

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 21, 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:** Taking their lead from the positive tone on Wall Street overnight, major Asian bourses firmed today supported by positive US manufacturing-related data. Elsewhere, the US dollar gained some ground in the European trade on Friday.

**GREECE:** Speaking before the European Parliament's Economic Affairs committee, ECB President Jeroen Dijsselbloem revealed that the troika mission will arrive in Athens on Sunday to resume discussions with domestic authorities in the context of the current (4<sup>th</sup>) program review. He also reiterated that the decision on whether Greece will need a new bailout package will be reached in H2 2014 and expressed his view that, eventually, the country might not need additional support.

### SOUTH EASTERN EUROPE

**SERBIA:** The Central Bank intervened anew in the FX market on Thursday, failing though to exert a significant impact in the FX markets.

**ROMANIA:** Official discussions between the two main coalition partners, the National Liberal Party and the Social Democratic Party, for the appointment of new ministers who will take over the currently vacant cabinet seats, are expected to conclude on Monday.

**BULGARIA:** According to Bulgarian Industrial Association's survey, Bulgaria lost over BGN 12.4 bn to grey market between 2008 and 2012.

**CESEE Markets: Emerging equity markets** broadly fell on Thursday amid revived concerns about a more pronounced than-currently-anticipated slowdown in the Chinese economy. Escalating domestic political tensions in Ukraine added to the negative tone. Bourses and currencies in the CESEE region were mixed.

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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 supported by positive US manufacturing-related data. In more detail, Markit's preliminary US Manufacturing Purchasing Managers index rose to a near four-year high of 56.7 in February from 53.7 in the prior month, mainly supported by a hefty increase in the new orders component. Moreover, US initial jobless claims fell by 3k in the week ended February 15 to 336k, a development that bodes well for the domestic labor market. Against this background, the US dollar gained some ground in the European trade on Friday. The DXY index was hovering around 80.356 at the time of writing, not far from Thursday's 80.424 one-week high, having further recovered from a multi-session trough of 79.927 hit earlier this week.

### Greece

Speaking before the European Parliament's Economic Affairs committee, ECB President Jeroen Dijsselbloem revealed that the troika mission will arrive in Athens on Sunday to resume discussions with domestic authorities in the context of the current (4<sup>th</sup>) program review. He also reiterated that the decision on whether Greece will need a new bailout package will be reached in H2 2014 and expressed his view that, eventually, the country might not need additional support.

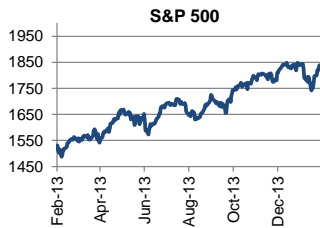
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## Latest developments in the CESEE region

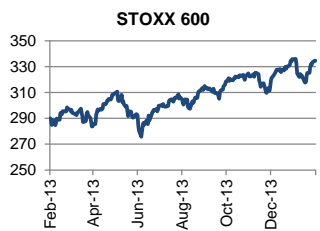
### CESEE markets

**Emerging equity markets** broadly fell on Thursday weighed down by a drop to a 7-month low in China's PMI manufacturing index, which revived concerns about a more pronounced than-anticipated slowdown in the growth of the world's second largest economy. Escalating domestic political tensions in Ukraine added to the negative tone. Against this backdrop, the MSCI emerging equities index closed 0.88% lower, while bourses in the CESEE region were mixed. Hungary's BUX and Poland's WIG20 led the losses in Central Eastern Europe, marking respective declines of 0.96% and 0.94%, amid worries over a potential spillover from Ukraine's turmoil. Several CESEE companies have presence in the country and fears emerged about possible disruptions in their operations. Additionally, concerns about the prospect of foreign capital outflows from CESEE markets, added to downside pressures on domestic equity. On the flipside, Bulgaria's SOFIX and Turkey's BIST 100 bucked the region's trend with corresponding gains of 1.05% and 0.47%. A mixed picture was also evidenced in **CESEE currencies**. The Turkish lira and the Hungarian forint broadly outperformed their peers. The former gained support from a lower-than-anticipated amount offered by the Central Bank at its 1-week repo auction yesterday, while the later was boosted by a well-received government tender on Thursday. Along these lines, the USD/TRY slid to an intraday low near 2.1960 from 2.2000 in the prior session's settlement. Meanwhile, the EUR/HUF closed at 311.83, having recoiled from a 2-year peak of 314.83 hit earlier on the day. In the **external debt markets**, Ukrainian sovereign bonds extended their recent losses in view of escalating domestic political tensions, with 5-year CDS spreads closing to a near 5-year high of 1,390bps.

