

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

February 7, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- Feb 3
  - ISM manuf (Jan)
- Feb. 4: Factory orders (Dec)
- Feb. 5: ADP (Jan)
- Feb 6
  - Initial jobless claims (Feb 1)
- Feb 7
  - NFP (Jan)
  - U/E rate (Jan)

### EUROZONE

- Feb 3: PMI manuf (Jan, f)
- Feb 5: PMI services (Jan, f)
- Feb 6: ECB meeting

### SEE

#### SERBIA

- Feb 4: 5Y auction

#### ROMANIA

- Feb 3
  - Retail sales (Dec)
  - Reserves (Jan)
- Feb 4
  - PPI (Dec)
  - MPC meeting
- Feb 6
  - RON600mn auction
  - Wages (Dec)

#### BULGARIA

- Feb 3
  - Budget (Dec)
  - Reserves (Jan)
- Feb 7:
  - IP(Dec)
  - Retail sales (Dec)
  - U/E rate (Jan)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** As was expected by the majority of market participants, the ECB stayed put on interest rates and refrained from adopting new unconventional measures at its monetary policy meeting on Thursday.

**GREECE:** Greek government bonds retained a firm tone on Friday supported by recent international press reports suggesting that EU officials are mulling on a plan for the coverage of the country's financing gap that is projected to arise in the period H2 2014-2016.

### SOUTH EASTERN EUROPE

**SERBIA** The dinar remained under pressure, ahead of the upcoming elections.

**ROMANIA:** NBR revised upward its 2014 CPI forecast to 3.5% from 3.0%, in line with market expectations, on the back of a rise in fuel taxes.

**BULGARIA:** Bulgarian opposition submitted yesterday a no-confidence motion against the Socialist-led government of Prime Minister Plamen Oresharski.

**CESEE Markets: Emerging stock markets** staged a relief rally on Thursday after better-than-expected US labour data ahead of today's NFP report. In the **FX markets**, the majority of regional currencies firmed, being positively affected by well-received government bond auctions in Hungary and Poland.

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## Latest world economic & market developments

### GLOBAL MARKETS

As was expected by the majority of market participants, the ECB stayed put on interest rates and refrained from adopting new unconventional measures at its monetary policy meeting on Thursday. In the press conference that followed, ECB President Mario Draghi said that the euro area is expected to witness low inflation for a protracted period and acknowledged that economic recovery remains fragile. He warned that the recently emerged emerging market turbulence has potential to negatively impact euro area economic conditions and stressed that the ECB continues to monitor closely developments in money markets. Overall, he emphasized that the Central Bank is determined to maintain accommodative monetary policy "for as long as necessary" and stands ready to take further action if required while interest rates are expected to stay at current or lower levels for an extended period. With the ECB monetary policy meeting out of the way, all eyes today are on US January NFP report.

### GREECE

Greek government bonds retained a firm tone on Friday supported by recent international press reports suggesting that EU officials are mulling on a plan for the coverage of the country's financing gap that is projected to arise in the period H2 2014-2016. As per the same sources, the said plan is expected to be based on three pillars: (i) an extension of the maturities of the bilateral and EFSF loans to 50 years; (ii) a 50bps reduction of the interest rate charged to Greece on the loans provided in the context of the 1<sup>st</sup> EU/IMF bailout program; (iii) additional financial assistance of ca €13-17bn. Recent press reports suggesting that the Greek government and the troika have largely bridged their differences over the size of this year's projected fiscal gap and strategies for its coverage, also helped market sentiment towards Greek sovereign paper. Against this background, the 10-yr yield was hovering around a one-month low of 7.82% in European trade with the 10-yr GGB/Bund yield spread standing close to a three-week trough of 611bps, ca 85bps lower compared to a seven-week closing peak recorded a week earlier.

