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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

April 22, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Apr 22: Existing home sales (Mar)
- Apr 23: New home sales (Mar)
- Apr 24
  - Durable goods orders (Mar)
  - Initial jobless claims (Apr 17)
- Apr 25: UoM Consumer confidence (p, May)

EUROZONE

- Apr 22: Consumer Confidence (Apr)
- Apr 23: PMI (Apr)
- DE: Apr 24: Ifo (Apr)

SEE

SERBIA

- April 22
  - EUR 24.31mn 4.50% 2019 T-Bonds auction
  - CAD (Jan)
- April 25: Real wages (Mar)

ROMANIA

- Apr 24: RON 500mn T-Bonds auction
- April 25: M2 (Mar)

BULGARIA

- April 23: Gross external debt (Feb)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking the trend in major Asian bourses, stock markets in Europe advanced in early trade on Tuesday on M&A speculation in the pharmaceutical sector, tracking gains in Wall Street overnight. In the FX markets, the EUR remained under pressure ahead of a speech by ECB President Mario Draghi and in the wake of comments by ECB Executive Board member Yves Mersch late last week.

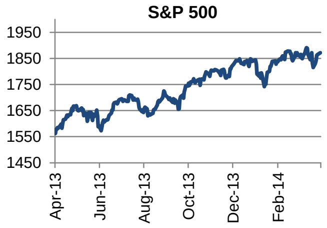
SOUTH EASTERN EUROPE

SERBIA: The National Bank of Serbia held its key policy rate unchanged at 9.50% on Thursday, broadly in line with market expectations.

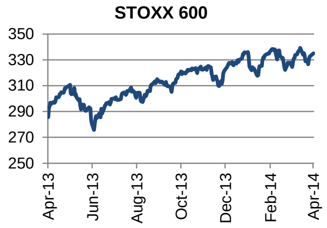
ROMANIA: RON markets were little changed at the end of last week in thin trade ahead of the Easter holidays.

BULGARIA: Current account balance improved on an annual basis over the first two months of the year, but FDI fell by 50%YoY.

CESEE Markets: **Emerging stock markets** broadly fell on Tuesday amid persisting geopolitical jitters in Ukraine. On the flipside, **CESEE stock markets** bucked the trend, trailing European bourses higher. In the **FX markets**, regional currencies broadly weakened.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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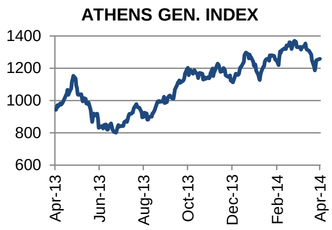

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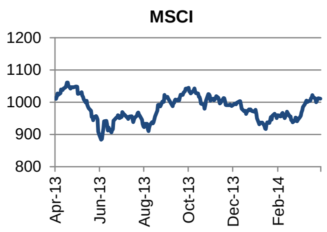

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

GLOBAL MARKETS

Bucking the trend in major Asian bourses, stock markets in Europe advanced in early trade on Tuesday on M&A speculation in the pharmaceutical sector, tracking gains in Wall Street overnight. Nonetheless, caution prevailed in view of persisting geopolitical jitters in Ukraine. In the FX markets, the EUR remained under pressure ahead of a speech by ECB President Mario Draghi on Thursday and in the wake of comments by ECB Executive Board member Yves Mersch late last week who reportedly suggested that a sustained euro appreciation "would inevitably have to trigger a reaction by the ECB in order to maintain our accommodative monetary policy stance". His comments echo those of ECB President earlier in the month that "a further strengthening of the exchange rate would require further stimulus". Along these lines the EUR/USD hit a 2-week trough of 1.3783 before recovering some ground to hover around levels of 1.3802/05 at the time of writing.

