

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 7, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Apr 9: FOMC meeting minutes (Mar 18-19)
- Apr 10: Initial jobless (Apr 5)
- Apr 11: UoM cons conf (Apr)

SEE SERBIA

- April 7: PPI (Mar)
- April 9: 10-year RSD T-bonds auction
- April 11: HICP (Mar)

ROMANIA

- Apr 7
 - Net wages (Feb)
 - RON 200mn T-Bonds auction
- April 9: Trade balance (Feb)
- April 10
 - CPI (Mar)
 - IP (Feb)
 - RON 500mn T-Bonds auction
- April 11: CAD (Feb)

BULGARIA

- Apr 7
 - U/E rate (Mar)
 - T-Bonds auction
- Apr 8
 - IP (Feb)
 - Retail sales (Feb)
- April 11: Trade balance (Feb)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Shrugging off a positive US non-farm payrolls report for the month of March, **major European bourses** opened lower on Monday, taking their lead from losses in Wall Street on Friday, pressured by tech shares' lackluster performance. In **FX markets**, the EUR remained under pressure in European trade in the wake of an international press report suggesting that the ECB has modelled the effects of buying €1trn of assets to address deflation risks.

Greece: In an official announcement late last week, **Moody's** stated that the recent approval by the Hellenic Parliament of the multi-bill containing the relevant legislation for the implementation of core issues agreed between domestic authorities and the troika in the context of the last program review, ensures the continuation of structural reforms and supports the country's long-term economic growth prospects. The rating agency did not proceed with an upward revision in Greece's sovereign credit rating, as was widely expected. In other news, the **retail trade volume index**, including automotive fuel, fell by 1.9%YoY in January marking the secondly monthly decline in a row mainly due to a 7.7%YoY fall in supermarkets' turnover.

SOUTH EASTERN EUROPE

SERBIA: The dinar was little changed, while the main domestic stock BELEX15 index closed in a marginally negative territory of 0.2% on Friday.

ROMANIA: MoF holds today a primary auction for RON 200mn in 10Y benchmark bonds (Apr 2023), expected to produce a yield of ca 5.30-35%.

BULGARIA: EC decides against EU funds freeze.

CESEE Markets: **Emerging stock markets** opened lower on Monday, trailing losses in major global bourses led by declines in technology and telecommunication shares. **CESEE currencies** broadly weakened, with the Hungarian forint trading close to a 2-month peak in the wake of Sunday's general elections.

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Latest world economic & market developments

GLOBAL MARKETS

Shrugging off a positive US non-farm payrolls report for the month of March, major European bourses opened lower on Monday, taking their lead from losses in Wall Street on Friday, pressured by tech shares' lackluster performance. In FX markets, the EUR remained under pressure in European trade in the wake of an international press report suggesting that the ECB has modelled the effects of buying €1trn of assets to address deflation risks.

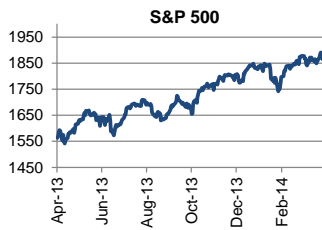
GREECE

In an official announcement late last week, **Moody's** stated that the recent approval by the Hellenic Parliament of the multi-bill containing the relevant legislation for the implementation of core issues agreed between domestic authorities and the troika in the context of the last program review, ensures the continuation of structural reforms and supports the country's long-term economic growth prospects. Moreover, Moody's cautioned that "political risk in Greece remains quite high, particularly from a shrinking coalition majority". The rating agency did not proceed with an upward revision in Greece's sovereign credit rating, as was widely expected. Moody's currently rates Greece's sovereign credit at Caa3, three notches below that of the other two major credit rating agencies, S&P and Fitch. In EMU periphery sovereign debt markets Greece was among the main outperformers earlier today supported by the political approval by the April Eurogroup for the release of the next EFSF loan installment to Greece as well as market expectations that the country will return soon to wholesale funding markets. The 10-yr Greek sovereign bond yield was hovering around 6.17% in European trade on Monday, within distance from 6.13% recorded last week, the lowest since January 2010. The corresponding yield spread against its German counterpart was standing close to 460bps, just 7bps higher from May 2010 lows hit late a few sessions earlier. On the data front, the **retail trade volume index**, including automotive fuel, fell by 1.9%YoY in January marking the secondly monthly decline in a row mainly due to a 7.7%YoY fall in supermarkets' turnover.