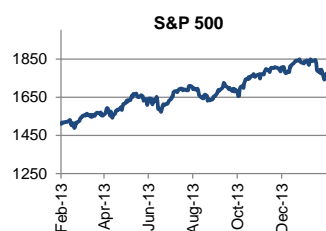
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## Latest developments in the CESEE region

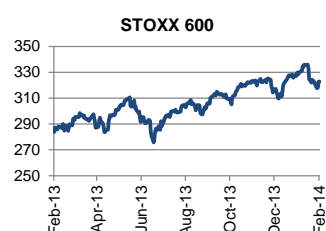
### CESEE markets

**Emerging stock markets** staged a relief rally on Thursday after better-than-expected US labour data ahead of today's NFP report. The MSCI emerging equities index advanced by 1.44% yesterday, recouping part of its recent hefty losses suffered amid concerns about the impact on the region's economies of a potential slowdown in China's economic activity and the gradual withdrawal of the Fed's stimulus program. Note that the said index currently stands around 7% lower on a year-to-date basis. Turkey's BIST 100 outperformed its CESEE peers jumping 3.37%, receiving additional support from a firmer lira. In the **FX markets**, the majority of regional currencies firmed on Thursday, being positively affected by well-received government bond auctions in Hungary and Poland. Along these lines, the Hungarian forint firmed to an 8-day high of 306.29/EUR, while the Turkish lira strengthened as far as 2.2037/USD, its highest level since the CBT rendered substantial rate hikes last week to support the domestic currency. On the flipside, the Ukrainian hryvnia came under renewed pressure, hitting a new 5-year low of 8.87/USD amid persisting domestic political jitters and news that Russia froze financial aid towards the country.

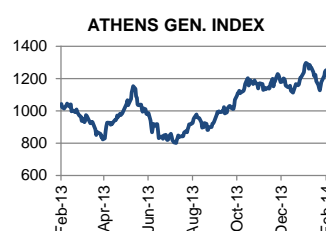
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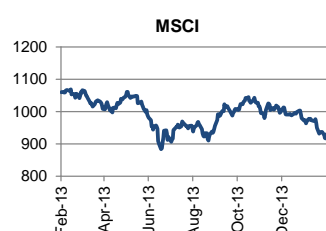
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 6/2/2014, 17:00 CET): **Market Developments:** The dinar remained under pressure on Thursday, hitting a new year-to-date low of 116.23/EUR, failing to capitalize on the Central Bank's selling of EUR 20mn in FX markets. Including yesterday's intervention, the Central Bank has sold EUR350mn so far this year.

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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	3.75	3.75

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

## ROMANIA

(Bucharest, 7/2/2014, 09.10 EET): **Latest Political & Macro Developments:** In its latest Inflation Report, the NBR revised upward its 2014 CPI forecast to 3.5%YoY (the upper end of its target range) from 3.0% previously, in line with market expectations, due to a rise in fuel taxes. The NBR Governor highlighted that the current RON liquidity shortage is deemed temporary and is expected to end in the next few days as a result of the upcoming settlement of state budget payments. On the political front, a government proposal to introduce a new tax relief scheme for low-income highly indebted households, has stirred tensions within the ruling coalition. The Finance Minister resigned yesterday citing his intention to focus on the upcoming European Parliament elections. **Market Developments** With NBR hard currency selling in FX markets on behalf of the MoF to fund RON budget expenditure apparently coming to an end, the EUR/RON moved higher on Thursday. The pair hit an intraday high of 4.4750, bouncing further away from a year-to-date low of 4.4500 recorded earlier this week. RON short-term interest rates continued their gradual downtrend, as RON liquidity is expected to increase after next week's settlement of state budget payments. In ROMGB, the MoF rejected all bids in its 7-year bond auction (bid-to-cover ratio came in at ca 1.5), as it considered requested yields around 5.50% to be too high.

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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, 6/2/2014, 17.30 EET): **Latest Political & Macro Developments:** Bulgaria's main opposition party GERB submitted on Thursday to Parliament its third consecutive no-confidence motion against the Socialist-led government of Prime Minister Plamen Oresharski. While the previous two submitted in the autumn last year were based on allegations about flaws in the investment planning and regional policies, this time GERB accused the Cabinet of implementing ineffective domestic security policy, among other. Parliament is expected to vote on the submitted motion next week. Under the Constitution of Bulgaria, a motion of censure cannot be adopted unless it is approved by the absolute majority of the total number of MPs (50% + 1 vote), i.e. at least 121 MP.s. Note that GERB enjoys the support of 95 lawmakers. **Market Developments:** The domestic stock market enjoyed another positive session on Thursday, with most major indices closing ca 0.4 - 0.5% higher. SOFIX added 0.4% to end at 560.77 points, marking its 5<sup>th</sup> consecutive session in green and bringing its year to date gains to 14.09%. In the local rates market, some demand was evidenced for the 10-year benchmark bond, with the corresponding mid-yield sliding by some 5bps to around 2.55%.

