Eurobank Global Markets Research
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Eurobank

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 31, 2013

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Dec. 30: pending home sales (Nov)
- Dec. 31: Consumer conf index (Dec)
- Jan.2
  - Initial jobless claims (Dec. 28)
  - ISM manuf (Dec)

SEE

SERBIA

- Dec. 30
  - IP (Nov)
  - Trade Balance (Nov)
  - Retail sales (Nov)
  - GDP (Q3, f)

BULGARIA

- Dec. 30
  - PPI (Nov)
  - Budget balance (Nov)
- Jan. 2: Reserve assets (Dec)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major global equity markets remained well supported in the last trading day of the year, poised to enter 2014 on a firm footing, amid increased market optimism about the sustainability of the global economic recovery.

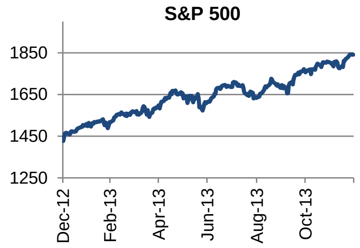
GREECE: The heads of the troika mission are reportedly expected to return to Athens on January 13, 2014 to resume discussions with the Greek government in the context of the current program review.

SOUTH EASTERN EUROPE

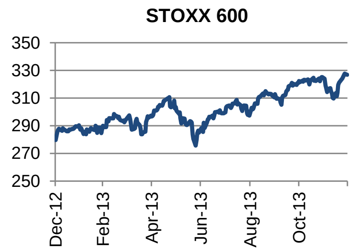
SERBIA: According to the flash estimate, Serbia's real GDP grew by a higher-than-expected 2.4%YoY in 2013.

ROMANIA: RON markets were relatively quiet ahead of year-end.

CESEE Markets: **CESEE stock markets** kept a strong footing on Monday, **regional currencies** were relatively stable ahead of year-end.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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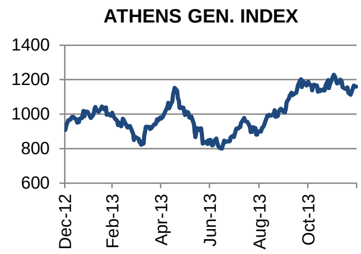

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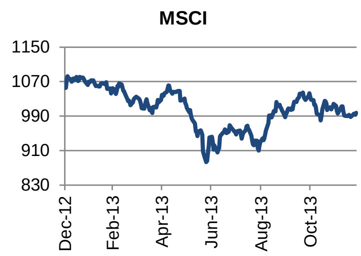

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Latest world economic & market developments

GLOBAL MARKETS

Major global equity markets remained well supported in the last trading day of the year, poised to enter 2014 on a firm footing amid increased market optimism about the sustainability of the global economic recovery. The prevailing market view that major central banks around the globe will continue to pursue expansionary monetary policy in the coming months, also favored market sentiment towards risky assets. In FX markets, the JPY remained under pressure weighed down by the prevailing view that the BoJ will likely launch additional monetary easing next year to cushion the expected impact of a 3% consumption tax hike, planned to come into effect as of April 2014.

Greece: The heads of the troika mission are reportedly expected to return to Athens on January 13, 2014 to resume discussions with the Greek government in the context of the current program review. As per the same sources, domestic authorities have redoubled their efforts so as all outstanding issues underlying the current review to be addressed by January 27, 2014 when the next Eurogroup is scheduled to convene. A staff-level agreement on open issues is a key precondition for the release of the €4.9bn EFSF/IMF loan installment that was originally scheduled for Q4 2013. The installment consists of €3.1bn in EFSF funding and a €1.8bn tranche from the IMF under the Extended Fund Facility.

Latest developments in the CESEE region

CESEE markets

CESEE stock markets broadly kept a strong footing on Monday. However, trade volumes remained thin ahead of year end. Turkey's BIST 100 staged a sharp rebound, leading the gains in the region and paring a large part of recent heavy losses recorded amid escalating domestic political jitters. The index spiked more than 5% intraday, after shedding ca 8% last week to mark its worst weekly performance in years. Nonetheless, it remains some 15% lower on a year-to-date basis. Recall that domestic stocks have been rattled over the last two weeks following a wide-range corruption probe on prominent businessmen, local government officials and ministers' sons which in turn led to the resignation of a number of Ministers as well as to the removal of several police and judicial officials from their posts. The news comes around three months ahead of local elections in Turkey, seen as a key test for the ruling AKP's popularity. In an effort to soothe market concerns, Finance Minister Mehmet Simsek highlighted on Saturday that Turkey's economic fundamentals remained strong adding that "political stability isn't at stake". Hungary's BUX trailed behind, driven higher primarily by a surge in HFB Bank shares on M&A speculation. In the **FX markets**, regional currencies were relatively stable on Monday. The Turkish lira broadly outperformed its regional peers with its recent sharp downtrend appearing overstretched. Notably, the currency bounced by more than 2% from a record low of 2.1764/USD hit a session earlier amidst escalating domestic political tensions. Elsewhere, the Russian rouble came under pressure, easing as far as 1-week lows of 32.85/USD, in the wake of two deadly terrorist attacks in the southern city of

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	9.50	9.50

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

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

Volgograd. In the **local rates markets** Turkish government bonds also rebounded following hefty losses over recent days. Against this background, the 2-year yields slid from a near 2-year peak of 10.17% towards 10.00% in European trade on Monday, while the corresponding 10-year yield eased from a 4-month peak of 10.67% to near 10.30%.

