

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 7, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Mar 5
  - ADP employment (Feb)
  - ISM non manuf (Feb)
- Mar 6: Initial jobless claims (Feb 21)
- Mar 7
  - NFP report (Feb)

### EUROZONE

- Mar 5: PMI services (Feb, f)
- Mar 6: ECB meeting

### SEE

#### SERBIA

- Mar 6: MPC rate announcement
- PPI (Feb, harmonized)

#### ROMANIA

- Mar 4
  - Retail sales (Jan)
  - PPI
- Mar 5: GDP (Q4, p)
- Mar 6: RON 700mn T-Bonds auction
- Mar 7: Net wages (Jan)

#### BULGARIA

- Mar 4: International reserves (Feb)
- Mar 5: GDP (Q4, f)
- Mar 7: U/E rate (Feb)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In line with market expectations, the ECB stayed put on interest rates and refrained from delivering new unconventional measures at its monetary policy meeting on Thursday. ECB President Mario Draghi adopted a less-dovish-than expected tone in the post-meeting press conference pushing German government bonds lower and helping the EUR move higher hitting a year-to-day peak of 1.3873 against the US currency in early European trade on Friday.

**GREECE:** According to the results of a detailed **stress test exercise** published y-day, the **Bank of Greece** estimates capital needs for all Greek commercial banks at €6.4bn on a consolidated basis. Out of this amount, ca €5.8bn corresponds to the four systemic banks. In other news, Greece's **unemployment rate** dropped marginally in December coming in at 27.5% from a downwardly revised 27.6% in the prior month remaining though within distance from September's 27.8% record high.

### SOUTH EASTERN EUROPE

**SERBIA:** Serbia granted a \$1bn 10-year credit line from UAE.

**ROMANIA:** The president swore-in the newly-formed government, adding to hopes about easing domestic political tensions following the recent break-up of the former ruling coalition.

**BULGARIA:** Bulgarian equities extended their recent gains, with the SOFIX index hitting a new near 6-year high.

**CESEE Markets: Emerging stock markets** closed broadly higher on Thursday, favoured by somewhat easing concerns about an imminent military action in Ukraine and better-than-anticipated US initial jobless claims data which bode well for today's NFP report. Separately, **CESEE currencies** broadly firmed yesterday, erasing earlier intraday losses and receiving support from a stronger EUR after the ECB policy meeting.

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## Latest world economic & market developments

### GLOBAL MARKETS

In line with market expectations, the ECB stayed put on interest rates and refrained from delivering new unconventional measures at its monetary policy meeting on Thursday. ECB President Mario Draghi adopted a less-dovish-than expected tone in the post-meeting press conference, signaling that it may be premature to expect the ECB to take any further action in the near future. According to the ECB President, economic recovery in the euro area is proceeding, albeit at a slow pace, and stressed that subdued inflation pressures over the last couple of years were partially due to temporary factors. In response to the ECB President's less-dovish-than expected tone, German government bonds moved lower and the EUR firmed hitting a year-to-day peak of 1.3873 against the US currency in early European trade on Friday. Technically, the next target on the upside stands at 1.3890, a level that could be potentially tested in the coming sessions, especially if today's US February's NFP report surprises negatively.

### Greece

According to the results of a detailed **stress test exercise** published y-day, the **Bank of Greece** estimates capital needs for all Greek commercial banks at €6.4bn on a consolidated basis. Out of this amount, ca €5.8bn corresponds to the four systemic banks with the following allocation: Eurobank: €2,945mn, National Bank of Greece: 2,183mn, Piraeus Bank: 425mn and Alpha Bank: 262mn. The capital needs assessment was conducted in H2 2013 by the Bank of Greece with the technical support of Rothschild after incorporating BlackRock's Asset Quality Review (AQR) and respective bank business plans, aiming to ensure minimum Core Tier 1 capital level of 8% under a binding Baseline Scenario over the June 2013-December 2016 period. The Bank of Greece officially requested banks to submit their capital plans by mid-April 2014 to cover the identified capital needs. In other news, Greece's **unemployment rate** dropped marginally in December coming in at 27.5% from a downwardly revised 27.6% in the prior month remaining though within distance from September's 27.8% record high.

