

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 12, 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: Taking their lead from the positive tone on Wall Street overnight, major Asian bourses firmed today and European equity markets opened higher. The main drivers behind the latest bout of improved risk appetite were China's firmer-than-expected January trade data as well as comments by Fed Chair Janet Yellen during her first testimony before the House of Representatives Financial Services Committee yesterday suggesting continuity in the monetary policy approach taken by her predecessor Ben Bernanke.

GREECE: According to the latest data on the execution of the State Budget on a modified cash basis, the Central Government balance recorded a surplus of €595mn in January 2014 compared to a surplus of €177mn realized in the same month a year earlier.

SOUTH EASTERN EUROPE

SERBIA FX reserves stood at €11.13 bn at end-January.

ROMANIA: January's CPI rose by 0.9% MoM, bringing the annual rate of increase to a new historical low of 1.1%.

BULGARIA: According to Eurostat, tax collection remains a challenge in Bulgaria; the domestic stock market extended its recent gains, SOFIX lagged behind.

CESEE Markets: Emerging stock markets closed higher on Tuesday tracking gains on Wall Street. Regional bourses were boosted by newly incumbent Fed Chair Janet Yellen's first congressional testimony, where she confirmed continuity of the Central Bank's existing monetary policy. Providing further support, the Central Bank of Kazakhstan announced it would devalue the tenge by 19% against the US dollar. **FX markets,** regional currencies were mixed after the new Fed Chair signaled that the Central Bank would continue gradually reducing the pace of its monthly asset purchases ahead.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the positive tone on Wall Street overnight, major Asian bourses firmed today and European equity markets opened higher. The main drivers behind the latest bout of improved risk appetite were China's firmer-than-expected January trade data as well as comments by Fed Chair Janet Yellen during her first testimony before the House of Representatives Financial Services Committee yesterday suggesting continuity in the monetary policy approach taken by her predecessor Ben Bernanke. Specifically, the newly-appointed Fed Chair said that, if upcoming data broadly support the committee's expectations of an ongoing improvement in labor market conditions and inflation rising towards the central bank's long-term threshold, "the Committee will likely reduce the pace of asset purchases in further measured steps at future meetings". Focus today is on the BoE's updated Inflation Report and, in particular, whether the Central Bank retains its forward guidance based on the unemployment rate.

GREECE

According to the latest data on the execution of the State Budget on a modified cash basis, the Central Government balance recorded a surplus of €595mn in January 2014 compared to a surplus of €177mn realized in the same month a year earlier. The Central Government primary balance recorded a surplus of €811mn compared to a surplus target of €955mn envisioned in the 2014 Budget and higher compared to a surplus of €415mn recorded in January 2012.

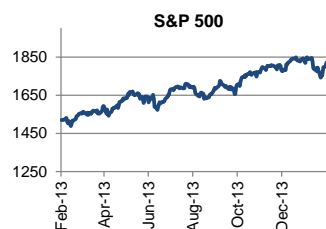
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Latest developments in the CESEE region

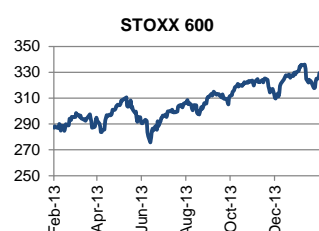
CESEE markets

Emerging stock markets closed higher on Tuesday tracking gains on Wall Street. Regional bourses were boosted by newly incumbent Fed Chair Janet Yellen's first congressional testimony, where she confirmed continuity of the Central Bank's existing monetary policy. Providing further support, the Central Bank of Kazakhstan announced it would devalue the tenge by 19% against the US dollar in order to contain the impact of a weaker Russian ruble which had recently added pressure on the Kazakh currency (Russia is among the country's main trade partners). The new tenge trading range was set at 185/USD +/-3 tenge. Along these lines, Ukraine's PFTS rallied 1.73% trailing a 12% jump in the Kazakh stock market KASE and outperforming a 0.99% rise in the MSCI emerging equities index. In the **FX markets**, regional currencies were mixed after the new Fed Chair signaled that the Central Bank would continue gradually reducing the pace of its monthly asset purchases ahead. Note that US monetary stimulus over the last couple of years has supported capital inflows into emerging economies, and the Fed's decision on its gradual withdrawal has added pressure to regional assets. The Ukrainian hryvnia was the main underperformer in the CESEE region falling by ca 2.3% to close at 8.61/USD on the day and stand not far from last week's near 5-year lows of 8.87/USD after the Central Bank imposed capital controls in an effort to ensure banking sector and foreign exchange stability against a backdrop of persisting domestic political jitters. News about the Kazakhstan tenge devaluation also weighed. On the other hand, the Turkish lira firmed 1% on Tuesday to close near 2.1930/USD.

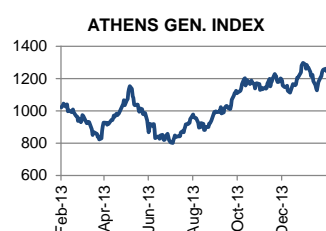
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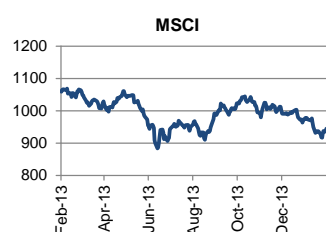
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

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
	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, 11/2/2014, 16:30CET): **Latest Political & Macro Developments:** In a statement issued on Tuesday, the Central Bank said that the FX reserves at the end of January amounted to €11.13bn. The largest inflow came from €-denominated bond sales (€66m), while the largest outflow was recorded for the settlement of debt to foreign creditors (€46m). Trading volumes in the interbank market amounted to €568mn in January, falling by €208mn compared to the prior month's level. The NBS has repeatedly intervened in the FX market in January, selling a cumulative amount of €330mn. **Market Developments:** The EUR/RSD opened at 115.60/80 on Tuesday, but later moved higher reaching levels of 115.77/97 prompting renewed Central Bank intervention and containing the pair at around levels of 115.60/80 for the remainder of the day. On the fixed income front, the Finance Ministry sold 99.36% of the planned RSD 10bn 2Y amortized, KPR (key policy rate)-linked bond. The bond was sold at a fixed margin of +149bps over KPR, down from +219bps in a similar auction held on November 26. Elsewhere, the main stock market index, Belex15, fell 0.15%.

