

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 17, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 18
 - Empire State (Feb)
 - NAHB (Feb)
- Feb 19
 - PPI (Jan)
 - Housing starts & permits (Feb)
- Feb 20
 - CPI (Jan)
 - Initial jobless claims (Feb 14)
- Feb 21
 - Existing home sales (Jan)

EUROZONE

- Feb 18
 - DE: ZEW (Feb)
- Feb 20: PMI service & manuf (Feb, P)

SEE

SERBIA

- Feb 19: 3Y T-Bond auction
- Feb 21: HICP (Jan)

ROMANIA

- Feb 20: EUR 200mn T-Bonds auction

BULGARIA

- Feb 17: U/E rate (Dec)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking gains on Wall Street on Friday, major Asian bourses kicked off the week on a firm footing as EM jitters seem to have abated somewhat. Firmer-than-expected Eurozone Q4 GDP data, also favored market sentiment towards risky assets. In FX markets, the EUR retained a positive tone in European trade supported by the market's perception that encouraging Eurozone Q4 GDP data somewhat eased pressures on the ECB for further economic stimulus action any time soon.

GREECE: According to the most recent national accounts statistics, Greek real GDP growth declined by 2.6% YoY in Q4 2013, bringing the full-year pace of GDP contraction to -3.7% from -6.4% in 2012. Despite the negative YoY GDP reading in Q4 2013, the pace of output contraction for the full year 2013 has been much less severe than expected initially. In other news, a high-level EU official was quoted as saying in the local press that, soon after the February 17 Eurogroup, the troika mission is due to return to Athens to resume discussions with domestic authorities for the completion of the current (4th) program review.

SOUTH EASTERN EUROPE

SERBIA: Central Bank kept key policy rate unchanged at 9.50%, in line with expectations.

ROMANIA: Q4 2013 flash data showed real GDP grew by 5.2%, well above 2.8% expected.

BULGARIA: GDP growth picked up pace in Q4 2013; CPI deflation trend continues for the sixth consecutive month in January.

CESEE Markets: Emerging equity markets closed broadly higher on Friday, on improved risk sentiment; CESEE currencies firmed receiving additional support from upbeat Q4 2013 GDP data.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking gains on Wall Street on Friday, major Asian bourses kicked off the week on a firm footing as EM jitters seem to have abated somewhat. Data released earlier today showing that banks in China disbursed in January the highest volume of loans in near four years, also favored market sentiment towards risky assets. Separately, Eurozone Q4 GDP grew by a higher than expected 0.5%YoY following a contraction of 0.3%YoY in the prior quarter. Disappointing US January industrial production data was broadly shrugged off as the Fed cited that the weakness was partially attributable to unusually adverse weather conditions. In FX markets, the EUR retained a positive tone in European trade supported by the market's perception that encouraging Eurozone Q4 GDP data somewhat eased pressures on the ECB for further economic stimulus action any time soon.

Greece

According to the most recent national accounts statistics, Greek real GDP growth declined by 2.6% YoY in Q4 2013, bringing the full-year pace of GDP contraction to -3.7% from -6.4% in 2012. Despite the negative YoY GDP reading in Q4 2013, the pace of output contraction for the full year 2013 has been much less severe than expected initially. In other news, a high-level EU official was quoted as saying in the local press that, soon after the February 17 Eurogroup, the troika mission is due to return to Athens to resume discussions with domestic authorities for the completion of the current (4th) program review. According to the same EU official, a compromise between the two sides on "some issues" is still pending in order for a staff-level agreement to be reached at the March 10 Eurogroup, paving the way for an approval of the next EFSF loan tranche to Greece.

