

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 11, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 13
  - Retail sales (Jan)
  - Initial jobless claims (Feb 8)
- Feb 14
  - IP (Jan)
  - UoM conf (Feb, p)

### EUROZONE

- Feb 12: IP (Dec)
- Feb 13
  - DE: CPI (Jan, f)
- Feb 14: GDP (Q4, A)

### SEE

#### SERBIA

- Feb 11: 2Y T-Bond auction
- Feb 13: MPC meeting

#### ROMANIA

- Feb 10
  - Trade balance (Dec)
  - RON800mn T-bond auction
- Feb 12
  - CPI (Jan)
  - IP (Dec)
  - CAD (Dec)

#### BULGARIA

- Feb 10
  - Trade balance (Dec)
  - Reserves (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** All eyes today are on the Fed's newly-appointed Chair, Janet Yellen, who is scheduled to give her first testimony before the House of Representatives Financial Services Committee later today.

**GREECE:** Adding to recent signs pointing to an ongoing stabilization of domestic economic conditions, Greece's industrial production index rose by 0.5% mom in December, marking the first increase in six months.

### SOUTH EASTERN EUROPE

**SERBIA** EUR/RSD closed little changed compared to Friday's settlement.

**ROMANIA:** Trade balance data showed a full year 2013 deficit of EUR 5.7bn, against a shortfall of EUR 9.6bn recorded in the previous year.

**BULGARIA:** Exports increased by 6.8% YoY in 2013, outpacing a 1.3% YoY rise in imports over the same period; The domestic stock market rallied with SOFIX recording its largest daily gain in more than a year.

**CESEE Markets: Emerging stock markets** moved broadly lower on Monday as the recent rebound over the previous two sessions appeared to be overdone. Caution also prevailed ahead of the newly incumbent Fed Chair Janet Yellen's first congressional testimony, which investors will likely closely scrutinize for potential hints on the Central Bank's policy deliberations ahead.

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## Latest world economic & market developments

### GLOBAL MARKETS

All eyes today are on the Fed's newly-appointed Chair, Janet Yellen, who is scheduled to give her first testimony before the House of Representatives Financial Services Committee later today (the transcript of her testimony will be publicly released at 13:30 GMT, while the hearing will begin at 15:00 GMT). The new Fed Chair is expected to reiterate that the Central Bank will continue to reduce the pace of its asset purchases, as long as the US economy remains on a recovery path, adding that the Fed remains committed to keep a highly accommodative stance of monetary policy for a long time to come. That said, her testimony is not expected to prove a major market mover.

### GREECE

Adding to recent signs pointing to an ongoing stabilization of domestic economic conditions, Greece's industrial production index rose by 0.5% mom in December, marking the first increase in six months. The encouraging report followed the recent release of a string of positive key real activity and sentiment indicators, including the Manufacturing Purchasing Managers' Index (PMI) which rose in January above the boom-or-bust threshold of 50 for the first time in 53 months. Greek government bonds moved higher in early European trade on Tuesday extending recent gains for the 7<sup>th</sup> consecutive session. The yield on the 10-yr sovereign paper was standing close to 7.58% at the time of writing, the lowest since mid-May 2010, with the 10-yr GGB/Bund yield spread hovering around a four-week low of 589bps.

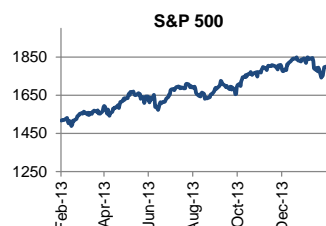
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## Latest developments in the CESEE region

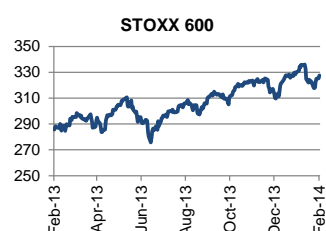
### CESEE markets

**Emerging stock markets** moved broadly lower on Monday as the recent rebound over the previous two sessions appeared to be overdone. Caution also prevailed ahead of the newly incumbent Fed Chair Janet Yellen's first congressional testimony, which investors will likely closely scrutinize for potential hints on the Central Bank's policy deliberations ahead. The MSCI emerging equities index lost 0.19% yesterday. Turkey's BIST 100 underperformed its regional peers with a 0.87% drop after S&P revised lower its outlook on the country's sovereign credit rating to negative from stable on Friday, citing heightened risks for a hard landing in the domestic economy. Bulgaria's SOFIX bucked the region's trend, jumping by 2.64%. In the **FX markets**, the Hungarian forint came under renewed pressure on Monday on expectations for further Central Bank rate cuts at the upcoming MPC meeting next week. Against this background, January's CPI data, due on Friday takes centre stage this week. Recall that, the Central Bank's key policy rate currently stands at a record low of 2.85%, following 415bps of cumulative rate cuts since August 2012. In the **local rate markets**, Turkish government paper broadly underperformed its regional peers in the wake of the S&P announcement, with the 2 and 10-year benchmark bond yields bouncing by ca 11-12bps each to close at 10.72% and 10.03%, respectively on Monday. In the **external debt markets**, Ukraine's CDS spreads rose to a multi-session closing peak near 1060bps y-day from 1050bps on Friday after the Central Bank imposed capital controls in an effort to ensure banking sector and foreign exchange stability. The measures include limits on private transfers abroad and bans on FX purchases for overseas investment or early loans repayments. Note also that Fitch downgraded the country's sovereign credit ratings to "CCC" from "B-" on Friday maintaining a negative outlook against a backdrop of escalating domestic political turmoil.

