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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

March 18, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Mar 17
  - Empire state (Mar)
  - IP (Feb)
  - NAHB house index (Mar)
- Mar 18
  - CPI (Feb)
  - Housing starts (Feb)
  - House permits (Feb)
- Mar 19: FOMC announcement
- Mar 20:
  - Initial jobless (Mar 15)
  - Existing home sales (Feb)

EUROZONE

- Mar 17: HICP (Feb, f)
- DE:
  - Mar 18: ZEW (Mar)

SEE

SERBIA

- Mar 20: CAD (Dec)
- 7-year RSD T-bonds auction

ROMANIA

- Mar 17
  - CAD (Jan)
  - RON 400mn T-bonds auction
- Mar 20: RON 300mn T-bonds auction

BULGARIA

- Mar 17: CAD (Jan)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the improved tone on Wall Street overnight, Asian bourses moved higher on Tuesday as concerns about an immediate military conflict in Ukraine have somewhat eased. In FX markets, the EUR retained a firm tone in European trade, shrugging off a downward revision in the Eurozone's February annual inflation to a final four-year low of 0.7%YoY from 0.8%YoY in the prior month.

GREECE: Following lengthy negotiations over the last few days, domestic authorities and the troika have reportedly edged close to reaching an agreement on a number of core measures required for the completion of Greece's current (4th) program review.

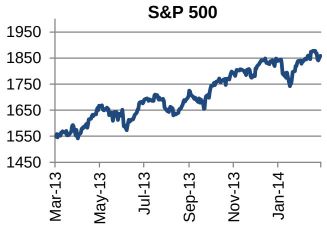
SOUTH EASTERN EUROPE

SERBIA: Serbian assets were little changed as Sunday's parliamentary elections outcome, was largely expected.

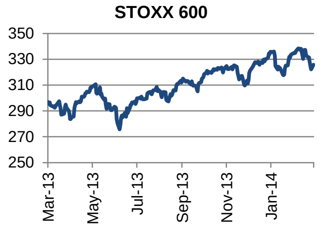
ROMANIA: The recent improvement in the country's external imbalances continued in January with the current account surplus rising to €388mn from €267mn over the same month a year earlier.

BULGARIA: The current account deteriorated in January, posting a deficit of 0.7%-of-GDP.

CESEE Markets: **Emerging stock markets** opened broadly higher on Tuesday, adding to the prior session's gains, after Sunday's referendum in Crimea did not lead to increased violence in the region. **CESEE currencies** have been little changed. Focus today is on Russian President Vladimir Putin's speech in Parliament (11.00GMT).



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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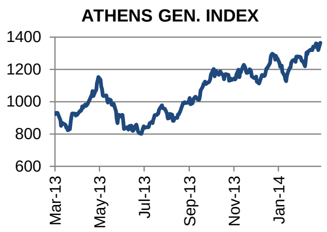

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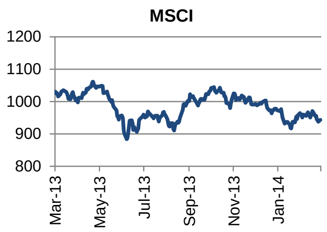

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the improved tone on Wall Street overnight, Asian bourses moved higher on Tuesday as concerns about an immediate military conflict in Ukraine have somewhat eased. Additionally, economic sanctions that were imposed by both the EU and the US on a number of Russian officials in the Russian Federation and Ukraine following the outcome of Sunday's referendum in Crimea were deemed as less severe than initially feared. In FX markets, the improved tone on global equity markets dented the safe-haven appeal of the JPY helping the USD/JPY to gain some ground, hovering around 101.45/50 in European trade at the time of writing after falling to as low 101.20 in the prior session. Elsewhere, the EUR retained a firm tone in European trade, shrugging off a downward revision in the Eurozone's February annual inflation to a final four-year low of 0.7%YoY from 0.8%YoY in the prior month.

Greece

Following lengthy negotiations over the last few days, domestic authorities and the troika have reportedly edged close to reaching an agreement on a number of core measures required for the completion of Greece's current (4th) program review. As per the same sources, a final agreement is likely during the day, before the departure of the troika heads from Athens. Yet, if a final deal is not sealed today, discussions on outstanding issues will reportedly continue through e-mails with an intention to reach full agreement by the end of the week.

