

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 26, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 25
  - Cons sentiment CB (Feb)
- Feb. 26: New home sales (Jan)
- Feb 27
  - Initial jobless claims (Feb 21)
  - Durable goods (Jan)
- Feb 28
  - GDP (Q1)
  - Cons conf UoM (Mar,p)

### EUROZONE

- Feb 24
  - DE: IFO (Feb)
  - HICP (Jan, f)
- Feb 28: HICP (Feb, p)

### SEE

#### SERBIA

- Feb 25
  - 3Y T-Bond auction
  - Real wages (Jan)
  - IP (Jan)
- Feb 28
  - IP (Jan)
  - Trade balance (Jan)
  - Retail sales (Jan)

#### ROMANIA

- Feb 24: RON 600mn 4.75% 2019 T-Bonds auction

#### BULGARIA

- Feb 25: Gross external debt (Jan)
- Feb 28: Budget balance (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian bourses ended little changed on Wednesday as lingering concerns about China's growth outlook keep investors on edge. In FX markets, major currency pairs continued to consolidate within recent ranges ahead of Fed Chairman Janet Yellen's semi-annual testimony before the Senate Banking Committee on Thursday.

**GREECE:** In its updated Winter 2014 European Economic Forecast report, the EU Commission acknowledge that a range of recent real activity and sentiment indicators supports expectations that Greece will return to growth in 2014 after being mired in recession over the last six years. As per the same report, Greece's real GDP is expected to expand at an annual growth rate of 0.6%YoY in 2014, mainly supported by exports and investment, following a 3.7%YoY contraction in the prior year. In other news, the IMF reportedly dismissed a recent report in international press citing that the Fund estimates domestic banks' additional capital needs as high as €20bn.

### SOUTH EASTERN EUROPE

**SERBIA:** The average net salary fell by 6% YoY in real terms in January to RSD 37,966 (or ca €327).

**ROMANIA:** Negotiations between the Social Democratic Party and the National Liberal Party for the appointment of new ministers to vacant cabinet seats broke down yesterday, with the latter withdrawing from the ruling coalition.

**BULGARIA:** European Commission revised upward its forecast for Bulgaria's real GDP growth to 1.7% in 2014 from 1.5% previously.

**CESEE Markets:** Emerging stock markets broadly recoiled on Tuesday amid persisting concerns about the outlook of the Chinese economy and intensified domestic political jitters in Turkey. **CESEE currencies** presented a mixed picture, as the latest European Commission Economic Forecast (Winter 2014) report included upward revisions in this year's growth outlook for several countries in the region, overshadowing spillover concerns from the crisis in Ukraine and escalating political jitters in Turkey as well as Romania.

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## Latest world economic & market developments

### GLOBAL MARKETS

Asian bourses ended little changed on Wednesday as lingering concerns about China's growth outlook keep investors on edge. In FX markets, major currency pairs continued to consolidate within recent ranges ahead of Fed Chairman Janet Yellen's semi-annual testimony before the Senate Banking Committee on Thursday. The EUR/USD continued to consolidate within the 1.3680-1.3780 recent range in European trade failing to capitalize on data showing that Germany's GfK consumer sentiment indicator rose unexpectedly to a 7-year high in March.

### Greece

In its updated Winter 2014 European Economic Forecast report, the EU Commission acknowledge that a range of recent real activity and sentiment indicators supports expectations that Greece will return to growth in 2014 after being mired in recession over the last six years. As per the same report, Greece's real GDP is expected to expand at an annual growth rate of 0.6%YoY in 2014, mainly supported by exports and investment, following a 3.7%YoY contraction in the prior year. Domestic economic recovery is forecasted to gain further momentum in 2015 with real GDP growth projected at 2.9% YoY. In other news, domestic authorities and the troika reportedly reached an agreement in principle over a reduction of 3.9ppts in social security contribution rates in a single step this year rather than over a three-year time period the updated MoU (July 2013) envisioned. The troika heads are scheduled to meet BoG Governor Giorgos Provopoulos later in the day to discuss, among others, the results of a new bank stress test conducted by the Bank of Greece late last year. Meanwhile, the IMF reportedly dismissed a recent report in international press citing that the Fund estimates domestic banks' additional capital needs as high as €20bn.

