

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 16, 2013

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 16: IP (Nov)
- Dec. 17
 - CPI (Nov)
 - CAD (Q3)
 - NAHB housing market index (Dec)
- Dec. 18
 - Housing starts (Nov)
 - Building permits (Nov)
 - FOMC rate decision & Economic projections
- Dec. 19
 - Initial jobless claims (Dec 14)
 - Philly Fed (Dec)
 - Existing home sales (Nov)

EUROZONE

- Dec. 16: PMI manuf & services (A, Dec)
- Dec. 17: CPI (Nov)

SEE

SERBIA

- Dec 17
 - MPC meeting
 - 3Y 10% RSD Bonds auction
- Dec 20: CAD (Oct)

ROMANIA

- Dec 19: 2016 T-Note auction

BULGARIA

- Dec 16
 - U/E (Nov)
 - CAD (Oct)
 - BGN 50mn 10Y BGN benchmark bond auction

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

Global Markets: Market focus this week is on the FOMC policy meeting scheduled for December 17-18.

GREECE: The Greek government and the troika are reportedly close to reaching an agreement on the restructuring plan for Hellenic Defense Systems (HDS), the only remaining prior action for the unlocking of the next EU loan installment.

SOUTH EASTERN EUROPE

SERBIA: Emirates to grant a \$200 million loan to Serbia earmarked for agriculture.

ROMANIA: The January-October current account deficit came in at EUR 955mn compared to EUR 5,330mn over the same period of last year.

BULGARIA: S&P affirmed Bulgaria's rating at BBB/A-2 but revised the outlook to negative from stable; SOFIX closed at 481.09 after reaching a 4-year peak at 490.94 intraday.

CESEE Markets: CESEE stock markets closed mixed on Friday, regional currencies were little changed ahead of the FOMC policy meeting later this week.

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Latest world economic & market developments

Global Markets

Market focus this week is on the FOMC policy meeting scheduled for December 17-18. Following the stronger-than-expected November non-farm payrolls released nearly two weeks earlier and the recent budget deal in Congress, the probability of the Fed starting to curtail its stimulus program as early as in the current week has undoubtedly increased. A no-policy-change decision should not be ruled out either, in view of the still subdued inflation pressures.

GREECE

Latest Political & Macro Developments: The Greek government and the troika are reportedly close to reaching an agreement on the restructuring plan for Hellenic Defense Systems (HDS), the only remaining prior action for the unlocking of the next EU loan installment (€1bn). Should this be the case, the Euro Working Group which convenes early on Tuesday December 17th will reportedly give the green light for the release of the said installment. Meanwhile, a diversion of views continues to exist between the two sides on a number of key issues underlying the current program review including, inter alia: (i) a gradual suspension of a moratorium on foreclosures; (ii) measures to induce more flexibility in the domestic labor market; and (iii) the current framework of certain indirect taxes.

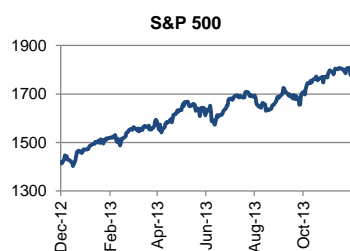
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Latest developments in the CESEE region

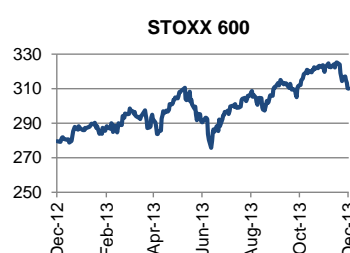
CESEE markets

CESEE stock markets closed mixed on Friday ahead of the FOMC policy meeting later this week. Bourses in the region have come under pressure over the past few sessions, as recent upbeat US data have reinforced the view that the Fed may start tapering its QE program sooner than previously expected. Turkey's main stock index BIST100 led the gains in the region with a 1.36% advance. The MSCI benchmark index of emerging equities edged lower by 0.10%, bringing its weekly losses to 1.17%. Elsewhere, Serbia's Belex15 fell by 0.75% on profit taking halting a multi-session rising streak. **Regional currencies** were little changed on Friday with investors eagerly awaiting the outcome of the upcoming Fed meeting. The Hungarian forint moved higher against major currencies after coming under pressure over the last few sessions on increased expectations for further central bank (MNB) monetary easing. Against this backdrop, the EUR/HUF eased to an intraday trough of 301.33 after hitting a multi-session peak of 303.82 on Thursday, recoiling further from an 8-month low of 304.02 hit earlier this month. The MNB is scheduled to hold its monthly MPC meeting on Tuesday December 17. The market's median forecast is for another 20bps rate cut. If realized, the move would bring the MNB's base rate to a new record low of 3.00%. Separately, the Ukrainian hryvnia extended its recent losses on Friday, recording a new intraday (4-year) low of 8.3100/USD amid persisting domestic political jitters. In the **local rate markets**, government bonds were mixed. Turkish bonds broadly outperformed their regional peers, with the 2- and 10-year benchmark yields halting their recent rising streak and falling by 10bps and 13bps respectively to 8.99% and 9.52%.

