

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 21, 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:** In FX markets, the USD retained a firm tone in early European trade on Friday supported by a hawkish shift in FOMC rate hike expectations. Elsewhere, major European bourses opened higher, taking their lead from the positive tone in Wall Street overnight, following a string of firmer-than-expected US data y-day.

**GREECE:** The staff-level agreement reached between domestic authorities and the troika earlier this week on the core measures underlying Greece's 4<sup>th</sup> program review, is expected to pave the way for an approval of the release of the next EFSF loan tranche at the upcoming April 1<sup>st</sup> Eurogroup. But, before official lenders give the green light for this disbursement, the Greek government has to secure approval by the Hellenic Parliament of a multi-bill containing the required legislation for the implementation of the agreed milestones. The said bill will be reportedly submitted to Parliament on March 26. In other news, S&P affirmed Greece's sovereign credit rating at B- with a stable outlook.

### SOUTH EASTERN EUROPE

**SERBIA:** Former Minister of Finance Lazar Krstic said earlier this week that a potential IMF agreement will likely be reached soon after the formation of a new government.

**ROMANIA:** The MoF issued on Thursday EUR 200mn of EUR denominated sovereign bonds at a 3.30% average yield, unchanged compared to February's when paper of similar maturity was issued.

**BULGARIA:** Domestic stock markets weakened on Thursday, reflecting the negative tone in the broader emerging market region.

**CESEE Markets: Emerging stock markets** closed broadly lower on Thursday and **CESEE currencies** were mixed in the wake of comments by the FOMC President which fuelled speculation that the Central Bank could possibly hike interest rates earlier-than-previously expected.

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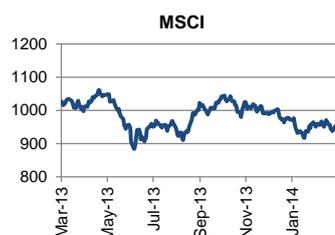
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

In FX markets, the USD retained a firm tone in early European trade on Friday supported by a hawkish shift in FOMC rate hike expectations following related comments by FOMC Chairman Janet Yellen in the Q&A session of the press conference that followed upon the conclusion of the March 19 monetary policy meeting. The EUR/USD was hovering around 1.3785/90 at the time of writing, not far from Thursday's three-week trough of 1.3750. Elsewhere, major European bourses opened higher on Friday, taking their lead from the positive tone in Wall Street overnight, following a string of firmer-than-expected US data y-day.

### Greece

The staff-level agreement reached between domestic authorities and the troika earlier this week on the core measures underlying Greece's 4<sup>th</sup> program review, is expected to pave the way for an approval of the release of the next EFSF loan tranche at the upcoming April 1<sup>st</sup> Eurogroup. But, before official lenders give the green light for this disbursement, the Greek government has to secure approval by the Hellenic Parliament of a multi-bill containing the required legislation for the implementation of the agreed milestones. The said bill will be reportedly submitted to Parliament on March 26 in the form of three articles and under an emergency procedure so as to come for voting in time for next week's Eurogroup. In other news, S&P affirmed Greece's sovereign credit rating at B- with a stable outlook. In the accompanying statement, the rating agency said that, notwithstanding the steps already taken by the Greek government aiming "to strengthen the institutional framework and improve policy effectiveness" ... "Greece's external vulnerabilities persist given its high level of external debt, deflating economy, and limited monetary flexibility".

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** closed broadly lower on Thursday in the wake of comments by the FOMC President following the conclusion of the FOMC March 19 monetary policy meeting which signaled a possible rate hike earlier-than-previously expected, denting appetite for riskier assets. The MSCI emerging equities index slipped 1.04%, while in the CESEE region Hungary's BUX and Turkey's BIST posted respective losses to the tune 0.57% and 0.34%. Along similar lines, **CESEE currencies** were mixed. The Ukrainian hryvnia remained under pressure in view of ongoing geopolitical tensions, broadly underperforming its regional peers. Against this backdrop, the USD/UAH closed at 10.34 on Thursday, remaining within distance from a lifetime peak of 11.00 hit earlier this year. On the flipside, the Turkish lira firmed, with the USD/TRY ending yesterday's session near a 1-1/2-week high of 2.2201. In the **local rates markets**, the majority of government bonds lost ground in the aftermath of Wednesday's FOMC meeting. Bucking the region's trend, Hungarian paper gained support from a well-received government bond auction. The corresponding 10-year yield hovered around levels of 5.72% on Thursday, little changed from the previous session's settlement. Elsewhere, in the **external debt markets**, returns on the EMBI+ index fell by 0.3% on the day.