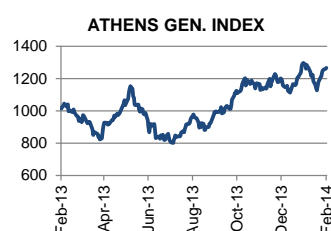
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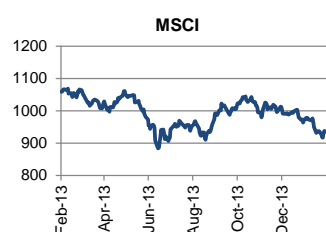
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.3	7.9	5.5
Budget Balance/GDP	-6.4	-6.5	-7.1
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	115.00
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

## SERBIA

(Belgrade, 7/2/2014, 16:30CET): **Latest Political & Macro Developments:** Amid mounting concerns about a number of commercial banks facing increased risks of bankruptcy, the National Bank issued a statement saying the banking sector "is stable, well-capitalised, liquid and profitable". Worries over the state of the domestic banking sector emerged after Univerzal Banka (a domestic private bank) was delicensed in January by the NBS as "the bank's financial condition deteriorated significantly and its critical undercapitalisation came as a threat to liquidity and business continuity." **Market Developments:** The EUR/RSD hit a one-month intraday low of 115.25 on Monday, in the wake of renewed Central Bank intervention a session earlier before closing at 115.72, little changed compared to Friday's settlement. On the local rates market, the Finance Minister is offering later today RSD 10bn of 2Y amortized government bonds.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.7	2.7
CPI (pa, yoy %)	3.3	4.0	2.5
Budget Balance/GDP	-3.0	-2.5	-2.2
Current Account/GDP	-4.0	-1.2	-1.5
EUR/RON (eop)	4.44	4.46	4.70
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 7/2/2014, 18:00 EET): **Latest Political & Macro Developments:** According to National Statistics Institute the trade deficit came in at EUR 494.5mn in December, bringing the full-year 2013 shortfall to EUR 5.7bn, vs. a deficit of EUR 9.6bn in 2012. **Market Developments:** The EUR/RON moved lower on Monday ending at 4.4700 compared to Friday's settlement of 4.4800. RON short term rates remained on an easing trend, with the 1M implied rate from swaps reaching 2.85 and the respective 12M rate falling to 2.50. In a primary market 3Y bond auction on Monday, the MoF sold the planned amount of RON 800mn (the first successful auction in February after two cancelations). However the 4.06% average yield came somewhat above expectations.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.4	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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA






(Sofia, 7/2/2014, 18:15 EET): **Latest Political & Macro Developments:** According to NSI trade balance data, the total value of all exported goods amounted to BGN 43.398bn in 2013, recording a 6.8% YoY increase. Meanwhile, the total value of imports also rose in 2013, but at a slower pace compared to that of exports. In detail, imports advanced by 1.3% to BGN 50.455bn. As a result, the trade balance remained in a negative territory of BGN - 7.057bn, but narrowed by BGN 2bn from a year earlier. The breakdown of the data also revealed an increase in exports both towards EU and non-EU countries, while imports were predominantly from the EU. **Market Developments:** The Ministry of Finance successfully placed EUR 25mn in 7-year EUR notes on Monday at an average yield of 2.94% and a bid/cover ratio at 2.65. Domestic banks were the major buyers on the primary market acquiring a 47.4% share of the auction, while pension funds purchased 39.6% of the total amount offered. The remaining was absorbed by insurance companies and guarantee funds. The domestic stock market kicked off the week on a firm tone, with all major indices closing with gains in excess of 1.8%. SOFIX advanced by 2.64% to close at 575.80, marking its highest daily increase since late 2012.

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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	1799.84	0.2%	-2.6%	EUR/USD	1.3668	0.2%	-0.5%	UST - 10yr	2.69	3	-34	GOLD	1283	0.6%	6.4%
Nikkei 225	14718.34	1.8%	-9.7%	GBP/USD	1.6432	0.2%	-0.7%	Bund-10yr	1.69	1	-24	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	327.49	0.7%	-0.2%	USD/JPY	102.39	-0.1%	2.9%	JGB - 10yr	0.61	0	-13	LME X	3056	-0.7%	-3.3%

## SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	7.82	0	-19	O/N	3.24	-10	150	LEONIA	0.04	0	-3
1-week	8.12	12	-16	1-month	3.29	-5	141	1-month	0.30	0	-2
1-month	8.46	13	-12	3-month	3.43	-5	99	3-month	0.62	0	-3
3-month	8.77	7	-11	6-month	3.43	-2	44	6-month	1.14	0	-2
6-month	9.08	6	-7	12-month	3.41	-2	26	12-month	2.20	0	0
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	10.06	0	-99	3Y RON	3.71	2	-24	3Y BGN	1.03	-2	-6
5Y RSD	11.63	0	-119	5Y RON	4.58	1	-7	5Y BGN	1.77	2	-8
7Y RSD	13.31	2	-50	10Y RON	5.43	3	13	10Y BGN	3.43	0	-6
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.09	0	-91	EUR Sep-20	3.48	-2	-36	USD Jan-15	0.82	-3	23
USD Nov-24	4.72	-197	-219	USD Aug-23	4.68	3	-13	EUR Jul-17	1.68	-10	-12
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	369	1	-41	5-year	184	0	-1	5-year	123	0	0
10-year	403	0	-43	10-year	232	4	0	10-year	170	-1	-5
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	568.8	0.05%	1.94%	BET	6368.8	0.45%	-1.92%	SOFIX	575.8	-0.01%	17.14%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.7	-0.05%	-1.00%	EUR/RON	4.4708	-0.14%	0.05%	USD/BGN	1.431	0.17%	-0.55%
<b>BELEX15 Index</b> 				<b>BET Index</b> 				<b>SOFIX Index</b> 			
<b>EUR/RSD</b> 				<b>EUR/RON</b> 				<b>USD/BGN</b> 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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