Latest developments in the CESEE region

CESEE markets

Emerging stock markets broadly fell on Tuesday amid persisting geopolitical jitters in Ukraine. Despite an international agreement signed last week, which aimed at alleviating tensions between Russia and Ukraine, pro-Russian separatists refused to evacuate government buildings they seized a few days ago demanding referendums on greater autonomy or annexation to the Russian Federation. US and EU warned Moscow about additional sanctions if the said agreement was not implemented. Along these lines, the MSCI slipped 0.16% earlier today. On the flipside, **CESEE stock markets** bucked the trend, trailing European bourses higher. Hungary's BUX outperformed earlier today, with shares of OTP Bank and Richter pharmaceutical, which have operations in both Ukraine and Russia, leading the way higher despite ongoing geopolitical jitters in the region. Ukraine's PFTS index fared worse than its regional peers falling by 0.10% in early European trade. In the **FX markets**, regional currencies broadly weakened. The Ukrainian hryvnia led the losers' pack easing by ca 3.5% compared to the prior session's settlement to stand at 11.60/USD at the time of writing. The Turkish lira lost ground in thin trade ahead of a market holiday on Wednesday and Thursday's MPC meeting, where the Central Bank is broadly anticipated to stay put on interest rates. That said, reductions in required reserves, aimed at providing additional liquidity into the FX markets, can not be ruled out entirely. In view of the aforementioned, the USD/TRY bounced near a 1-week peak of 2.1415 intraday on Tuesday, from 2.1340 on Monday's close. In the **external debt markets**, emerging sovereign debt spreads over USTs on the EMBI+ index marginally widened by 1bp compared to Monday's settlement, standing however at a multi-month low of 309bps earlier today, reflecting the recent improvement in appetite towards risky assets.

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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
	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, 22/4/2014, 11:10 CET): **Latest Political & Macro Developments:** The National Bank of Serbia (NBS) held its key policy rate (KPR) unchanged at 9.50% on Thursday, broadly in line with market expectations. Even though annual inflation currently stands near the lower bound of the NBS target band (4% +/-1.5%), concerns about the current geopolitical tensions in Ukraine were likely behind the Central Bank's decision to keep the KPR unchanged. **Market Developments:** The dinar was little changed on Thursday, with the EUR/RSD hovering around levels of 115.35/55 – 115.40/60, after the National Bank of Serbia bought EUR 10mn in the forex market to curb the pair's downtrend.

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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, 22/4/2014, 09:05 EET): **Market Developments:** The EUR/RON stood near 4.4600 on Friday's settlement, returning within its 4.4500/700 recent range after a short–lived bounce close to levels of 4.4800 early last week. In money markets, short-term RON rates slightly eased, with the 1W implied from swaps ending at 1.9% on Friday compared to 2.3% a week earlier and the 1M closed at 2.1% against 2.3%. The move lower in short term rates will likely accelerate with the start of the new reserve period on April 24, as large MoF maturities are expected to boost RON liquidity in the FX market. Some profit taking in 5-10Y papers in thin pre-holiday trade late last week triggered a 10 bps steepening across the 5-10Y yield curve, but demand for yield is likely to be revived once funding rates head lower.

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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, 22/4/2014, 09:15 EET): **Latest Political & Macro Developments:** According to BNB data, the current account balance recorded a EUR 384.7mn deficit in the first two months of 2014, narrowing by EUR 119.4mn compared to the same period a year earlier. The said improvement came mainly on the back of a swing in the income balance to a surplus of EUR 10.5mn from a shortfall of EUR 278.3mn in January-February 2013, which offset a 56.02%YoY increase to EUR538.1mn in the trade deficit. Meanwhile, foreign direct investment in Bulgaria deteriorated over the said period, marking a 50%YoY decline to EUR 114.1mn. Overall the balance of payments recorded a deficit of EUR 952.2 mn, one third lower than the same period of 2013. **Market Developments:** The domestic stock market was little changed on Thursday, with the main SOFIX index closing 0.12% higher at 600.01 points

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1871.89	0.4%	1.3%
Nikkei 225	14388.77	-0.9%	-11.7%
STOXX 600	335.08	0.8%	2.1%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.381	0.1%	0.5%
GBP/USD	1.6812	0.1%	1.5%
USD/JPY	102.56	0.0%	2.7%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.71	-1	-32
Bund-10yr	1.53	2	-40
JGB - 10yr	0.61	0	-14