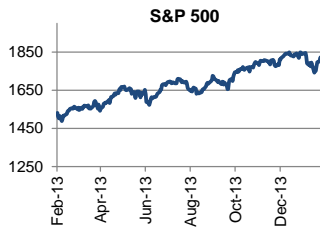
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Latest developments in the CESEE region

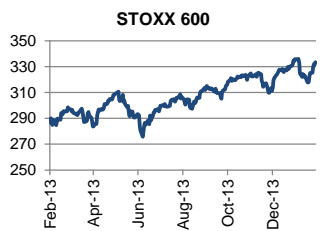
CESEE markets

Emerging equity markets closed broadly higher on Friday, on improved global risk sentiment, with bourses in the CESEE region receiving additional support from upbeat domestic Q4 2013 GDP data. In detail, the MSCI emerging equities index advanced by 1.21%, while Turkey's BIST 100 posed among the region's main outperformers with a 1.75% jump on reportedly easing corporates' demand for hard currency. Hungary's BUX bounced by 1.23% after real Q4 2013 GDP came in at 2.7%YoY, exceeding the market's median forecast of 2.1%YoY. Against a similar background, the majority of **CESEE currencies** firmed. The Hungarian forint led the gains in the region on the back of better-than-expected GDP data. The EUR/HUF eased to a near 2-week low of 307.89 intraday, remaining however within distance from a 2-year peak of 314.53 hit earlier in the month amid concerns about the country's high debt levels and persisting expectations for further monetary easing ahead. The Central Bank holds its monthly MPC meeting tomorrow, where it is broadly expected to announce a 10bps interest rate cut. If delivered, it will bring the MNB base rate to a new record low of 2.75%, following cumulative 415bps of rate cuts since August 2012. Elsewhere, the Polish zloty extended its recent appreciation trend on Friday after Q4 2013 GDP data did not deliver any major negative surprise (2.7%YoY vs. a 2.9%YoY consensus), hitting a 1-month high of 4.1426/EUR intraday.

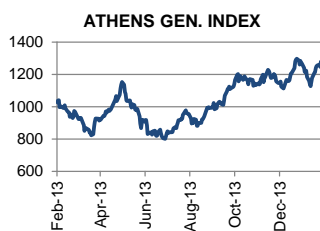
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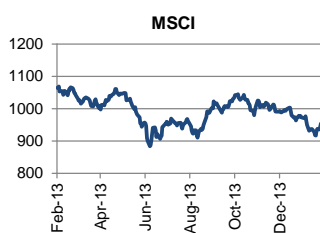
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	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, 14/2/2014, 1630CET): **Latest Political & Macro Developments:** The Executive Board of the National Bank of Serbia (NBS) held the key policy rate unchanged at 9.50% at its MPC meeting late last week, citing the need for a cautious monetary policy "in light of the developments and expected liquidity strains in international financial markets". The Board also concluded that a significant narrowing of external imbalances has been recorded in 2013 (mostly due to increasing net exports) adding that external financing needs persist.

Market Developments: The EUR/RSD was little changed on Friday, hovering around levels of 115.80/00. Note that the NBS has sold year-to-date a total amount of EUR 510mn on the FX market in order to halt the dinar's recent depreciation momentum. Earlier in the day, NBS Governor Jorgovanka Tabakovic said that the Central Bank intends to safeguard dinar stability in order to assist households, the State and businesses to continue servicing their euro-denominated debt. She added that persisting depreciation pressures on the local currency were instigated by global markets jitters and do not necessarily reflect domestic political uncertainty ahead of the upcoming general elections in Serbia.

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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, 17/2/2014, 09:15 EET): **Latest Political & Macro Developments:** According to the National Statistics Institute, real GDP grew by 1.7%QoQ in Q4 2013, bringing the annual rate of increase to 5.3%YoY, well above the market's median forecast of 2.8%YoY. With the breakdown of the data not yet available, we allure that the agricultural sector was probably among the main drivers of domestic growth. **Market Developments:** The EUR/RON ended last week at levels around 4.4900, compared to the settlement of the prior session. Short term RON rates remained at elevated levels, while the benchmark yield curve was roughly unchanged on the day. Later today, the MoF holds a primary market auction for RON 500mn of 2Y bonds, expected to produce a yield around 4.05-4.15%