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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
	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, 12/2/2014, 10:00 EET): **Latest Political & Macro Developments:** According to the National Statistics Institute January's CPI rose by 0.9% MoM, bringing the annual rate of increase to a new historic low of 1.1%. In other news, President Basescu announced on Tuesday evening that he will refuse to sign the IMF Memorandum if it includes a government-backed fiscal relief plan to highly indebted low income households. Should this be the case, the completion of the current review will probably take longer than initially planned. **Market Developments:** In the absence of major news, the EUR/RON consolidated around 4.4700/800 on Tuesday. A potential escalation of domestic political jitters entails the risk of pushing the pair higher. Elsewhere, RON interest rates reversed their downward trend on Tuesday, with 1W-1Y implied EUR/RON swaps rates jumping by ca 25bps. In view of the aforementioned, Romanian government bonds came under selling pressure, with the corresponding yield curve shifting some 5-10bps higher.

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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	
	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, 11/2/2014, 17.30 EET): **Latest Political & Macro Developments:** According to recently released Eurostat data, the ratio of tax revenues to GDP is estimated at 27.2% for 2011, thus placing Bulgaria among the EU countries with the lowest tax collection rate. Behind Bulgaria was Lithuania with a 26.7% rate and Latvia with 27.7%, while the average Eurozone rate stood at 40.8% and at 40.0% in the European Union. **Market Developments:** Domestic equities closed with modest gains. SOFIX recorded its eighth consecutive session in green, but underperformed in respect to the broader benchmarks with a 0.53% rise to close at 578.83 points.

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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	1819.75	1.1%	-1.5%	EUR/USD	1.3646	0.1%	-0.7%	UST - 10yr	2.73	0	-30	GOLD	1287	-0.4%	6.7%
Nikkei 225	14800.06	0.6%	-9.2%	GBP/USD	1.6473	0.1%	-0.5%	Bund-10yr	1.69	0	-24	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	329.52	1.3%	0.4%	USD/JPY	102.49	0.1%	2.8%	JGB - 10yr	0.61	1	-13	LMEX	3050	-0.2%	-3.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.80	-2	-21
1-week	8.07	-5	-21
1-month	8.43	-3	-15
3-month	8.76	-1	-12
6-month	9.11	3	-4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.12	0	-94
5Y RSD	11.73	-2	-109
7Y RSD	13.24	-1	-56

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.12	0	-88
USD Nov-24	4.26	-242	-252

CDS

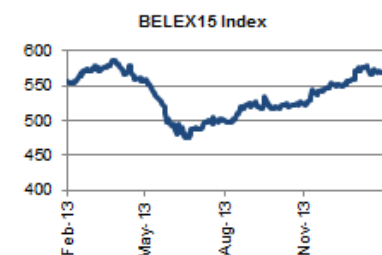
	Last	ΔDbps	ΔYTD bps
5-year	364	-4	-45
10-year	399	-4	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	569.3	0.15%	2.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.8	0.01%	-1.06%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.24	0	150
1-month	3.29	0	141
3-month	3.43	0	99
6-month	3.43	0	44
12-month	3.41	0	26

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.74	0	-21
5Y RON	4.65	0	0
10Y RON	5.46	0	16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.47	0	-37
USD Aug-23	4.68	0	-12

CDS

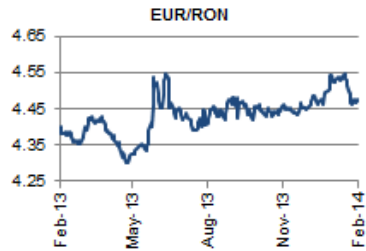
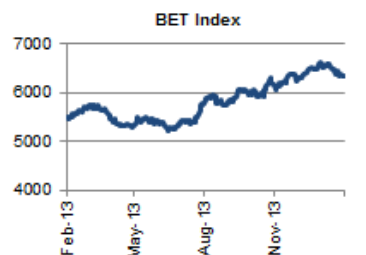
	Last	ΔDbps	ΔYTD bps
5-year	180	0	-5
10-year	226	-6	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6342.0	0.03%	-2.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4775	-0.12%	-0.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.30	0	-2
3-month	0.62	0	-3
6-month	1.14	0	-2
12-month	2.20	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.03	0	-6
5Y BGN	1.76	0	-9
10Y BGN	3.45	0	-5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.74	-9	24
EUR Jul-17	1.66	-5	-14

CDS

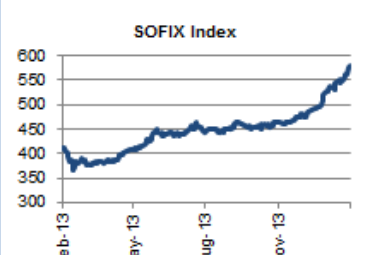
	Last	ΔDbps	ΔYTD bps
5-year	123	0	-1
10-year	170	0	-5

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.8	0.53%	17.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4334	0.06%	-0.72%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:30 EET

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