

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

March 24, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- Mar 25
  - CB consumer sentiment (Mar)
  - New home sales (Feb)
- Mar 26: Durable goods orders (Feb)
- Mar 27
  - Initial jobless (Mar 21)
  - GDP (Q4, 3<sup>rd</sup> release)
  - Pending home sales (Feb)
- Mar 28: UoM consumer confidence (Mar, p)

### EUROZONE

- Mar 24: PMI (Mar)
- Mar 25: DE: Ifo (Mar)
- Mar 26: DE: Gfk (Mar)

### SEE SERBIA

- Mar 25
  - Real wages (Feb)
  - 2-year RSD T-bonds auction
- Mar 26: 2-year EUR T-bonds auction
- Mar 28: 3-year RSD T-bonds auction

### ROMANIA

- Mar 24: RON 300mn T-bonds auction
- Mar 27: RON 500mn T-bonds auction
- Mar 28: MPC announcement

### BULGARIA

- Mar 24: 1.5% 2016 T-bonds auction
- Mar 25: Gross external debt (Jan)
- Mar 28: PPI (Feb)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In **FX markets**, the USD retained a firm tone in European trade on Monday as the hawkish message delivered by FOMC Chairman Janet Yellen in the Q&A session following the conclusion of last week's monetary policy meeting, continues to exert a positive impact on market sentiment towards the US currency. Elsewhere, **major European bourses** opened lower today weighed down by disappointing Chinese manufacturing-related data. Meanwhile, investors keep a cautious stance ahead of today's G7 meeting where geopolitical tensions in Ukraine are expected to dominate discussions.

**GREECE:** A multi-bill incorporating the legislation required for the implementation of the milestones agreed between the Greek government and the troika in the context of the 4<sup>th</sup> program review, is reportedly expected to be submitted to parliament on Friday (March 28) and to be voted late on Sunday (March 30).

### SOUTH EASTERN EUROPE

**SERBIA:** Total credit by domestic banks fell in February.

**ROMANIA:** The MoF holds today primary market auction for RON 300mn in 7Y bonds; average yield expected at around 5.20-5.30%.

**BULGARIA:** Foreign reserves declined for fifth consecutive month in February.

**CESEE Markets: Emerging stock markets** opened broadly higher on Monday, led by a rally in Chinese bourses after downbeat manufacturing data supported expectations that the government will probably take additional steps to support the domestic economy.

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## Latest world economic & market developments

### GLOBAL MARKETS

In **FX markets**, the USD retained a firm tone in European trade on Monday as the hawkish message delivered by FOMC Chairman Janet Yellen in the Q&A session following the conclusion of last week's monetary policy meeting, continues to exert a positive impact on market sentiment towards the US currency. The US dollar index DXY was hovering around 80.087 at the time of writing, little changed compared to Friday's settlement but still not far off a 3-week peak of 80.354 touched a couple of sessions earlier. Elsewhere, **major European bourses** opened lower today weighed down by disappointing Chinese manufacturing-related data. In more detail, the Markit/HSBC PMI-manufacturing flash reading for March fell to an eight-month low of 48.1 from February's 48.5, adding to market worries over a sharper-than-expected slowdown in the country's Q1 domestic economic activity. Meanwhile, investors keep a cautious stance ahead of a string of key data releases this week from both the US and the Eurozone as well as the G7 meeting that takes place later today, where geopolitical tensions in Ukraine are expected to dominate official discussions.

### Greece

A multi-bill incorporating the legislation required for the implementation of the milestones agreed between the Greek government and the troika in the context of the 4<sup>th</sup> program review, is reportedly expected to be submitted to parliament on Friday (March 28) and to be voted late on Sunday (March 30). According to the local press, the said-bill will be crammed into three articles; (i) one article will incorporate the legislation related to the bank recapitalization framework; (ii) another, the legislation required for the implementation of all agreed tax-related issues; and (iii) the third one the required legislation related to (a) the distribution of the so-called "social dividend" to certain social groups, and (b) the adoption of the agreed product market reforms, as were identified by the recent OECD study. According to the Constitution of Greece, the 300-seat Hellenic Parliament cannot resolve on Bills (or law proposals) without an absolute majority (50% + 1) of the attending MPs, which cannot be less than one-fourth of the total number of parliamentary deputies (i.e., 75). Yet, as six Golden Dawn lawmakers are currently in pretrial custody, the government will reportedly need at least 148 in-favor votes to secure approval of the said multi-bill.

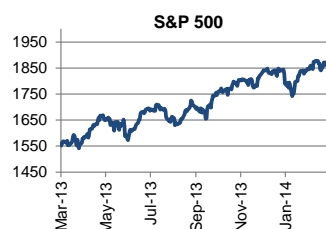
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## Latest developments in the CESEE region

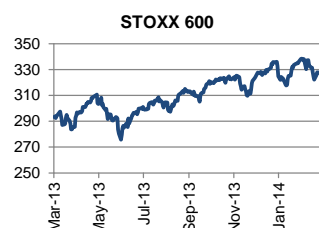
### CESEE markets

**Emerging stock markets** opened broadly higher on Monday, led by a rally in Chinese bourses after downbeat manufacturing data supported expectations that the government will probably take additional steps to support the domestic economy. Nonetheless, caution prevailed in view of the lingering crisis in Ukraine. Bulgaria's SOFIX outperformed the CESEE region in early European trade, recording a 0.92% increase, while Hungary's BUX trailed behind with gains to the tune of 0.60%. Separately, **CESEE currencies** were little changed on Monday morning, with the Ukrainian hryvnia remaining under pressure and sliding by 1.70% against the US dollar to 10.70/USD, approaching anew a lifetime low of 11.00/USD in view of ongoing geopolitical tensions in the region. Separately the Hungarian forint was little changed ahead of Tuesday's MPC meeting, where the consensus is for a 10bps base rate cut to 2.60%. Against this backdrop, the EUR/HUF was hovering around 312.95 earlier today vs. 313.22 on Friday's settlement.