Commodities

	Last	ΔD	ΔYTD
GOLD	1290	0.0%	7.0%
BRENT CRUDE	167	0.0%	0.0%
LMEX	3079	0.2%	-2.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.95	5	-6
1-week	8.19	3	-9
1-month	8.45	1	-13
3-month	8.86	0	-2
6-month	9.12	2	-3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.07	-5	11
5Y RSD	11.46	0	-136
7Y RSD	12.18	-1	-162

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.18	2	-82
USD Nov-24	3.55	-299	-336

CDS

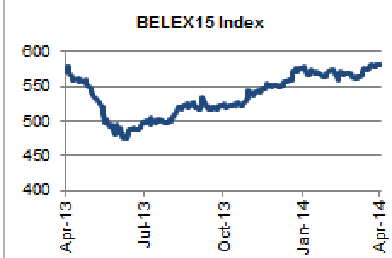
	Last	ΔDbps	ΔYTD bps
5-year	305	-1	-104
10-year	343	0	-104

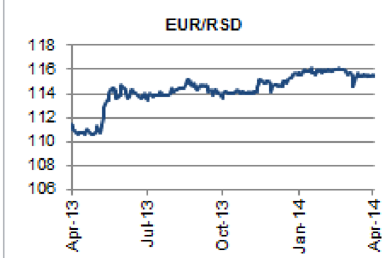
STOCKS

	Last	ΔD	ΔYTD
BELEX15	582.4	0.21%	4.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-0.71%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3	#VALUE!	126
1-month	2.68	#VALUE!	80
3-month	2.98	#VALUE!	54
6-month	3.34	#VALUE!	35
12-month	3.4	#VALUE!	25

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	-3	-15
5Y RON	4.38	0	-27
10Y RON	5.19	-2	-11

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.09	0	-75
USD Aug-23	4.34	0	-47

CDS

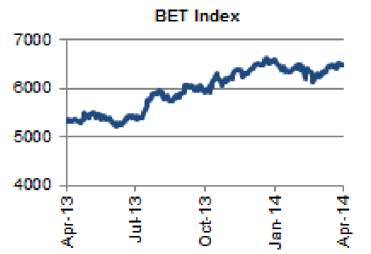
	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A N/A	-11
10-year	212	#N/A N/A	-21

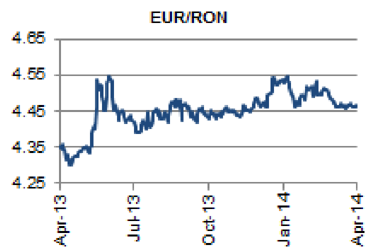
STOCKS

	Last	ΔD	ΔYTD
BET	6484.1	-0.11%	-0.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4651	-1.14%	0.17%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	-2	-2
1-month	0.29	0	-3
3-month	0.58	0	-7
6-month	1.08	0	-7
12-month	2.09	-1	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.97	2	-12
5Y BGN	1.60	-3	-24
10Y BGN	3.18	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.45	2	-13
EUR Jul-17	1.39	-3	-41

CDS

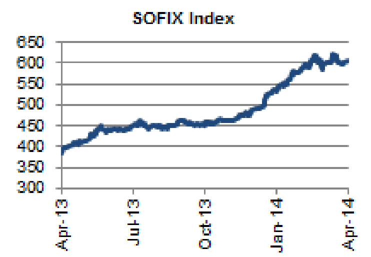
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A N/A	1
10-year	167	#N/A N/A	-7

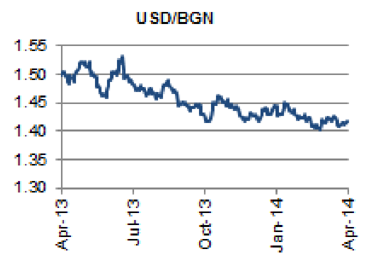
STOCKS

	Last	ΔD	ΔYTD
SOFIX	603.8	0.63%	22.84%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4164	0.12%	0.47%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:15 EET

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