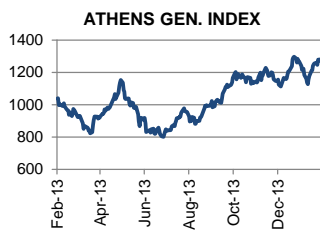
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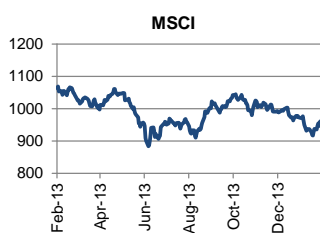
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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	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	115.34	123.00
	<b>current</b>	<b>2013f</b>	<b>2014f</b>
Policy Rate (eop)	10.00	10.00	9.50

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

## SERBIA

(Belgrade, 20/2/2014, 17:15 CET): **Latest Political & Macro Developments:** The Ministry of Finance announced that Serbia sold €50 million worth of 3Y EUR Bonds in the local market on Wednesday with an annual coupon of 4.5%. The issue was oversubscribed 1.24 times and the selling price yield stood at 4.8% compared to a yield of 5.0% in the October 2013 auction when paper of similar maturity was offered. **Market Developments:** The Central Bank intervened anew in the FX market on Thursday following a couple of consecutive sessions of subdued activity (daily volumes on Tuesday and Wednesday were below €10mn). In detail, the NBS intervened twice selling €20mn cumulatively, failing though to exert a significant impact in the FX markets. In other news, the domestic stock market retained a firm tone with the main index ending 0.3% higher supported by positive NIS 2013 earnings results.

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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, 21/2/2014, 09:00 EET): **Latest Political & Macro Developments:** Official discussions between the two main coalition partners, the National Liberal Party and the Social Democratic Party, for the appointment of new ministers who will take over the currently vacant cabinet seats, are expected to conclude on Monday. The outcome of the said discussions is expected to prove crucial as regards the stability of the current coalition government. **Market Developments:** The EUR/RON edged higher on Thursday hitting a session-peak of 4.5260 before closing at 4.4150. Elsewhere, 1W-12M RON rates remained stuck above the 3.50% NBR monetary policy rate ahead of the new reserve period, planned to start next week. Meanwhile, two primary market auctions were scheduled for Thursday. The MoF attempted to sell RON 1.2bn in 12M T-bills but the auction was finally cancelled due to subdued demand as total bids amounted to just RON 700mn. Separately, the MoF sold the planned amount of €200mn in 5Y EUR-denominated government bonds at an average accepted yield of 3.30%, 5 bps 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, 20/2/2014, 17:15 EET): **Latest Political & Macro Developments:** According to a recently released Bulgarian Industrial Association survey, Bulgaria lost over BGN 12.4bn to the grey economy in the period between 2008 to 2012 due to, among others, an ineffective tax collection mechanism. By sector breakdown, construction, trade, and tourism accounted for the largest share of the grey economy. **Market Developments:** After several days in consolidation, the domestic stock market firmed on Thursday with all indices finishing in green. SOFIX gained 1.05% hitting a new five-year peak of 580.60 points.