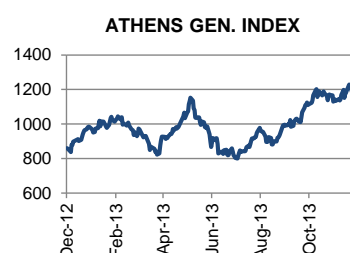
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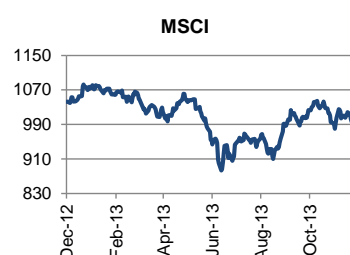
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA

SERBIA: Indicators	2012	2013f	2014f
Real GDP growth %	-1.7	2.0	1.0
CPI (pa, yoy %)	7.3	8.4	5.5
Budget Balance/GDP	-6.4	-5.6	-5.5
Current Account/GDP	-10.5	-4.1	-3.2
EUR/RSD (eop)	112.30	115.00	116.00
	current	2013f	2014f
Policy Rate (eop)	10.00	10.00	9.50

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

(Belgrade, 13/12/2013, 15:30 CET): **Latest Political & Macro Developments:** Deputy Prime Minister Aleksandar Vucic announced that Serbia will be granted a \$200 million loan from the United Arab Emirates (UAE), earmarked for diverse agricultural projects. In addition, UAE's Mubadala Aerospace is considering opening a plant in Pancevo, near Belgrade, which will reportedly produce Boeing and Airbus parts, worth ca €400m per year. Cooperation with Abu Dhabi began earlier this year, with Etihad taking over 49% of Serbia's national airline Jat Airways. **Market Developments:** The dinar firmed against the euro on Friday, hitting a 2-week intraday high of 114.45/65, before closing near levels of 114.80/115.0 following central bank intervention. The next domestic bond auction is scheduled for December 17, when MinFin offers RSD 10bln in 3Y coupon bonds. Elsewhere, the main Belex15 index closed 0.75% lower on Friday on profit taking.

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ROMANIA

ROMANIA: Indicators	2012	2013f	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	5.0	1.8	3.0
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.43	4.45
	current	2013f	2014f
Policy Rate (eop)	4.00	4.00	4.00

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

(Bucharest, 13/12/2013, 17.30 EET): **Latest Political & Macro Developments:** The January-October current account deficit came in at EUR 955mn compared to EUR 5,330mn over the same period of last year. FDI inflows amounted to EUR 1.8bn over the first ten months of the year, marking an 8.2%yoy drop. **Market Developments:** The EUR/RON was little changed on Friday, hovering around levels of 4.4500, with RON money market rates remaining relatively stable. RON government bonds extended their recent rally, with yields moving another 5-10bps lower and the 3-5Y maturities spectrum outperforming the rest of the curve.

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BULGARIA

BULGARIA: Indicators	2012	2013f	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.5	1.4
Budget Balance/GDP	-0.8	-2.0	-2.0
Current Account/GDP	-1.3	0.3	0.0
EUR/BGN (eop)	1.95583		
	current	2013f	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 13/12/2013, 17.30 EET): **Latest Political & Macro Developments:** Standard & Poor's ratings agency affirmed its long- and short-term foreign and local currency sovereign credit ratings on Bulgaria at 'BBB/A-2'. However, the agency downgraded Bulgaria's outlook to 'negative' from 'stable', citing weak economic growth prospects and an uncertain political environment. According to S&P, Bulgaria's growth prospects are being challenged by anemic domestic demand resulting from subdued credit creation, constrained investment growth and still-high unemployment. The agency also cited a complicated domestic political environment, which could risk a slowdown of reforms. In other news, preliminary data from National Statistics Institute (NSI) showed that CPI fell to -1.5%yoy in November, registering the fourth consecutive month of annual deflation. **Market Developments:** Friday was a quiet day on the local bond market ahead of the Monday's BGN 50mn auction of 10-year benchmark in leva, the last tender for the year on the primary market. SOFIX closed at 481.09 after reaching a 4-year peak at 490.94 intraday.