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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, 14/2/2014, 17.30 EET): **Latest Political & Macro Developments:** According to preliminary NSI data, CPI marked a 0.2%MoM drop in January, bringing the annual rate of decrease to 2.2%, the highest pace of decline since mid-last year. According to flash NSI estimates, nominal GDP amounted to BGN 21.321bn in Q4 2013, with the real rate of increase coming in at 0.4%QoQ and 1.0%YoY, on working-day adjusted terms. The latter marked the highest annual growth rate since Q1 2012 and follows a 0.7%YoY increase a quarter earlier. In other news, the current account balance recorded a surplus of EUR 834mn (or 2% of GDP) for the whole of last year, compared to a deficit of EUR 521mn (or 1.3% of GDP) in 2012. This improvement mainly stems from a EUR 1.1bn narrowing in the trade deficit to EUR 2.3bn, as growth of 6.8%YoY in exports significantly outpaced that of imports (1.3%YoY). Meanwhile, FDI amounted to EUR 1.2bn in 2013, or 17% less than the previous year. **Market Developments:** Bulgarian equities broadly firmed on Friday, partially recovering losses suffered a session earlier. All indices ended in a positive territory of 0.4-0.5%, with SOFIX adding 0.45% to 576.58pts, standing within distance from Tuesday's 5-year high of 578.83pts.

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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	1838.63	0.5%	-0.5%	EUR/USD	1.3705	0.1%	-0.3%	UST - 10yr	2.74	0	-29	GOLD	1322	0.3%	9.7%
Nikkei 225	14393.11	0.6%	-11.7%	GBP/USD	1.6785	0.2%	1.4%	Bund-10yr	1.69	1	-24	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	333.32	0.6%	1.5%	USD/JPY	101.86	0.0%	3.4%	JGB - 10yr	0.60	0	-14	LMEX	3098	0.6%	-1.9%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔD	ΔYTD	ROBOR	Last	ΔD	ΔYTD	SOFIBOR	Last	ΔD	ΔYTD	LEONIA	Last	ΔD	ΔYTD
T/N	7.85	-3	-16	O/N	4.42	0	268	1-month	0.04	0	-3	1-month	0.30	0	-2
1-week	8.09	-4	-19	1-month	3.61	0	173	3-month	0.61	0	-4	3-month	1.14	0	-2
1-month	8.43	-7	-15	3-month	3.59	0	115	6-month	2.20	1	0	6-month	2.20	1	0
3-month	8.75	-5	-13	6-month	3.56	0	57	12-month	3.45	0	-5	12-month	3.45	0	-5
6-month	9.11	1	-4	12-month	3.55	0	40	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
3Y RSD	9.96	#N/A	0	3Y RON	3.90	0	-5	3Y BGN	1.02	-1	-7	3Y BGN	1.74	-3	-10
5Y RSD	11.42	-2	-140	5Y RON	4.78	-1	13	5Y BGN	1.74	-3	-10	10Y BGN	3.45	0	-5
7Y RSD	12.92	-3	-88	10Y RON	5.51	-1	21	BG Eurobonds							
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	USD Jan-15	Last	ΔD	ΔYTD	EUR Sep-20	Last	ΔD	ΔYTD
USD Nov-17	4.18	-6	-83	EUR Sep-20	3.53	2	-32	EUR Jul-17	0.93	8	34	USD Aug-23	4.64	-3	-17
USD Nov-24	3.99	-269	-291	USD Aug-23	4.64	-3	-17	CDS							
CDS				CDS				CDS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	5-year	Last	ΔD	ΔYTD	5-year	Last	ΔD	ΔYTD
5-year	410	40	1	5-year	182	0	-2	10-year	123	0	0	5-year	169	-2	-6
10-year	448	44	1	10-year	228	0	-4	STOCKS							
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	563.9	-0.39%	1.05%	BET	6399.9	0.41%	-1.45%	SOFIX	576.6	0.45%	17.31%	FOREX			
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	USD/BGN	Last	ΔD	ΔYTD	BELEX15 Index			
EUR/RSD	115.8	0.01%	-1.08%	EUR/RON	4.4885	0.08%	-0.35%	USD/BGN	1.4272	0.09%	-0.29%				
EUR/RSD				EUR/RON				USD/BGN				BET Index			
EUR/RSD				EUR/RON				USD/BGN				SOFIX Index			

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 10:00 EET

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