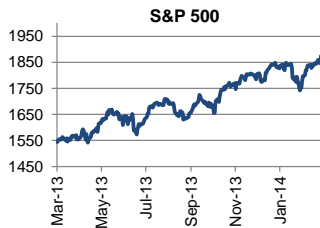
[pptropoulou@eurobank.gr](mailto:pptropoulou@eurobank.gr)

## Latest developments in the CESEE region

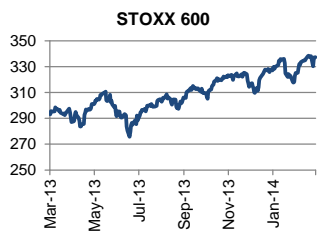
### CESEE markets

**Emerging stock markets** closed broadly higher on Thursday, favoured by somewhat easing concerns about an imminent military action in Ukraine and better-than-anticipated US initial jobless claims data which bode well for today's NFP report. Against this backdrop, the MSCI emerging equities index rose by 1.16% at a 1-1/2-month peak of 970.27 points. Similarly, the majority of CESEE bourses closed in a positive territory. Bulgaria led the way higher with 1.49% gains. On the flipside, Ukraine's PFTS index bucked the trend, plummeting by 5.01% after Crimea's Parliament called a referendum on March 16, for seceding from Ukraine and becoming part of the Russian Federation. Russia's stocks also recoiled on the news, pressured further by worries that potential sanctions from the US or EU could bear negative implications on the country's exports and consequently growth outlook. Separately, **CESEE currencies** broadly firmed yesterday, erasing earlier intraday losses and receiving support from a stronger EUR after the ECB policy meeting. The Ukrainian hryvnia led the winners' pack recovering part of hefty losses suffered a session earlier, with the USD/UAH easing 1.61% to stand at 9.15 on Thursday's settlement, but remaining not too far from a record high of 11.00 hit last month.

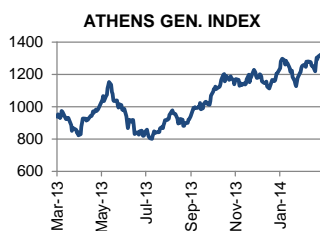
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)



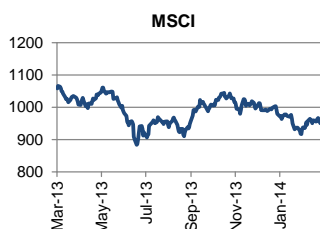
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	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, 6/3/2014, 15:30 CET): **Market Developments:** The Minister of Finance signed a \$1bn 10-year bilateral loan agreement with UAE on Thursday, with an interest rate of 2%. In other news, the Ministry of Finance sold RSD 9.9bn (€85 million) of 53-week T-Bills, at a yield of 8.88%, up from 8.58% when paper of similar maturity was auctioned near two weeks ago. **Market Developments:** The Central Bank (NBS) stayed put on interest rates at its MPC meeting yesterday, maintaining its key policy rate unchanged at 9.50%, in line with market expectations. The EUR/RSD was little changed on Thursday hovering around levels of 115.90/10 following renewed Central Bank intervention in the FX markets in order to support the dinar. The NBS sold an estimated EUR 20mn. Separately, the main stock index rebounded ending a 1.25% higher.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

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

## ROMANIA

(Bucharest, 7/3/2014, 09:15 EET): **Latest Political & Macro Developments:** The newly-formed government was sworn in before President Traian Basescu on Wednesday, adding to hopes about easing domestic political tensions following the recent break-up of the former ruling coalition. **Market Developments:** The EUR/RON was pressured by the said development, moving below the key 4.5000 level. Meanwhile, money market rates continued to ease, with the 1M RON rate implied from swaps dropping below 2.00% for the first time over the last couple of months. Elsewhere, government bond yields fell by 20bps across the curve, with the MoF successfully issuing on Thursday RON 700mn of 3Y bonds at an average accepted yield of 4.25%.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.6	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, 6/3/2014, 17:40 EET): **Market Developments:** The domestic stock market recorded hefty gains on Thursday, with all indices rising by around 1.5 – 2.9%. The main SOFIX index advanced by 1.49% to close at a near 6-year high of 605.94 points.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

**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	1877.03	0.2%	1.6%	EUR/USD	1.386	0.0%	0.9%	UST - 10yr	2.73	0	-29	GOLD	1349	-0.2%	11.9%
Nikkei 225	15274.07	0.9%	-6.2%	GBP/USD	1.6731	-0.1%	1.1%	Bund-10yr	1.65	0	-28	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	337.28	0.1%	2.7%	USD/JPY	102.95	0.1%	2.3%	JGB - 10yr	0.61	-1	-13	LME X	3117	0.4%	-1.3%