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Latest developments in the CESEE region

CESEE markets

Emerging stock markets opened broadly higher on Tuesday, adding to the prior session's gains, after Sunday's referendum in Crimea did not lead to increased violence in the region. Nonetheless, caution prevailed on the back of lingering geopolitical tensions in Ukraine. The US and the EU have deemed the plebiscite as illegal and imposed sanctions on Monday, including travel restrictions and asset freezes, on several officials in Ukraine and Russia considered as responsible for Crimea's referendum. On a first move towards the peninsula's accession to the Russian Federation, President Vladimir Putin signed an order on Monday "to approve the draft treaty between the Russian Federation and the Republic of Crimea on adopting the Republic of Crimea into the Russian Federation". He is scheduled to address Parliament at 11.00GMT later today on the said issue. Against this backdrop, the MSCI emerging equities index stood 0.30% firmer earlier today after closing 0.59% higher on Monday and partially recovering last week's losses. Hungary's BUX led the gains in the CESEE region rising by 0.30% in European trade today, in the wake of yesterday's 3.92% rally. The said index has been the most hit in the CESEE region so far this year, in view of persisting geopolitical tensions as it includes shares of companies with exposure to both Ukraine and Russia. On a year-to-date basis it stands ca 10% lower. Separately, Ukraine's PFTS index plummeted by 2.97% on Monday after the conclusion of the referendum in Crimea. So far this week, **CESEE currencies** have been little changed. The Turkish lira underperformed its regional peers ahead of a Central Bank monetary policy meeting later today, where interest rates are broadly anticipated to remain unchanged amid lingering domestic political uncertainty ahead of the March 30 local elections. As such, the USD/TRY hovered around levels of 2.2225 in European trade on Tuesday vs. 2.2157 on Monday's close.

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SERBIA

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

(Belgrade, 18/3/2014, 09:15 CET): **Latest Political & Macro Developments:** With Sunday's election outcome, appearing to have been largely priced in by the markets, the dinar was little changed on Monday's close, the price of the 2021 USD-denominated bond rose just 31 cents and Belgrade's main Belex15 equity index shed 0.25%. President Tomislav Nikolic vowed to immediately designate Serbian Progressive Party (SNS) leader Aleksandar Vucic as the country's new Prime Minister, hinting about a swift formation of a new government. **Market Developments:** The dinar failed to capitalize on Sunday's clear election outcome with strong EUR/RSD support found at 115.70 and the cross standing little changed at 115.85/05 on Monday.

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ROMANIA

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

(Bucharest, 18/3/2014, 09:05 EET): **Latest Political & Macro Developments:** The recent improvement in the country's external imbalances continued in January with the current account surplus rising to €388mn from €267mn over the same month a year earlier. Recall that, the current account deficit shrunk to €1.5bn last year from €5.8bn in 2012. **Market Developments:** The EUR/RON was little changed on Monday, remaining bound within its recent 4.5050/150 range. In money markets, 1-3M implied RON rates from swaps climbed some 20bps over the past two sessions, in view ongoing geopolitical tensions. On the primary government bonds market, the MoF sold on Monday the announced RON 400mn in 5Y bonds at an average accepted yield of 4.94%. Despite of a lower average yield on Monday's tender compared to 5.10% achieved in a similar auction in February, yields came at the upper end of market expectations, prompting a fresh 10bps upward shift in the yield curve.

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BULGARIA

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	1.0
EUR/BGN (eop)		1.95583	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 18/3/2014, 10:50 EET): **Latest Political & Macro Developments:** According to BNB data, the current account deficit deteriorated in January, coming in at €282mn vs. EUR 87.7mn over the same month a year earlier. The said deterioration stems from a higher trade deficit of €324.1mn in January in view of a 10.9%YoY drop to €1,583.7mn in exports in tandem with a 5.4%YoY increase to €1,907.8mn in imports. On the other hand, the financial account improved to a deficit of €441.7mn from a €1,090.2mn shortfall over the same month a year earlier, thanks to stronger portfolio and other investments. Meanwhile, foreign direct investment fell by 17.7%YoY to €58.3bn. In other news, February's HICP declined by 2.1%YoY following a 1.4%YoY drop a month earlier. **Market Developments:** The domestic stock market kicked off the week on a positive footing, with SOFIX advancing by 1.03% to 607.84 points and the broader equally-weighted BG TR30 gaining 1.65%.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	1858.83	1.0%	0.6%
Nikkei 225	14411.27	0.9%	-11.5%
STOXX 600	325.83	1.1%	-0.7%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.3932	0.1%	1.4%
GBP/USD	1.6645	0.0%	0.5%
USD/JPY	101.63	0.1%	3.6%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.68	-1	-35
Bund-10yr	1.57	2	-36
JGB - 10yr	0.62	0	-12