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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
	<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, 20/3/2014, 16:00 CET): **Market Developments:** Former Minister of Finance Lazar Krstic said earlier this week that a potential IMF agreement will likely be reached soon after the formation of a new government. He added that the new deal will likely be a 3-year precautionary arrangement and reiterated the need for drastic budget savings, but fell short from explicitly identifying where these savings will come from. **Market Developments:** The EUR/RSD closed little changed on Thursday, remaining trapped within the 115.70/90 - 116.00/20 recent range. Elsewhere, the domestic stock market continued to face selling pressure, with the main index Belex15 dropping 0.96%.

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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
	<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, 21/3/2014, 09:00 EET): **Market Developments:** In FX markets, the RON gained some ground on Thursday with the EUR/RON closing at levels around 4.4870 following a short-lived spike to 4.5000 in early trade. Elsewhere, the 1M implied RON rate from swaps moved back to levels close to 2.20% ahead of a new reserve period starting on Monday while all other short term RON rates ended little changed. Government bonds weakened with yields across the curve rising by ca 7bps. On the primary market, the MoF issued on Thursday EUR 200mn of EUR denominated sovereign bonds at a 3.30% average yield, unchanged compared to February's when paper of similar maturity was issued.

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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	
	<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, 20/3/2014, 17:30 EET): **Latest Political & Macro Developments:** According to Economic Research Institute, the grey economy is seen corresponding to 35%-40% of total economic activity. **Market Developments:** The domestic stock market retained a negative tone on Thursday with all indices falling by more than 1%. The main SOFIX index lost 1.5% to close at 584.19 points, recording its third consecutive day of decline.

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### 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	1866.51	0.3%	1.0%	EUR/USD	1.3774	-0.4%	0.2%	UST - 10yr	2.78	0	-25	GOLD	1327	-0.2%	10.1%
Nikkei 225	14224.23	-1.6%	-12.7%	GBP/USD	1.6496	-0.3%	-0.4%	Bund-10yr	1.66	6	-27	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	326.45	-0.4%	-0.6%	USD/JPY	102.42	-0.1%	2.8%	JGB - 10yr	0.60	-1	-14	LMEX	2973	0.7%	-5.9%

### SEE MARKETS

#### SERBIA

##### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.91	1	-10
1-week	8.15	-4	-13
1-month	8.45	-2	-13
3-month	8.82	-4	-6
6-month	9.11	1	-4

##### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.19	-4	23
5Y RSD	11.37	0	-145
7Y RSD	12.13	-5	-167

##### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.06	4	-95
USD Nov-24	-1.42	-807	-833

##### CDS

	Last	ΔDbps	ΔYTD bps
5-year	373	-4	-36
10-year	410	-4	-37

##### STOCKS

	Last	ΔD	ΔYTD
BELEX15	564.6	-0.96%	1.18%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.7	0.07%	-1.00%



#### ROMANIA

##### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.81	-4	-93
1-month	2.5	11	62
3-month	3.08	3	64
6-month	3.48	1	49
12-month	3.5	2	35

##### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	4	2
5Y RON	4.66	6	1
10Y RON	5.40	3	10

##### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.55	3	-30
USD Aug-23	4.64	-3	-17

##### CDS

	Last	ΔDbps	ΔYTD bps
5-year	178	0	-7
10-year	220	-2	-12

##### STOCKS

	Last	ΔD	ΔYTD
BET	6268.6	-0.06%	-3.47%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4885	0.09%	-0.35%



#### BULGARIA

##### Money Market

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

##### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.00	0	-9
5Y BGN	1.66	2	-19
10Y BGN	3.30	0	-20

##### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.79	3	21
EUR Jul-17	1.52	-8	-29

##### CDS

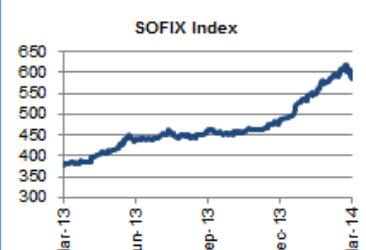
	Last	ΔDbps	ΔYTD bps
5-year	126	0	3
10-year	174	-1	0

##### STOCKS

	Last	ΔD	ΔYTD
SOFIX	585.7	-1.25%	19.15%

##### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.42	-0.42%	0.22%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 17:30 EET of previous session

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