Eurobank Global Markets Research
www.eurobank.gr/research
EurobankGlobalMarkets Research@eurobank.gr

Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

April 23, 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: Tracking losses in Asian bourses earlier today, **major European equity markets** were standing in negative territory in early trade pressured by renewed concerns about the growth prospects of China's economy. In FX markets, the **AUD** was among the main underperformers in European trade pressured by weaker-than-expected Australia's Q1 inflation data.

GREECE: Focus today is on Eurostat's EDP report which is expected to confirm the generation of a primary surplus in Greece's FY-2013 general government accounts (against the program target for a balanced primary position). According to recent comments by a number of high-level European officials, including ECB President Jeroen Dijsselbloem, such a development is expected to open the door for official discussions on a new debt relief package by official lenders to Greece.

SOUTH EASTERN EUROPE

SERBIA: According to the director of the Belgrade waterfront development project construction on facilities will start in February/March 2015.

ROMANIA: Temporary RON liquidity shortage, coupled with end of the required reserves period today, causes a spike of 200-250 bps in O/N rates.

BULGARIA: Car sales increased by 37.6%YoY in March, bringing the annual rate of increase for the first three months of the year to 30.4%.

CESEE Markets: **Emerging stock markets** closed broadly lower for the second session running on Tuesday in view of ongoing geopolitical tensions in Ukraine. On the other hand the majority of bourses in the **CESEE region** closed in a positive territory. In the FX markets, most **CESEE currencies** weakened with the Ukrainian hryvnia leading the losses in the region.

Latest world economic & market developments

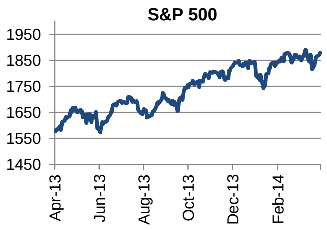
GLOBAL MARKETS

Tracking losses in Asian bourses earlier today, major European equity markets were standing in negative territory in early trade pressured by renewed concerns about the growth prospects of China's economy. Official data released earlier today showed that China's Markit/HSBC manufacturing PMI improved in April from an eight-month low seen in March, remaining though below the 50 threshold for the fourth month in a row indicating continued contraction in the sector, albeit at a slower pace. Specifically, manufacturing PMI came in at 48.3 in April compared to 48.0 in the prior month and lower than 48.5 expected. In FX markets, the AUD was among the main underperformers in European trade pressured by weaker-than-expected Australia's Q1 inflation data which triggered a dovish shift in RBA rate hike expectations.

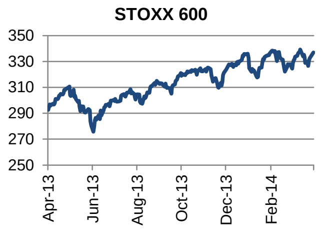
GREECE

Focus today is on Eurostat's EDP report which is expected to confirm the generation of a primary surplus in Greece's FY-2013 general government accounts (against the program target for a balanced primary position). According to recent comments by a number of high-level European officials, including ECB President Jeroen Dijsselbloem, such a development is expected to open the door for official discussions on a new debt relief package by official lenders to Greece. The next Eurogroup meeting is scheduled for May 5, 2014 where, among others, a new growth plan for the Greek economy is expected to dominate official discussions.

ppetropoulou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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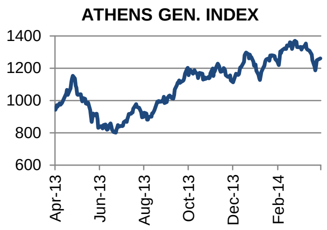


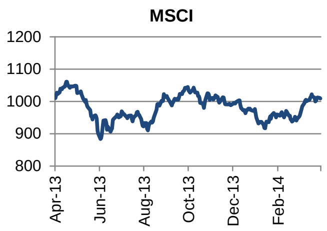
Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE markets