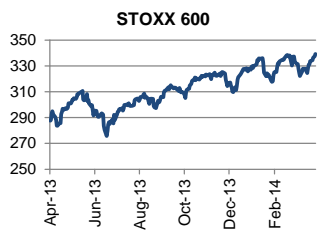
Latest developments in the CESEE region

CESEE markets

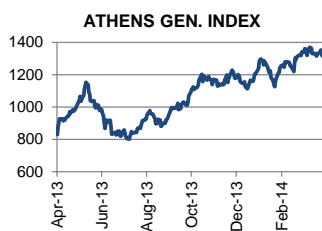
Emerging stock markets opened lower on Monday, trailing losses in major global bourses led by declines in technology and telecommunication shares. Ukraine's PFTS index led the losses in the CESEE region, marking a 1.85% drop in early European trade following protests in three major cities in eastern Ukraine on Sunday, where demonstrators called for referendums to be held on whether to join the Russian Federation. Poland's WIG followed suit sliding by 0.50%, also underperforming a marginal fall of 0.10% in the broader MSCI emerging equities index. On the other hand, Bulgaria's SOFIX bucked the region's trend with a 1.20% rise. In other news, **CESEE currencies** were weaker on Monday weighed down by losses in regional stock markets. The Turkish lira retreated from a 2014-high of 2.1067 hit in the prior session, with the USD/TRY hovering around 2.1190 at the time of writing. Separately, the Hungarian forint was trading close to a 2-month intraday peak of 305.45/EUR at the time of writing, in the wake of Sunday's general elections. As was widely expected, the ruling Fidesz party of Prime Minister Viktor Orban secured a second 4-year term in office in a landslide victory with a score of ca 44%, according to preliminary results. Fidesz may have, once again, obtained a supermajority in the 199-seat Parliament, which will allow the party to proceed, if needed, with constitutional amendments.



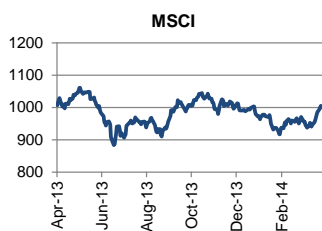
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 4/4/2014, 16:15 CET): **Latest Political & Macro Developments:** The Public Debt Administration of the Ministry of Finance sold on Thursday RSD 2.76bn (or €23.9m) in 6M T-Bills, less than the RSD 4bn planned amount. The average yield came in at 7.99%, 20 bps higher compared to a previous tender of similar maturity paper in end-February 2014. **Market Developments:** In the absence of any major political or macro developments, the EUR/RSD remained range-bound within 115.30 – 115.60 on Friday. Meanwhile, the main stock BELEX15 index closed in a marginally negative territory of 0.2% on Friday, slightly paring weekly gains to 1.82%.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

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, 7/4/2014, 09:30 EET): **Market Developments:** The EUR/RON was little changed on Friday, remaining trapped within its 4.4550/4.4700 recent trading range. In local bond markets, the MoF holds later on the day a primary auction for RON 200mn in 10Y benchmark paper (Apr 2023). The auction is broadly expected to produce an average accepted yield of 5.30-35%, in line with that in a previous 10-year paper auction held last month.

Bogdan.Radulescu@bancpost.ro

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, 7/4/2014, 09:45 EET): **Latest Political & Macro Developments:** The European Commission rejected on Friday European Parliament's earlier recommendation to suspend EU funds to Bulgaria. **Market Developments:** The domestic stock market came under renewed pressure on Friday with the SOFIX index snapping a 5-session rising streak to close 0.84% lower at 617.61 points. Separately, the equally-weighted BG TR30 fell by 0.46%.

VBoteva@postbank.bg

April 7, 2014

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	1865.09	-1.3%	0.9%	EUR/USD	1.3705	0.0%	-0.3%	UST - 10yr	2.72	0	-31	GOLD	1300	-0.3%	7.8%
Nikkei 225	14808.85	-1.7%	-9.1%	GBP/USD	1.6577	0.0%	0.1%	Bund-10yr	1.54	-2	-39	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	339.18	0.6%	3.3%	USD/JPY	103.05	0.2%	2.2%	JGB - 10yr	0.62	-3	-12	LMEX	3015	-0.2%	-4.6%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	7.88	-3	-13	O/N	2.34	0	60	LEONIA	0.05	-1	-2		
1-week	8.15	0	-13	1-month	2.41	0	53	1-month	0.29	0	-3		
1-month	8.44	1	-14	3-month	2.93	0	49	3-month	0.57	1	-8		
3-month	8.85	2	-3	6-month	3.3	0	31	6-month	1.08	0	-8		
6-month	9.08	2	-7	12-month	3.33	0	18	12-month	2.09	0	-10		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	10.20	0	24	3Y RON	3.84	0	-11	3Y BGN	0.99	0	-10		
5Y RSD	11.41	0	-141	5Y RON	4.51	0	-14	5Y BGN	1.60	0	-24		
7Y RSD	12.24	2	-157	10Y RON	5.30	0	0	10Y BGN	3.25	0	-25		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	4.14	0	-86	EUR Sep-20	3.23	-21	-61	USD Jan-15	0.61	-3	5		
USD Nov-24	5.15	-148	-174	USD Aug-23	4.46	-5	-35	EUR Jul-17	1.38	1	-42		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	330	5	-79	5-year	167	#N/A N/A	-18	5-year	127	#N/A N/A	4		
10-year	370	7	-77	10-year	218	2	-14	10-year	175	3	0		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	575.4	-0.20%	3.12%	BET	6451.6	-0.09%	-0.65%	SOFIX	617.6	-0.84%	25.65%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	115.4	0.07%	-0.74%	EUR/RON	4.4695	-0.20%	0.08%	USD/BGN	1.4273	0.01%	-0.29%		

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 09:45 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 Monokrousos: 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 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

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