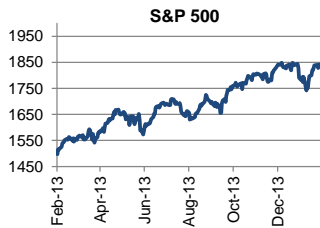
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## Latest developments in the CESEE region

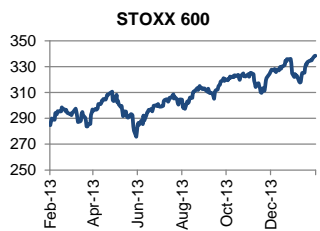
### CESEE markets

**Emerging stock markets** broadly recoiled on Tuesday amid persisting concerns about the outlook of the Chinese economy and intensified domestic political jitters in Turkey following leaked audio recordings allegedly containing conversations between Prime Minister Tayyip Erdogan and his son. The Prime Minister rejected the recordings as "montaged" in a "vile attack" by his rivals, while anti-government rallies were staged in Istanbul and a number of Turkish provinces on Tuesday, calling for the government to resign. The news comes a few weeks ahead of local elections in Turkey seen as a key test for the ruling AK Party. Along these lines, Turkey's BIST 100 index plunged 3.21% on Tuesday, underperforming a 0.3% decline in the MSCI emerging equities index. Elsewhere, Ukraine's PFTS led the winners' pack for the third consecutive trading day amid hopes about easing political tensions in Ukraine following months in turmoil. The index rose by 6.82% on a daily basis yesterday and brought its cumulative gains to nearly 30% over the last three sessions. **CESEE currencies** presented a mixed picture on Tuesday, as the latest European Commission Economic Forecast (Winter 2014) report included upward revisions in this year's growth outlook for several countries in the region, overshadowing spillover concerns from the crisis in Ukraine and escalating political jitters in Turkey as well as Romania. Against this backdrop, the Turkish lira slid as far as a 2-1/2-week trough of 2.2230/USD, while the Ukrainian hryvnia led the losses in the region falling by ca 5.5% to 9.65/USD. Elsewhere, the Hungarian forint and the Polish zloty firmed by 0.2% and 0.3% to 4.1525/EUR and 308.64/EUR respectively after the European Commission report.

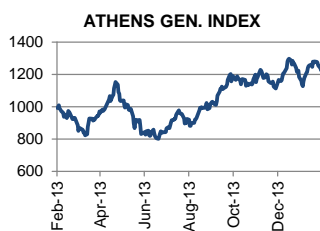
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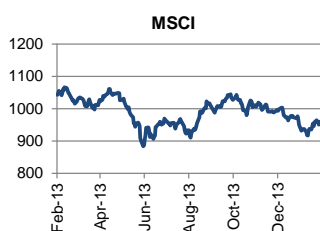
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	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, 25/2/2014, 16:30 CET): **Market Developments:** The Statistical Office of the Republic of Serbia announced on Tuesday that the average net salary fell by 6% YoY in January to RSD 37,966 (or ca €327). In other news, Serbia sold RSD 44bn (ca €38m) in 3Y RSD government bonds out of the RSD 100bn amount planned, at a yield of 10.38%, compared to 10.18% recorded in December 2013 when paper of similar maturity was offered. **Market Developments:** In the absence of any major data releases, the EUR/RSD hovered around levels of 115.85/05 on Tuesday. Looking ahead, the pair is expected to remain in a tight range of 115.70/90-116.00/20 in the coming sessions/weeks ahead of the March 16<sup>th</sup> general elections. Separately, the Belex retained a positive tone on Tuesday, closing 0.32% higher.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	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, 24/2/2014, 09:15 EET): **Latest Political & Macro Developments:** Negotiations between the Social Democratic Party (PSD) and the National Liberal Party (PNL) for the appointment of new ministers to currently vacant cabinet seats broke down yesterday, with the latter withdrawing from the ruling coalition. The PSD will probably manage to form a new government with the support of small opposition parties, including the Democratic Union of Hungarians in Romania (UDMR). **Market Developments:** The EUR/RON was little changed hovering around levels of 4.5100/4.5190 for most of Tuesday's session. Today the cross gained some ground, opening above 4.5200 in the wake of news about the governing coalition break-up. Meanwhile, money market rates continued to ease, with short term RON rates falling by around 20bps compared to levels at the start of the week. In the government bond market, demand picked up on lower money market rates.