Emerging stock markets closed broadly lower for the second session running on Tuesday in view of ongoing geopolitical tensions in Ukraine. Despite an agreement signed on April 17 between the EU, the US, Ukraine and Russia outlining steps to alleviate tensions in the region, such as, among others, abstention from acts of violence, return of illegally occupied buildings to their rightful owners, pro-Russian separatists refused to evacuate government buildings they seized a few days ago. The US and the EU warned Moscow about additional sanctions if the said agreement was not implemented, while Russia accused Kiev about breaking the accord. Against this backdrop, the broad emerging equity MSCI index fell by 0.20% on the day, while Russian stock markets were among the most hit. On the other hand the majority of bourses in the **CESEE region** closed in a positive territory. Ukraine's PFTS index led the gains with a 1.70% jump, largely shrugging off geopolitical jitters, while Poland's WIG and Hungary's BUX followed suit with gains of around 1.0% each. In the FX markets, most **CESEE currencies** weakened with the Ukrainian hryvnia leading the losses in the region. In more detail, the USD/UAH bounced by ca 4.50% to stand at 11.70 on Tuesday's settlement, standing not too far from a record high of 13.61 hit earlier in the month amid escalating geopolitical tensions in the region. Elsewhere, the Turkish lira extended its losses for the second consecutive day, ahead of the Central Bank (CBT) policy meeting on Thursday and in the wake of Economy Minister Nihat Zeybekci's comments expressing expectations for lower inflation by year-end, reinforcing speculation about potential CBT monetary easing ahead. As a result, the USD/TRY firmed to 1-week highs of 2.1440 at some point on Tuesday, from 2.1340 on Monday's close. In the **external debt markets**, emerging sovereign debt spreads over USTs on the EMBI+ index widened by 3bps on the day to 313.7bps.

gphoka@eurobank.gr



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

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, 22/4/2014, 16:20 CET): **Latest Political & Macro Developments:** According to the National Bank of Serbia the banking sector's overall assets denominated in RSD edged up by 1%YoY in 2013 and were almost flat in EUR terms (+0.2%YoY) at €24.58bn (or 72% of GDP). Additionally, loans denominated in dinars dropped by 5.8%YoY while RSD deposits increased by 4.4%YoY. The banking sector posted RSD 641mn (EUR5.6mn) overall losses, though most of the top 10 banks (out of the 29 in total) remained profitable. In other news, the director of the Belgrade waterfront development project said earlier in the week that construction on facilities will start in February/March 2015. According to earlier reports, the Belgrade waterfront development project, which includes the construction of a skyscraper, is expected to bring about USD 3bn worth of investments, with the United Arab Emirates' (UAE) real estate developer Eagle Hills expected to provide the necessary funds. **Market Developments:** The EUR/RSD remained range-bound within 115.40/60 on Tuesday for the ninth consecutive session.

Zoran.Korac@eurobank.rs
ivan.radovic@eurobank.rs

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, 23/4/2014, 09:15 EET): **Market Developments:** A temporary RON liquidity shortage in the market, coupled with the end of the reserve period today, apparently caught some players short positioned causing a spike of 200-250bps in O/N rates. However, RON liquidity is expected to increase today in view of RON 6bn in government bond redemptions (a 2Y bond and a 12M T-Bill) and RON 0.3bn in coupon payments. Separately, the EUR/RON was little changed on Tuesday, trading in a tight range of 4.4600/670. Government bonds were relatively stable on the same day, but a tad firmer compared to the end of last week on the view that the recent increase in money market rates will likely prove temporary.

Bogdan.Radulescu@bancpost.ro

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, 22/4/2014, 17:25 EET): **Latest Political & Macro Developments:** According to the latest figures by the European Automobile Manufacturers Association, new car registrations in Bulgaria jumped by 37.6%YoY in March, bringing the annual rate of increase for the first three months of the year to 30.4%. Recall that, growth in car sales accelerated in February marking a 32.5%YoY increase after a slow start of meagre 1.3%YoY growth in January. **Market Developments:** Most domestic market equity indices closed in a positive territory on Tuesday, with the main SOFIX firming by 0.41% to 602.47 points.

