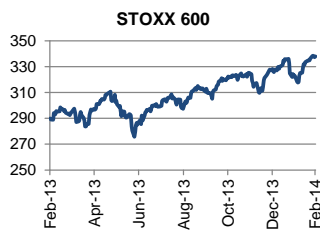
The majority of European equity markets opened lower on Friday amid market anxiety ahead of euro area February's inflation figures due for release later in the day. On the flipside, major US stock indices firmed overnight with the S&P 500 index closing at a new record high assisted by FOMC Chairman Janet Yellen's comments before the Senate Banking Committee suggesting that adverse weather conditions seems to be the main reason behind the recent weakness in US macro data. In the FX markets, the JPY was among the main outperformers as heightened jitters in Ukraine favored the currency's safe-haven allure.

### Greece

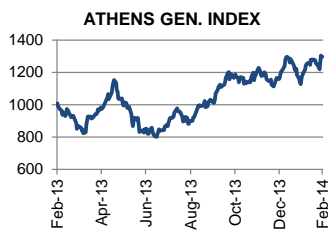
According to the latest Bank of Greece data, private sector deposits (non-financial corporations and households) to domestic MFIs dropped in January, halting a 2-month rising streak and coming in at a 3-month low of ca €161bn. In other news, the troika reportedly accepted domestic authorities' request the targeted level of the core Tier 1 ratio Greek banks have to meet so as to pass the stress test exercise to stand at 8%, in line with the ECB's. Note that in the latest stress test exercise which was completed in March 2012, the BoG had set a 9% Core Tier 1 ratio for a baseline scenario and 7% for an adverse scenario.



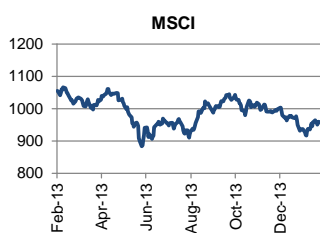
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** broadly firmed on Thursday, receiving support from rising Chinese equities, while better-than-anticipated Q4 2013 GDP data from Brazil also favoured. Along these lines, the MSCI emerging equities index closed with gains to the tune of 0.73%. Nonetheless, tensions between Ukraine and Russia over the Crimea region weighed on Russian and CESEE assets. In more detail, the Hungarian BUX led the losses in the region with a 2.35% drop, with falling OTP Bank shares leading the way lower. The said bank has presence in Ukraine and the recent political turmoil has exerted downward pressure on its equity. Poland's WIG and Serbia's BELEX15 trailed behind declining by 0.15%, each. On the other hand, Ukraine's PFTS bucked the region's trend, extending its recent uptrend and spiking by 4.10% on hopes about eventually easing political tensions following months in turmoil after President Yanukovich was removed from his post earlier this month and early Presidential elections were called for May 25. Optimism about a potential agreement with the EU/IMF over financial aid to the country also favoured. Elsewhere, the majority of **CESEE currencies** firmed on Thursday, with the Romanian leu outperforming the region after Prime Minister Viktor Ponta and President Traian Basescu expressed their commitment on IMF-backed reforms somewhat easing political concerns in the wake of a break-up of the coalition government earlier this week. Against this backdrop, the EUR/RON fell nearly 0.7% on the day to close at 4.4850. On the other hand, the Ukrainian hryvnia hit a new record low of 11.00/USD intraday on Thursday after media reports quoted a senior Central Bank (NBU) official as saying on Wednesday that NBU would adopt a flexible exchange rate regime and the newly appointed NBU Governor signaled that the NBU does not intend to intervene in the FX markets in the coming days to defend the domestic currency. In view of spillover concerns from Ukraine, the Polish zloty and the Hungarian forint also lost ground, falling by 0.45% and 0.21% against the euro, to 4.1575 and 309.85 respectively.

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

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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 %	0.6	3.5	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, 27/2/2014, 16:00 CET): **Market Developments:** The Ministry of Finance issued RSD 3bn worth of 6-Month T-Bills yesterday. Reflecting increased demand for local currency short term securities, the bid to cover ratio came in at 2.2, while the yield stood at 7.79% below 8.98% achieved at a previous tender of similar maturity paper in December last year.

**Market Developments:** The EUR/RSD was little changed on Thursday, hovering around levels of 115.85/05 and largely shrugging off renewed Central Bank (NBS) intervention. It is estimated that the NBS sold around EUR 10-20mn on Thursday. Elsewhere, the stock market declined by 0.15% with volumes remaining at relatively low levels.