Commodities	Last	ΔD	ΔYTD
GOLD	1361	-0.5%	12.9%
BRENT CRUDE	168	0.0%	0.4%
LMEX	2938	0.0%	-7.0%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.91	2	-10
1-week	8.19	2	-9
1-month	8.47	2	-11
3-month	8.86	1	-2
6-month	9.10	1	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.20	0	-85
5Y RSD	11.29	0	-153
7Y RSD	11.60	0	-220

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.05	0	-96
USD Nov-24	0.56	-610	-620

CDS

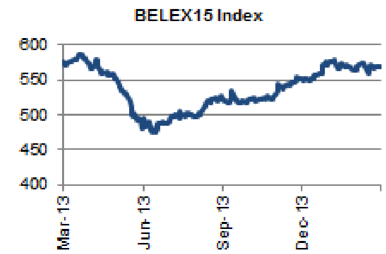
	Last	ΔDbps	ΔYTD bps
5-year	377	-11	-32
10-year	414	-10	-33

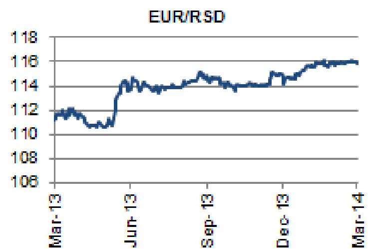
STOCKS

	Last	ΔD	ΔYTD
BELEX15	568.2	-0.25%	1.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.8	0.09%	-1.05%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.98	0	-76
1-month	2.3	0	42
3-month	3.02	0	58
6-month	3.47	0	48
12-month	3.48	0	33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.00	0	5
5Y RON	4.69	0	4
10Y RON	5.43	0	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.42	-12	-43
USD Aug-23	4.32	-25	-49

CDS

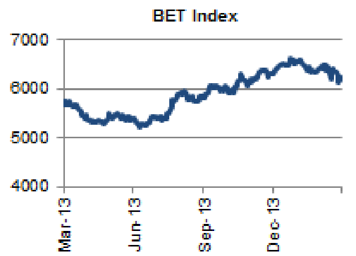
	Last	ΔDbps	ΔYTD bps
5-year	181	0	-4
10-year	222	-5	-10

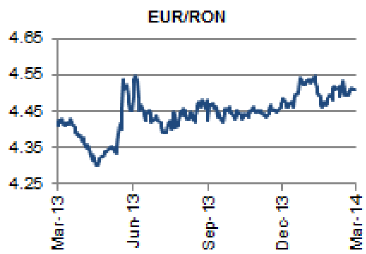
STOCKS

	Last	ΔD	ΔYTD
BET	6242.6	1.75%	-3.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.51	0.00%	-0.82%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.28	0	-4
3-month	0.56	-1	-9
6-month	1.07	0	-8
12-month	2.08	-1	-12

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.01	0	-8
5Y BGN	1.65	0	-19
10Y BGN	3.32	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.78	-2	22
EUR Jul-17	1.52	1	-29

CDS

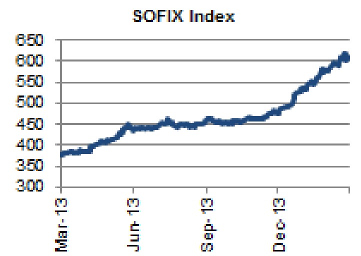
	Last	ΔDbps	ΔYTD bps
5-year	128	0	5
10-year	175	1	0

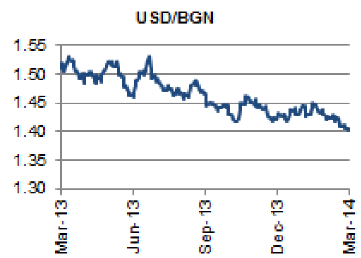
STOCKS

	Last	ΔD	ΔYTD
SOFIX	607.8	1.03%	23.67%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.404	0.06%	1.36%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:00 EET

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