

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 3, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 3
  - ISM manuf (Jan)
- Feb. 4: Factory orders (Dec)
- Feb. 5: ADP (Jan)
- Feb 6
  - Initial jobless claims (Feb 1)
- Feb 7
  - NFP (Jan)
  - U/E rate (Jan)

### EUROZONE

- Feb 3: PMI manuf (Jan, f)
- Feb 5: PMI services (Jan, f)
- Feb 6: ECB meeting

### SEE

#### SERBIA

- Feb 4: 5Y auction

#### ROMANIA

- Feb 3
  - Retail sales (Dec)
  - Reserves (Jan)
- Feb 4
  - PPI (Dec)
  - MPC meeting
- Feb 6
  - RON600mn auction
  - Wages (Dec)

#### BULGARIA

- Feb 3
  - Budget (Dec)
  - Reserves (Jan)
- Feb 7:
  - IP(Dec)
  - Retail sales (Dec)
  - U/E rate (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In FX markets, the EUR kicked off the week on a negative tone weighed down by increased expectations for further ECB monetary policy easing on the back of mounting deflation fears. Eurozone flash headline HICP fell unexpectedly to 0.7%yoy in January, returning to October's near four-year low.

**GREECE:** As things stand at this point, there is no official announcement as to the exact date of the resumption of official talks in the context of the current (4<sup>th</sup>) program, though some press reports over the weekend suggested that the troika mission will likely return to Athens later this month.

### SOUTH EASTERN EUROPE

**SERBIA:** Deputy Prime Minister Aleksandar Vucic said late last week that, as a key prerequisite for the signing of a precautionary arrangement, the IMF requires that Serbia secures extra budgetary savings of €400mn (or ca 1.2% of projected GDP) for this year.

**ROMANIA:** With market participants seeking to ascertain how much RON liquidity was taken out of the markets in suspected Central Bank FX interventions last week, RON short term rates continued to rise.

**BULGARIA:** Unemployment rate in Bulgaria rises to 13.1% in December. Domestic stock markets recover part of their recent losses on Friday.

**CESEE Markets: Emerging bourses** recorded hefty losses on a weekly basis on Friday, **local rates markets** remained under pressure, as **EM currencies** retain a negative tone, concerns about China's growth outlook persist and worries linger over the impact of the gradual withdrawal of the Fed's stimulus program on emerging economies.

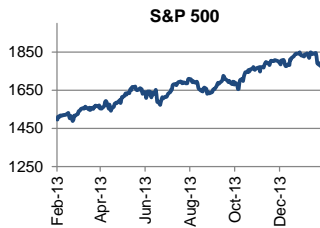
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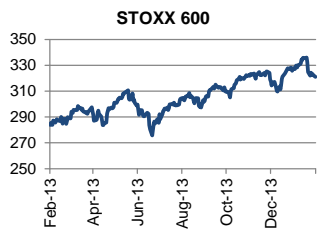
## Latest world economic & market developments

### GLOBAL MARKETS

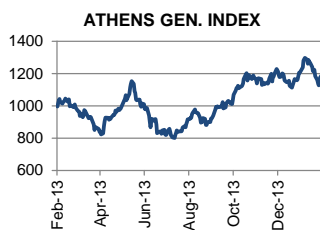
In FX markets, the EUR kicked off the week on a negative tone weighed down by increased expectations for further ECB monetary policy easing on the back of mounting deflation fears. According to data released on Friday, Eurozone flash headline HICP fell unexpectedly to 0.7%yoy in January, returning to October's near four-year low. Market expectations were for an increase to 0.9%yoy from 0.8%yoy in the prior month. All eyes this week are on the ECB policy meeting, scheduled for Thursday.



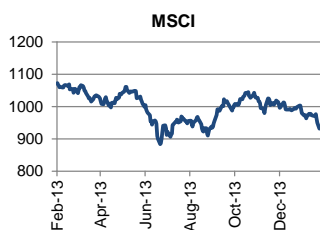
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

