#### Eurobank Global Markets Research

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# 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 confindex (Dec)
- Jan.2
  - Initial jobless claims (Dec. 28)
  - o ISM manuf (Dec)

#### SEE SERBIA

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

#### **BULGARIA**

- Dec. 30
  - o 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.

#### DISCLAIMER

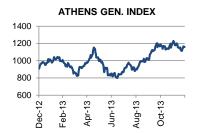
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Source: Reuters, Bloomberg, Eurobank Global



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

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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
C		DI	

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 FOREX						Government Bonds				Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1840.39	-0.1%	29.0%	EUR/USD	1.3795	0.3%	4.6%	UST - 10yr	2.99	-1	123	GOLD	1205	-0.7%	-28.1%
Nikkei 225	16291.31	0.7%	56.7%	GBP/USD	1.6495	0.1%	1.5%	Bund-10yr	1.95	-1	63	BRENT CRUDE	168	0.0%	7.4%
STOXX 600	326.90	-0.2%	16.9%	USD/JPY	105.17	0.0%	-17.5%	JGB - 10yr	0.74	4	-5	LMEX	3187	1.4%	-7.8%

#### SEE MARKETS

Money Market   Money Market   ROBOR   Lost   ADbps   AYTD bps   AVTD bps	SEE MAR	KETS											
Religion   Lest   Albert   A	SERBIA				ROMANIA				BULGARIA				
T/N   R   R   R   R   R   R   R   R   R	Money Marke	et			Money Mark	et			Money Market				
1-month	BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	∆YTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	
1-month	T/N	8.06	-5	-180	O/N	1.66	-45	-464	LEONIA	0.02	0	-2	
3-month 9.18 -7 -903  8-month 9.18 -4 -314	1-week	8.34	-9	-211	1-month	1.93	-18	-411	1-month	0.32	1	-9	
## Action	1-month	8.61	-1	-249	3-month	2.44	-4	-361	3-month	0.65	0	-28	
RS Local Bonds    Ro   Last   ADbps   AYTD bps   AYTD b	3-month	8.87	-5	-288	6-month	2.99	-1	-328	6-month	1.16	0	-53	
Lost   ADBys   AYTD bys   AYTD	6-month	9.18	-7	-303	12-month	3.16	-4	-314	12-month	2.19	0	-84	
37 RSD	RS Local Bond	ds			RO Local Bon	ds			BG Local Bonds				
SYRSD   12.84   2   240   13.75   -1   100   10 PRON   5.29   -1   -96   10 PRON   3.52   0   17     RS Eurobonds		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	∆Dbps	ΔYTD bps	
13.75   1   100   107RON   5.29   1   -96   107BGN   3.52   0   17   17   17   17   10   17   10   10	3Y RSD	11.19	-3	-73	3Y RON	3.95	-2	-215	3Y BGN	1.05	2	-12	
RS Eurobonds  RO Eurobonds  EUR Sep-20 3.86 0 9-91 3.96 0 9-91 5.02 4 71 5.02 4 71 5.02 4 71 5.02 4 71 5.02 4 71 6.99 0 -1 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 4 71 6.99 5.02 8 5.02	5Y RSD	12.84	-2	240	5Y RON	4.69	-2	-141	5Y BGN	1.83	-1	18	
USD Nov-17   5.02   4   71   USD Nov-17   5.02   5   USD Nov-17   5   USD	7Y RSD	13.75	-1	100	10Y RON	5.29	-1	-96	10Y BGN	3.52	0	17	
USD Nov-17 5.02 4 71 USD Nov-24 6.90 1 649 U	RS Eurobonds	s			RO Eurobono	ls			BG Eurobond	s			
USD Nov-24  CDS  CDS  CDS  CDS  CDS  CDS  CDS  CD		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
CDS    CDS	USD Nov-17	5.02	4	71	EUR Sep-20	3.86	0	-81	USD Jan-15	0.70	3	-55	
Last   ADbps   AYTD bps   AYTD	USD Nov-24	6.90	-1	649	USD Aug-23	4.75	-1	34	EUR Jul-17	1.80	0	-28	
5-year 10-year 349 1 2 10-year 135 #N/A N/A 29 10-year	CDS				CDS				CDS				
5-year 10-year 349 1 2 10-year 135 #N/A N/A 29 10-year		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
10-year   349   1   -3   10-year   236   MV/A N/A   -16   10-year   172   MV/A N/A   40	5-vear	349			5-vear	185		-29	5-vear	122			
Lost   AD   AYTD	•								*				
Lost   AD   AYTD	STOCKS				STOCKS				STOCKS				
### FOREX    Last	0.00.0	Last	ΔD	ΔΥΤΟ	0.00.0	Last	ΔD	ΔΥΤΟ	0.00.00	Last	ΔD	ΔΥΤΟ	
EUR/RSD    Last   AD   AYTD     Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AT   AT   AT   AT   AT   AT   AT   A	BELEX15				BET				SOFIX			42.94%	
EUR/RSD    Last   AD   AYTD     Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AD   AYTD   Last   AT   AT   AT   AT   AT   AT   AT   A	FOREX				FOREX				FOREX				
BELEX15 Index  600  400  400  400  400  400  400  40		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
SOFIX Index  550  400  400  500  400  500  400  500  400  500  500  400  500  600  500  600  6	EUR/RSD	114.7	-0.06%	-1.78%	EUR/RON	4.4745	-0.15%	-0.69%	USD/BGN	1.4177	0.37%	4.51%	
6000 5500 450 450 450 450 450 450 450 450		BELEX1	5 Index			BET	Index			COLIN	la desc		
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112	444		Ma M	m	4 55				4.50	N. /L	Λ		
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Dec-12   Apr-13   Apr	112	-A4A.			4.45	M	AND MALL	Amon.	1.45		- 10	nM.	
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Source: Reuters, Bloomberg, Eurobank Global Markets Research Data updated as of 17:00 EET of previous session December 31, 2013

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