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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, 25/2/2014, 17:30 EET): **Latest Political & Macro Developments:** According to the latest European Commission report, Bulgaria's real GDP growth forecast for 2014 was upwardly revised from 1.5% previously to 1.7%, almost in line with both the government's and the World Bank's projections. On the inflation front, the European Commission expects HICP inflation to rise to 0.5% YoY this year, before accelerating to 1.5% YoY in 2015. **Market Developments:** Bulgarian equities extended their recent gains on Tuesday, with the SOFIX closing 1.01% higher at a near 4-1/2 -year peak of 594.10pts.

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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	1845.12	-0.1%	-0.2%	EUR/USD	1.3744	0.0%	0.0%	UST - 10yr	2.71	1	-32	GOLD	1344	0.2%	11.4%
Nikkei 225	14970.97	-0.5%	-8.1%	GBP/USD	1.6685	0.0%	0.8%	Bund-10yr	1.65	1	-28	BRENT CRUDE	168	0.0%	0.4%
STOXX 600	338.39	0.1%	3.1%	USD/JPY	102.28	0.0%	3.0%	JGB - 10yr	0.59	0	-15	LMEX	3089	0.1%	-2.2%

**SEE MARKETS**

**SERBIA**

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.89	1	-12
1-week	8.18	4	-10
1-month	8.55	5	-3
3-month	8.86	4	-2
6-month	9.11	2	-4

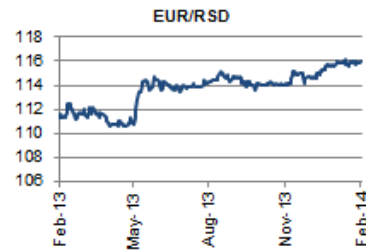
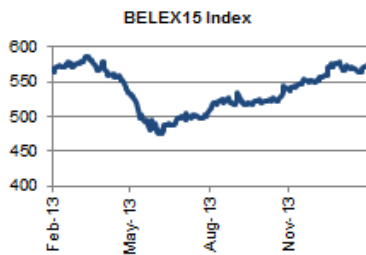
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	10.03	0	7
5Y RSD	11.43	0	-139
7Y RSD	12.32	-1	-148

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.98	0	-103
USD Nov-24	1.13	-550	-535

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

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	575.0	0.32%	3.05%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	115.9	-0.02%	-1.12%



**ROMANIA**

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.41	0	67
1-month	3.34	0	146
3-month	3.46	0	102
6-month	3.63	0	64
12-month	3.64	0	49

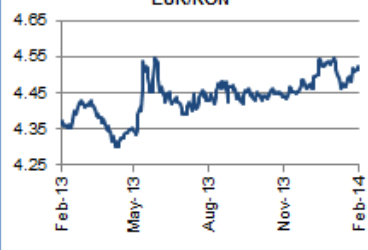
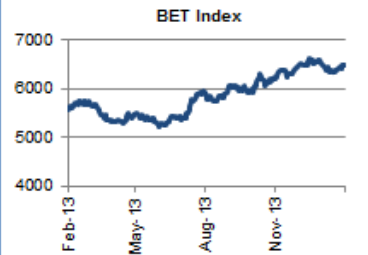
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	4.11	0	16
5Y RON	4.82	0	17
10Y RON	5.49	0	19

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.44	1	-41
USD Aug-23	4.48	1	-33

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	178	0	-7
10-year	228	0	-5

STOCKS			
	Last	ΔD	ΔYTD
BET	6480.7	0.09%	-0.20%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.5215	-0.20%	-1.07%



**BULGARIA**

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.28	0	-4
3-month	0.59	0	-6
6-month	1.10	-1	-6
12-month	2.14	-2	-6

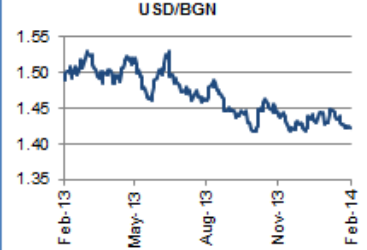
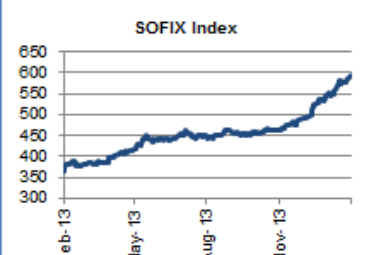
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.00	0	-9
5Y BGN	1.75	0	-10
10Y BGN	3.41	0	-9

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.70	-11	23
EUR Jul-17	1.61	-2	-19

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	122	0	-1
10-year	169	-3	-5

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	594.1	1.01%	20.87%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.423	0.00%	0.01%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:10 EET

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