### GREECE

As things stand at this point, there is no official announcement as to the exact date of the resumption of official talks in the context of the current (4<sup>th</sup>) program, though some press reports over the weekend suggested that the troika mission will likely return to Athens later this month. As per the same sources, the Greek government aspires for a preliminary agreement on outstanding issues underlying the current review to be reached by February 17, when euro area finance ministers are scheduled to convene anew, paving the way for an approval of the next EU loan tranche to Greece at the March 10 Eurogroup. To this end, recent press reports suggested that an omnibus bill incorporating the required legislation for the implementation of all relevant quantitative targets and structural benchmarks underlying the present troika review, has to be parliamentary endorsed by March 10.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** closed nearly flat on Friday albeit recording hefty losses on a weekly basis as regional currencies remain under pressure, concerns about China's growth outlook persist and worries linger over the impact of the gradual withdrawal of the Fed's stimulus program on EM economies. As a result, the MSCI emerging equities index ended Friday's session in a marginally positive territory, though recording weekly losses to the tune of 1.41%. Elsewhere, **CESEE bourses** were mixed, with Turkey's BIST 100 underperforming its regional peers with a 1.34% drop as the lira's recent sharp weakening and the latest bout of risk aversion have fanned worries over companies' foreign debt burden and rising borrowing costs. Serbia's BELEX15 bucked the trend, posting gains of 0.86% to end the month 2.84% higher. In the **FX markets**, regional currencies extended their recent downtrend. The Hungarian forint slid to a new 2-year low of 314.23/EUR on Friday following Central Bank Governor's recent comments which suggested that the door is open for further monetary easing ahead. In spite of comparably better macroeconomic fundamentals, the Polish zloty did not escape the recent sell-off in emerging currencies unscathed. The EUR/PLN rose as far as a 4-½-month high of 4.2621 on Friday and the government postponed for next week the announcement of its monthly debt supply plans in view of persisting emerging market jitters. Along similar lines, **local rate markets** remained under pressure on Friday. Hungarian bonds led the losses in the region as the domestic currency's recent sharp weakening stirred speculation that higher MNB rates would be the only means of effectively halting the HUF's recent depreciation momentum. Bond yields spiked by around 20bps, with the impact being more pronounced on the shorter-end of the curve.

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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	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.3	7.9	5.5
Budget Balance/GDP	-6.4	-6.5	-7.1
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	115.00
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

## SERBIA

(Belgrade, 31/1/2014, 16:30 CET): **Latest Political & Macro Developments:** Deputy Prime Minister Aleksandar Vucic said late last week that, as a key prerequisite for the signing of a precautionary arrangement, the IMF requires that Serbia secures extra budgetary savings of €400mn (or ca 1.2% of projected GDP) for this year. He added that the Fund plans to visit Serbia on February 26. Savings of this magnitude may pose a major hurdle for the government to achieve, as they have to materialize in a rather limited time taking into consideration that general elections are scheduled for March 16 and the new cabinet is unlikely to be sworn in before the end of April. **Market Developments:** In the FX markets, the EUR/RSD was little changed on Friday, hovering around levels of 115.85/05 in the absence of any major news from the domestic political and economic fronts. Elsewhere, Belex15 gained 0.86%.

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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	3.75	3.75

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

## ROMANIA

(Bucharest, 3/2/2014, 09.10 EET): **Market Developments:** The EUR/RON hit an intraday low of 4.4870 on Friday after breaking below the 4.5000 key psychological support level for the first time since the last NBR meeting in January. With market participants seeking to ascertain how much RON liquidity was taken out of the markets in suspected Central Bank FX interventions last week, RON short term rates continued to rise, with the government bond yield curve becoming inverted. In FX swaps, one-week implied rates traded at 10%, way above the Lombard rate, while the 1-month and 12-month rates reached 7% and 3.75%, respectively. With interest rates currently well above the Central Bank key policy rate of 3.75%, all eyes today will be on whether NBR will re-launch its Monday 1-week repo auctions and inject liquidity into the markets at the monetary policy rate of 3.75%. Recall that, these auctions have been discontinued since September last year as excess RON liquidity in the market deemed them unnecessary.

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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

## BULGARIA

(Sofia, 31/01/2014, 17.30 EET): **Latest Political & Macro Developments:** According to recent Eurostat data, Bulgaria's unemployment rate increased by 0.1ppts in December to 13.1%, not far from October's long-term high of 13.2%. In the same month, the youth unemployment rate recorded a sharp rise by 6ppts to 29.4%. **Market Developments:** Following last week's emerging markets sell-off, the domestic stock market recovered part of its losses with nearly all major indices closing in green on Friday. Main index SOFIX gained 0.39% ending the day at 546.83 points. Local bond markets closed little changed on the week, with government bond yields largely shrugging off upside pressures witnessed in regional peers. The Ministry of Finance plans to issue BGN 400mn (EUR 205mn) in 3-month T-Bills on Monday.