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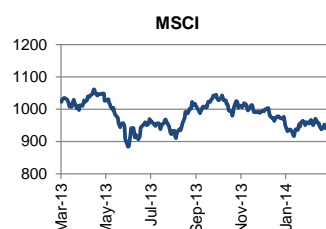
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

## SERBIA

(Belgrade, 21/3/2014, 16:30 CET): **Market Developments:** The Head of the Serbian Banks Association (UBS), Veroljub Dugalic, said on Friday that, based on the latest official data, total credit by domestic banks declined by €320mn in February to €18.4bn, down 1.7% year-to-date. Meanwhile, NPLs stood at 22.8% of total loans at the end of February compared to 22.5% end-2013. **Market Developments:** The EUR/RSD closed at 115.60/80 on Friday, the lower boundary of its recent trading range. In other news, the stock market fell by 0.25% on Friday, marking 1.14% of losses on a weekly basis.

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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
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 24/3/2014, 09:00 EET): **Market Developments:** The EUR/RON was little changed on Friday, staying trapped within its recent tight range of 4.4850/900. Meanwhile, short-term RON rates moved lower, with the 1M implied rate from swaps dropping close to 2.0% on the first day of the new reserve period. In government bonds, the MoF holds a primary market auction later today for RON 300mn in 7Y sovereign bonds. The said auction is broadly anticipated to be well received, with the average accepted yield seen at around 5.20-30%.

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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	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 21/3/2014, 17:50 EET): **Latest Political & Macro Developments:** According to the latest BNB figures, Bulgaria's foreign reserves fell for the fifth consecutive month in February, marking a EUR 0.282bn decrease on a monthly basis to amount to a 2-year low of EUR 13.589bn. **Market Developments:** Domestic stock markets rebounded on Friday receiving support from CSKA football club's IPO, snapping a 3-day losing streak. All indices firmed between 1.30% and 2.00%, with SOFIX advancing by 1.37% to 592.20 points.

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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	1866.52	-0.3%	1.0%	EUR/USD	1.3799	0.0%	0.4%	UST - 10yr	2.76	2	-27	GOLD	1324	-0.8%	9.8%
Nikkei 225	14475.30	1.8%	-11.1%	GBP/USD	1.6486	0.0%	-0.4%	Bund-10yr	1.64	1	-29	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	327.91	0.1%	-0.1%	USD/JPY	102.47	-0.2%	2.8%	JGB - 10yr	0.61	1	-13	LMEX	2940	0.7%	-7.0%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.91	0	-10
1-week	8.16	1	-12
1-month	8.46	1	-12
3-month	8.84	2	-4
6-month	9.11	0	-4

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.18	0	23
5Y RSD	11.38	0	-145
7Y RSD	12.13	2	-167

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.06	-2	-94
USD Nov-24	-1.92	-856	-883

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	379	-5	-30
10-year	422	0	-25

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	563.2	-0.25%	0.93%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.6	0.13%	-0.89%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.78	0	-96
1-month	2.54	0	66
3-month	3.07	0	63
6-month	3.47	0	48
12-month	3.48	0	33

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.91	-2	-4
5Y RON	4.62	-1	-3
10Y RON	5.37	-1	7

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.53	2	-31
USD Aug-23	4.62	2	-18

## CDS

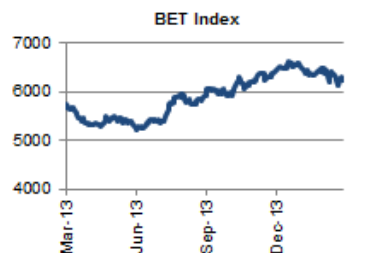
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-14
10-year	220	-2	-12

## STOCKS

	Last	ΔD	ΔYTD
BET	6239.4	-0.83%	-3.92%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.486	-0.04%	-0.29%



## 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	2.09	1	-11

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.00	0	-9
5Y BGN	1.61	-4	-24
10Y BGN	3.32	0	-18

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.74	-2	17
EUR Jul-17	1.50	-5	-31

## CDS

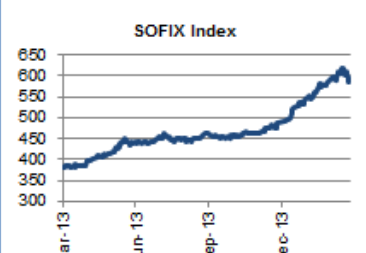
	Last	ΔDbps	ΔYTD bps
5-year	127	#N/A	3
10-year	176	1	2

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	592.2	1.37%	20.48%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4174	0.05%	0.40%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:30 EET

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