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## ROMANIA

(Bucharest, 28/2/2014, 09:00 EET): **Latest Political & Macro Developments:** The Social Democratic Party (PSD) is currently holding negotiations with the Democratic Union of Hungarians in Romania (UDMR) to form a new government after the coalition government with the National Liberal Party (PNL) broke down earlier this week. **Market Developments:** The EUR/RON moved lower on Thursday closing below 4,5000 following a short-lived spike to levels around 4,5150 in early trade. Elsewhere, MM rates remained in a downward trend with the 1M implied rate hovering around 2.50% (vs. ca 3.50% a week ago) and the 12M rate at 3.00% (vs. ca 3.50% a week ago). In a similar note, government bond yields eased triggering bullish steepening across the curve.

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## BULGARIA

(Sofia, 27/2/2014, 17:00 EET): **Latest Political & Macro Developments:** According to the latest Central Bank (BNB) data, interest rates on new deposits continued to decrease in January. In detail, interest rates on BGN and EUR denominated deposits fell by 0.84 ppts and 0.81 ppts on an annual basis to 3.89% and by to 3.44%, respectively. On the other hand, interest rates on BGN-denominated consumer loans increased by 0.6 ppts YoY to 12.12%, while respective rates for corporate loans dropped by 1.14ppts to 7.28%. **Market Developments:** Following a short-lived consolidation on Wednesday, Bulgarian equities resumed their uptrend on Thursday with all indices closing with returns between 0.30 - 0.50%. SOFIX added 0.32% to 596.2 points, primarily led higher by Chimimport AD.

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February 28, 2014

**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	1854.29	0.5%	0.3%	EUR/USD	1.371	0.0%	-0.2%	UST - 10yr	2.65	1	-38	GOLD	1328	-0.3%	10.1%
Nikkei 225	14841.07	-0.5%	-8.9%	GBP/USD	1.6731	0.3%	1.1%	Bund-10yr	1.57	1	-36	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	337.87	0.2%	2.9%	USD/JPY	101.7	0.4%	3.5%	JGB - 10yr	0.59	0	-16	LME X	3087	0.0%	-2.3%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.89	8	-12
1-week	8.19	9	-9
1-month	8.57	5	-1
3-month	8.88	-2	0
6-month	9.12	3	-3

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.07	0	11
5Y RSD	11.42	0	-141
7Y RSD	12.26	2	-155

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.96	0	-105
USD Nov-24	-0.20	-682	-710

**CDS**

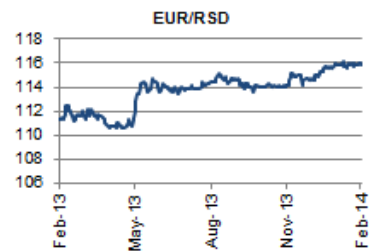
	Last	ΔDbps	ΔYTD bps
5-year	406	1	-3
10-year	440	0	-5

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	573.7	-0.15%	2.82%

**FOREX**

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



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.7	-5	96
1-month	3.18	-2	130
3-month	3.36	-2	92
6-month	3.61	0	62
12-month	3.62	0	47

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	4.06	-1	11
5Y RON	4.72	-2	7
10Y RON	5.46	-1	16

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.42	-4	-42
USD Aug-23	4.46	1	-34

**CDS**

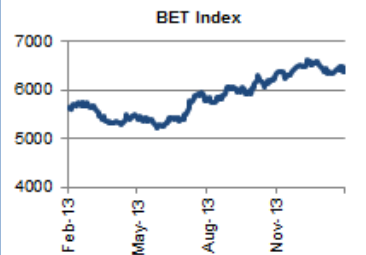
	Last	ΔDbps	ΔYTD bps
5-year	180	0	-4
10-year	228	0	-5

**STOCKS**

	Last	ΔD	ΔYTD
BET	6417.4	0.67%	-1.18%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4973	-0.18%	-0.54%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.03	0	-4
1-month	0.28	-1	-4
3-month	0.58	0	-6
6-month	1.09	-1	-6
12-month	2.13	-1	-7

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.01	0	-8
5Y BGN	1.72	0	-12
10Y BGN	3.38	0	-11

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.68	-1	9
EUR Jul-17	1.52	12	-29

**CDS**

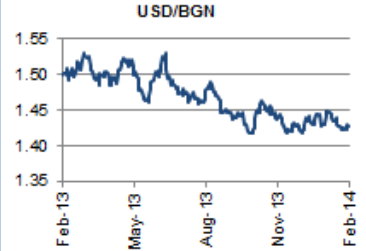
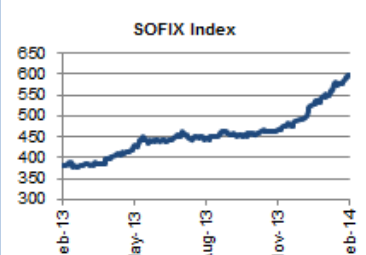
	Last	ΔDbps	ΔYTD bps
5-year	122	0	-2
10-year	169	-3	-5

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	596.5	0.06%	21.37%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4265	0.01%	-0.24%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 09:10 EET

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