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SERBIA

(Belgrade, 27/12/13, 16:00 CET): **Latest Political & Macro Developments:** Serbia's Statistical Bureau announced that, based on the flash estimate, real GDP grew by 2.4%YoY in 2013, 40bps higher compared to market expectations. The breakdown of the report showed that growth was primarily driven by agriculture, oil and gas, energy and manufacturing sectors. On the flipside, construction, service activities, wholesale and retail sectors exerted the main negative impact. **Market Developments:** The EUR/RSD remained supported by the Central Bank's (NBS) new intervention on Monday aimed at halting the dinar's appreciation trend. According to our estimate, the NBS bought between €30-40mn yesterday. In other news, the MinFin sold RSD 10bn RSD-denominated 53-week T-bills, as planned. The auction produced a yield of 8.89%, down from 9.40% when bills with a similar maturity were issued on December 3, on the back of strong demand which exceeded the amount offered almost twice (19.97bln RSD). Separately, trading on the Belex was particularly light on Monday, while the major Belex15 index rose by 0.22%.

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ROMANIA

(Bucharest, 30/12/13, 10.00 EET): **Latest Political & Macro Developments** There were no significant domestic developments due to the Christmas and upcoming New Year holidays. **Market Developments:** In a similar vein, RON markets remained relatively quiet with thin trade volumes.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1840.39	-0.1%	29.0%
Nikkei 225	16291.31	0.7%	56.7%
STOXX 600	326.90	-0.2%	16.9%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3795	0.3%	4.6%
GBP/USD	1.6495	0.1%	1.5%
USD/JPY	105.17	0.0%	-17.5%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.99	-1	123
Bund-10yr	1.95	-1	63
JGB - 10yr	0.74	4	-5

Commodities

	Last	ΔD	ΔYTD
GOLD	1205	-0.7%	-28.1%
BRENT CRUDE	168	0.0%	7.4%
LMEX	3187	1.4%	-7.8%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.06	-5	-180
1-week	8.34	-9	-211
1-month	8.61	-1	-249
3-month	8.87	-5	-288
6-month	9.18	-7	-303

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.19	-3	-73
5Y RSD	12.84	-2	240
7Y RSD	13.75	-1	100

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.02	4	71
USD Nov-24	6.90	-1	649

CDS

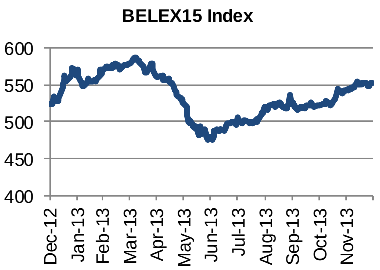
	Last	ΔDbps	ΔYTD bps
5-year	349	1	2
10-year	349	1	-3

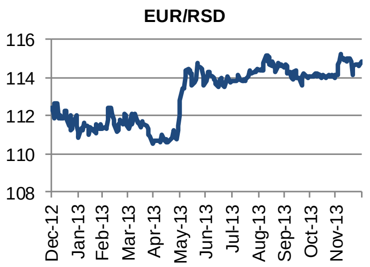
STOCKS

	Last	ΔD	ΔYTD
BELEX15	552.8	0.22%	5.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	114.7	-0.06%	-1.78%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.66	-45	-464
1-month	1.93	-18	-411
3-month	2.44	-4	-361
6-month	2.99	-1	-328
12-month	3.16	-4	-314

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.95	-2	-215
5Y RON	4.69	-2	-141
10Y RON	5.29	-1	-96

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.86	0	-81
USD Aug-23	4.75	-1	34

CDS

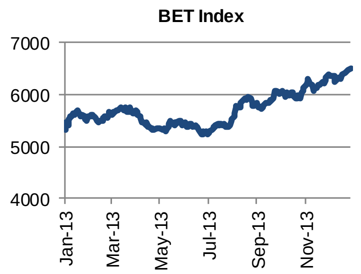
	Last	ΔDbps	ΔYTD bps
5-year	185	#N/A N/A	-29
10-year	236	#N/A N/A	-16

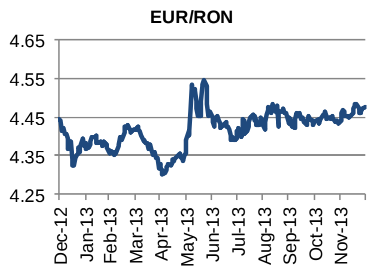
STOCKS

	Last	ΔD	ΔYTD
BET	6493.8	0.24%	26.10%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4745	-0.15%	-0.69%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-2
1-month	0.32	1	-9
3-month	0.65	0	-28
6-month	1.16	0	-53
12-month	2.19	0	-84

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.05	2	-12
5Y BGN	1.83	-1	18
10Y BGN	3.52	0	17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.70	3	-55
EUR Jul-17	1.80	0	-28

CDS

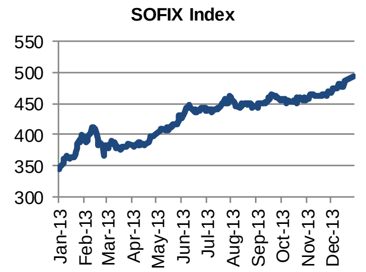
	Last	ΔDbps	ΔYTD bps
5-year	122	#N/A N/A	23
10-year	172	#N/A N/A	40

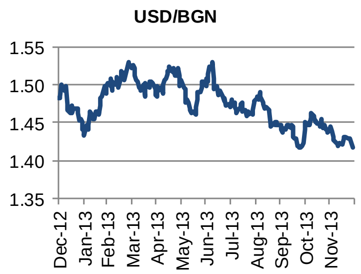
STOCKS

	Last	ΔD	ΔYTD
SOFIX	493.8	0.49%	42.94%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4177	0.37%	4.51%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 17:00 EET of previous session

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