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February 3, 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	1782.59	-0.6%	-3.6%	EUR/USD	1.3501	0.1%	-1.8%	UST - 10yr	2.66	2	-36	GOLD	1245	0.0%	3.2%
Nikkei 225	14619.13	-2.0%	-10.3%	GBP/USD	1.6374	-0.4%	-1.1%	Bund-10yr	1.66	1	-27	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	321.00	-0.5%	-2.2%	USD/JPY	102.03	0.0%	3.2%	JGB - 10yr	0.62	-1	-13	LMEX	3042	-0.5%	-3.7%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.84	-5	-17
1-week	8.07	-1	-21
1-month	8.36	2	-22
3-month	8.73	-2	-15
6-month	8.96	-4	-19

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.98	0	#VALUE!
5Y RSD	10.57	0	#VALUE!
7Y RSD	11.45	0	-235

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.81	0	#VALUE!
USD Nov-24	6.77	1	#VALUE!

**CDS**

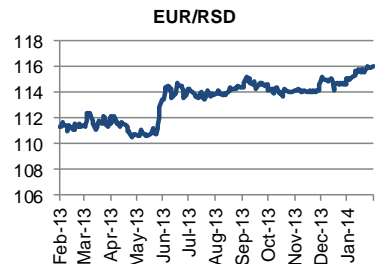
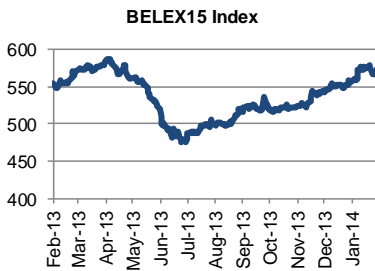
	Last	ΔDbps	ΔYTD bps
5-year	410	36	1
10-year	449	39	2

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	574.9	0.19%	3.03%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.9	0.02%	-1.13%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	4.19	-14	245
1-month	3.54	1	166
3-month	3.54	2	110
6-month	3.27	1	28
12-month	3.27	1	12

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	1	-15
5Y RON	4.70	-1	5
10Y RON	5.54	-2	24

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.79	2	-6
USD Aug-23	4.94	3	#VALUE!

**CDS**

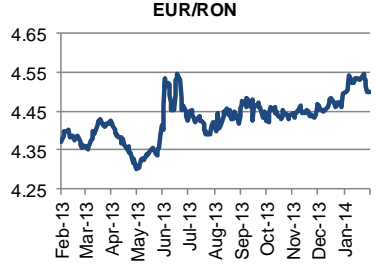
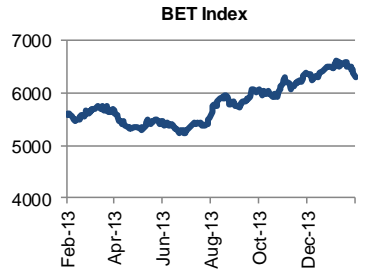
	Last	ΔDbps	ΔYTD bps
5-year	197	0	12
10-year	242	8	10

**STOCKS**

	Last	ΔD	ΔYTD
BET	6288.1	-1.42%	-3.17%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4905	0.20%	-0.39%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	1	-3
1-month	0.31	0	-1
3-month	0.62	0	-3
6-month	1.15	0	-1
12-month	2.20	0	1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	0	#VALUE!
5Y BGN	1.80	2	#VALUE!
10Y BGN	3.52	0	#VALUE!

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.77	1	#VALUE!
EUR Jul-17	1.71	-6	#VALUE!

**CDS**

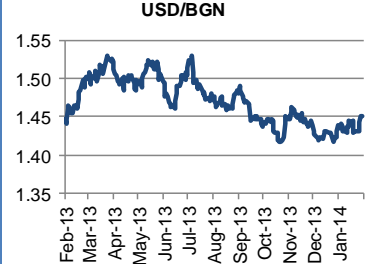
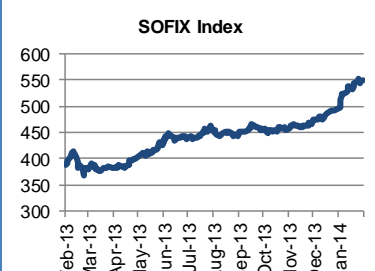
	Last	ΔDbps	ΔYTD bps
5-year	130	0	7
10-year	180	2	5

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	548.1	0.24%	11.52%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4487	0.10%	-1.77%



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