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February 21, 2014

**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	1839.78	0.6%	-0.5%	EUR/USD	1.3716	0.0%	-0.2%	UST - 10yr	2.76	1	-27	GOLD	1321	-0.2%	9.5%
Nikkei 225	14865.67	2.9%	-8.8%	GBP/USD	1.6681	0.2%	0.8%	Bund-10yr	1.68	-1	-25	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	335.71	0.3%	2.3%	USD/JPY	102.45	-0.2%	2.8%	JGB - 10yr	0.60	2	-14	LMEX	3112	-0.4%	-1.5%

**SEE MARKETS**

**SERBIA**

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.87	1	-14
1-week	8.13	0	-15
1-month	8.50	0	-8
3-month	8.82	2	-6
6-month	9.07	-1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.02	0	6
5Y RSD	11.39	0	-143
7Y RSD	12.61	-6	-119

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.12	-4	-89
USD Nov-24	3.13	-354	-377

CDS

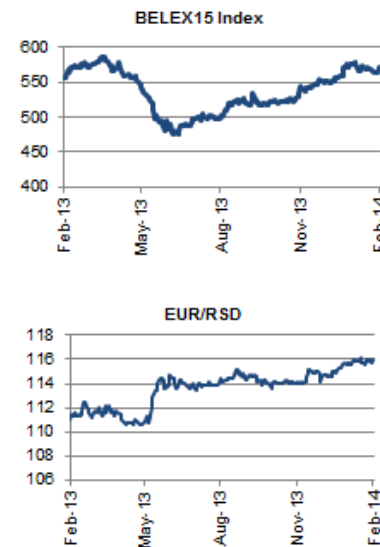
	Last	ΔDbps	ΔYTD bps
5-year	406	1	-3
10-year	440	0	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	570.3	-0.27%	2.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	116.0	-0.03%	-1.21%



**ROMANIA**

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.87	-3	-87
1-month	3.74	-6	186
3-month	3.73	-3	129
6-month	3.66	-2	67
12-month	3.68	-2	53

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	4.10	1	15
5Y RON	4.85	1	20
10Y RON	5.55	1	25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.50	1	-34
USD Aug-23	4.59	1	-22

CDS

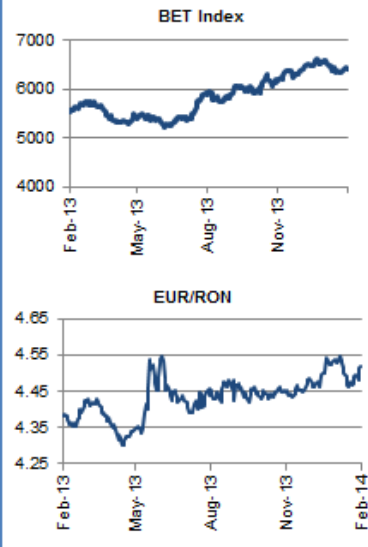
	Last	ΔDbps	ΔYTD bps
5-year	185	0	1
10-year	228	0	-5

STOCKS

	Last	ΔD	ΔYTD
BET	6456.9	0.55%	-0.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5186	-0.01%	-1.01%



**BULGARIA**

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.29	-1	-3
3-month	0.59	0	-6
6-month	1.10	0	-6
12-month	2.14	0	-5

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.01	-8	-9
5Y BGN	1.76	0	-8
10Y BGN	3.42	0	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.84	-1	25
EUR Jul-17	1.66	2	-14

CDS

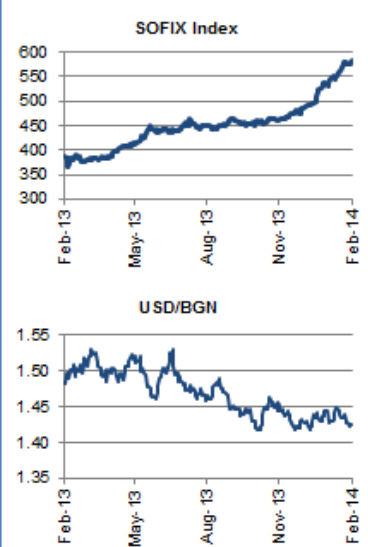
	Last	ΔDbps	ΔYTD bps
5-year	124	0	0
10-year	169	-3	-5

STOCKS

	Last	ΔD	ΔYTD
SOFIX	581.4	0.14%	18.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.426	-0.01%	-0.20%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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