**SEE MARKETS**

**SERBIA**

*Money Market*

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.88	0	-13
1-week	8.13	-3	-15
1-month	8.45	-2	-13
3-month	8.80	-2	-8
6-month	9.08	-1	-7

*RS Local Bonds*

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.13	0	18
5Y RSD	11.30	0	-152
7Y RSD	11.75	0	-206

*RS Eurobonds*

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.98	0	-102
USD Nov-24	-0.35	-697	-712

*CDS*

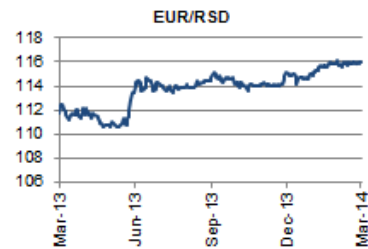
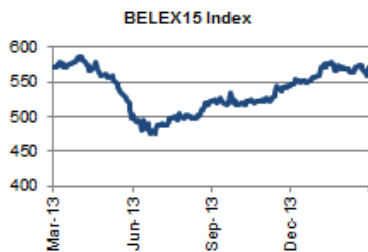
	Last	ΔDbps	ΔYTD bps
5-year	375	-1	-34
10-year	409	-5	-38

*STOCKS*

	Last	ΔD	ΔYTD
BELEX15	570.7	1.25%	2.29%

*FOREX*

	Last	ΔD	ΔYTD
EUR/RSD	116.1	-0.07%	-1.31%



**ROMANIA**

*Money Market*

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.96	0	22
1-month	2.53	0	65
3-month	3.21	0	77
6-month	3.52	0	53
12-month	3.53	0	38

*RO Local Bonds*

	Last	ΔDbps	ΔYTD bps
3Y RON	3.88	0	-7
5Y RON	4.49	0	-16
10Y RON	5.35	0	5

*RO Eurobonds*

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.46	0	-38
USD Aug-23	4.40	0	-40

*CDS*

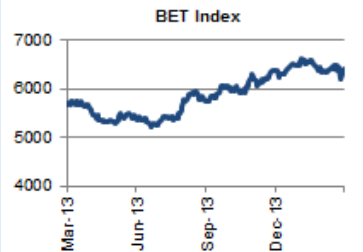
	Last	ΔDbps	ΔYTD bps
5-year	171	0	-14
10-year	215	0	-17

*STOCKS*

	Last	ΔD	ΔYTD
BET	6389.2	0.91%	-1.61%

*FOREX*

	Last	ΔD	ΔYTD
EUR/RON	4.4981	-0.09%	-0.56%



**BULGARIA**

*Money Market*

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.28	0	-4
3-month	0.57	0	-8
6-month	1.07	0	-9
12-month	2.07	0	-12

*BG Local Bonds*

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.02	0	-7
5Y BGN	1.72	0	-13
10Y BGN	3.39	0	-11

*BG Eurobonds*

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.74	-2	17
EUR Jul-17	1.59	1	-22

*CDS*

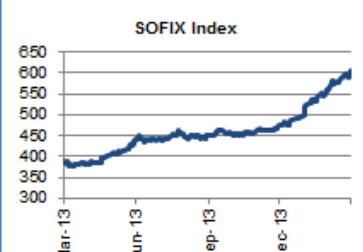
	Last	ΔDbps	ΔYTD bps
5-year	124	0	0
10-year	168	-1	-6

*STOCKS*

	Last	ΔD	ΔYTD
SOFIX	605.9	1.49%	23.28%

*FOREX*

	Last	ΔD	ΔYTD
USD/BGN	1.4113	-0.01%	0.84%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 9:30 EET

## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

[galatia.phoka@eurobank.gr](mailto:galatia.phoka@eurobank.gr)

### Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

### Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Global Markets Research

### Global Markets Research Team

**Dr. Platon Monokroussos:** Head of Global Markets  
Research [pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18  
903

**Paraskevi Petropoulou:** G10 Markets Analyst  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales  
[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales  
[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis:** Head of Corporate Sales  
[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales  
[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales  
[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales  
[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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