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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	1773.43	1.2%	-4.1%	EUR/USD	1.3564	-0.2%	-1.3%	UST - 10yr	2.70	0	-33	GOLD	1261	0.2%	4.6%
Nikkei 225	14462.41	2.2%	-11.2%	GBP/USD	1.6326	0.0%	-1.4%	Bund-10yr	1.67	-3	-26	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	322.78	0.0%	-1.7%	USD/JPY	102.06	0.0%	3.2%	JGB - 10yr	0.62	0	-12	LMEX	3066	1.2%	-3.0%

## SEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SELIBOR			
T/N	7.79	-12	-22
1-week	8.05	-7	-23
1-month	8.34	-11	-24
3-month	8.71	-7	-17
5-month	8.96	-9	-19

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.06	0	-99
5Y RSD	11.34	4	-148
7Y RSD	12.60	2	-120

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.18	-6	-83
USD Nov-24	5.06	-164	-185

## CDS

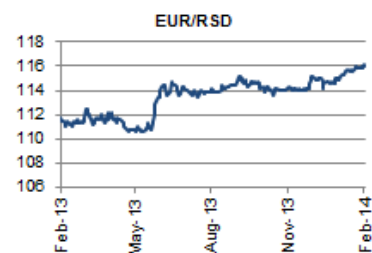
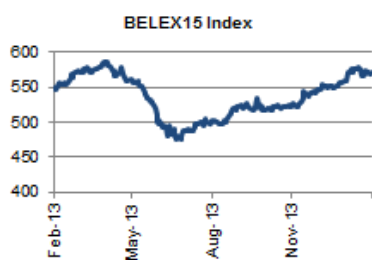
	Last	ΔDbps	ΔYTD bps
5-year	370	-8	-39
10-year	405	-8	-41

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	571.3	0.39%	2.39%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	116.0	0.05%	-1.23%



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	3.61	-32	187
1-month	3.39	-11	151
3-month	3.5	-7	106
6-month	3.4	-1	41
12-month	3.39	0	24

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.72	1	-23
5Y RON	4.62	-4	-3
10Y RON	5.42	1	12

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.59	1	-25
USD Aug-23	4.77	0	-4

## CDS

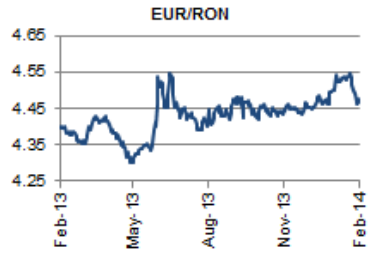
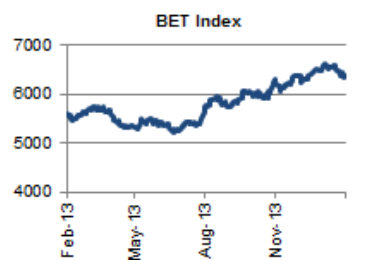
	Last	ΔDbps	ΔYTD bps
5-year	180	0	-5
10-year	227	-6	-5

## STOCKS

	Last	ΔD	ΔYTD
BET	6381.5	0.15%	-1.73%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.477	-0.14%	-0.09%



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.04	0	-3
1-month	0.31	0	-1
3-month	0.61	0	-4
6-month	1.14	-1	-2
12-month	2.20	-1	1

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.05	-1	-5
5Y BGN	1.76	0	-8
10Y BGN	3.46	0	-3

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.81	-2	23
EUR Jul-17	1.69	7	-11

## CDS

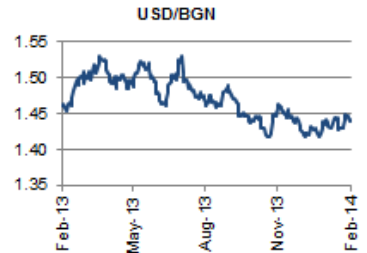
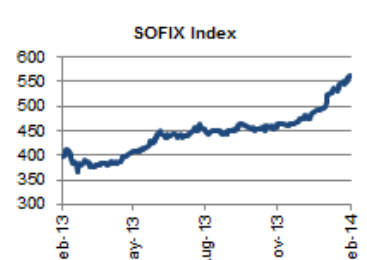
	Last	ΔDbps	ΔYTD bps
5-year	126	0	2
10-year	171	-4	-4

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	561.2	0.07%	14.17%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.442	-0.19%	-1.31%



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