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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	1776.00	0.0%	24.5%	EUR/USD	1.3726	-0.2%	4.0%	UST -10yr	2.87	-1	111	GOLD	1237	0.9%	-26.2%
Nikkei 225	15403.11	0.4%	48.2%	GBP/USD	1.6275	-0.5%	0.2%	Bund-10yr	1.83	-1	52	BRENT CRUDE	168	0.0%	7.6%
STOXX 600	310.04	-0.1%	10.9%	USD/JPY	103.17	0.2%	-15.9%	JGB -10yr	0.70	3	-10	LMEX	3112	-0.2%	-9.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.40	3	-146
1-week	8.63	2	-182
1-month	8.98	4	-212
3-month	9.23	1	-252
6-month	9.55	2	-266

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.10	0	-82
5Y RSD	12.62	-2	218
7Y RSD	13.75	0	100

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.07	1	76
USD Nov-24	6.92	0	652

CDS

	Last	ΔDbps	ΔYTD bps
5-year	410	23	63
10-year	456	25	59

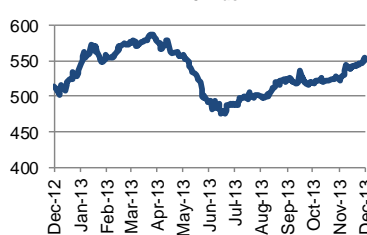
STOCKS

	Last	ΔD	ΔYTD
BELEX15	551.0	-0.75%	5.17%

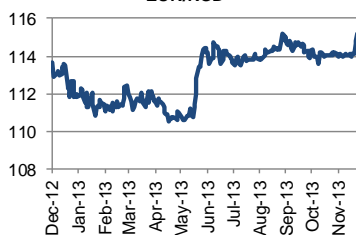
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	114.8	-0.01%	-1.87%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.35	-6	-495
1-month	1.89	0	-415
3-month	2.54	-3	-351
6-month	3.05	-1	-322
12-month	3.26	-2	-304

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.97	-3	-213
5Y RON	4.70	-4	-140
10Y RON	5.28	-1	-97

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.95	1	-72
USD Aug-23	4.78	-1	37

CDS

	Last	ΔDbps	ΔYTD bps
5-year	182	0	-33
10-year	236	#N/A	N/A -16

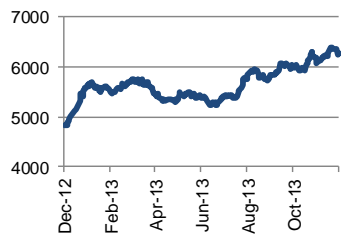
STOCKS

	Last	ΔD	ΔYTD
BET	6295.4	0.37%	22.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4535	-0.01%	-0.22%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-2
1-month	0.31	0	-10
3-month	0.65	1	-28
6-month	1.16	3	-52
12-month	2.23	4	-80

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	4	-9
5Y BGN	1.86	3	21
10Y BGN	3.49	0	14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.64	-2	-61
EUR Jul-17	1.79	-6	-29

CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	0	23
10-year	173	#N/A	N/A 40

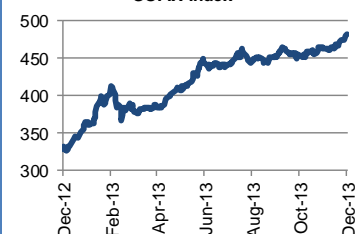
STOCKS

	Last	ΔD	ΔYTD
SOFIX	481.1	0.44%	39.26%

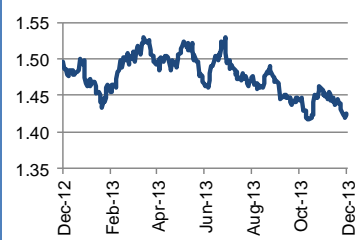
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.425	-0.19%	3.98%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of ca 17:30 EET of the previous session

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