VBoteva@postbank.bg

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1879.55	0.4%	1.7%
Nikkei 225	14533.10	1.0%	-10.8%
STOXX 600	337.03	1.4%	2.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3835	0.2%	0.7%
GBP/USD	1.6829	0.0%	1.6%
USD/JPY	102.62	0.0%	2.6%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.71	0	-32
Bund-10yr	1.54	0	-39
JGB - 10yr	0.62	1	-13

Commodities

	Last	ΔD	ΔYTD
GOLD	1284	0.0%	6.5%
BRENT CRUDE	167	0.0%	0.0%
LMEX	3105	0.8%	-1.7%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.95	0	-6
1-week	8.18	-1	-10
1-month	8.45	0	-13
3-month	8.85	-1	-3
6-month	9.10	-2	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.16	0	20
5Y RSD	11.46	0	-136
7Y RSD	12.19	0	-162

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.19	0	-82
USD Nov-24	3.57	-297	-329

CDS

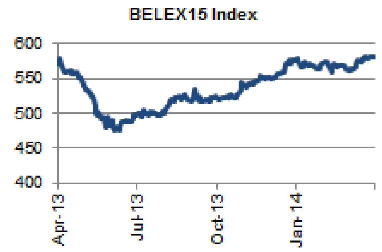
	Last	ΔDbps	ΔYTD bps
5-year	302	-3	-107
10-year	341	-1	-105

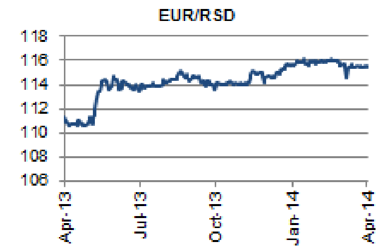
STOCKS

	Last	ΔD	ΔYTD
BELEX15	581.5	0.06%	4.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-0.72%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3	0	126
1-month	2.68	0	80
3-month	2.98	0	54
6-month	3.34	0	35
12-month	3.4	0	25

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.80	0	-15
5Y RON	4.38	0	-27
10Y RON	5.18	0	-12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.10	0	-74
USD Aug-23	4.34	1	-47

CDS

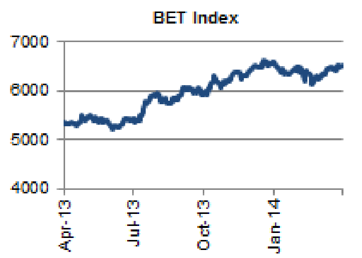
	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A N/A	-11
10-year	212	#N/A N/A	-21

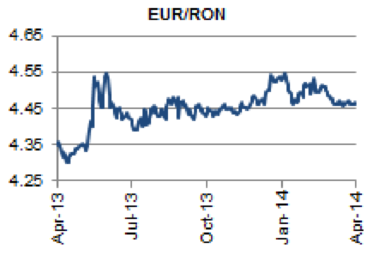
STOCKS

	Last	ΔD	ΔYTD
BET	6513.1	0.33%	0.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4618	0.09%	0.25%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	0	-2
1-month	0.29	0	-3
3-month	0.57	0	-8
6-month	1.08	0	-7
12-month	2.09	0	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.96	0	-14
5Y BGN	1.58	0	-26
10Y BGN	3.18	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.38	-9	-12
EUR Jul-17	1.38	-2	-42

CDS

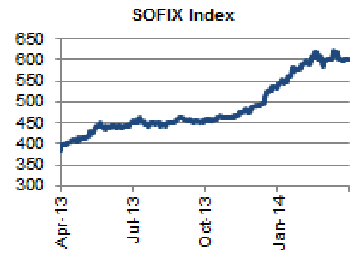
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A N/A	1
10-year	167	#N/A N/A	-7

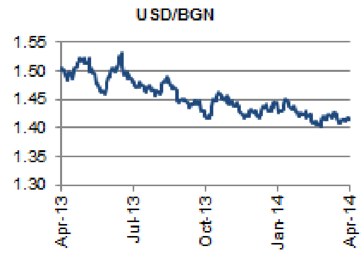
STOCKS

	Last	ΔD	ΔYTD
SOFIX	602.5	0.41%	22.57%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4139	0.21%	0.65%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:20 EET

Contributors to this issue

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Emerging Markets Analyst, Eurobank Ergasias
+30 210 3718922
galatia.phoka@eurobank.gr

Ivan Radović
Head, Brokerage Department, Eurobank ad Beograd
+381 11 30 27 533
ivan.radovic@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

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

Paraskevi Petropoulou: *G10 Markets Analyst ppetropoulou@eurobank.gr, + 30 210 37 18 991*

Galatia Phoka: *Emerging Markets Analyst gphoka@eurobank.gr, + 30 210 37 18 922*

Global Markets Sales

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

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

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

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

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

Vassilis Gioulbaxiotis: *Head International Sales vgioulbaxiotis@eurobank.gr, +30 210 3718995*

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

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