

February 14, 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:** The majority of Asian stock markets firmed on Friday, tracking gains on Wall Street overnight. Disappointing US data released y-day were finally shrugged off on the view that their weakness was primarily attributed to adverse weather conditions.

**GREECE:** The seasonally adjusted jobless rate hit a new historic high in November 2013 coming in at 28.0% with unemployment being particularly pronounced among youth (61.4%). However, recent positive net hiring figures on the labor market provide some hope that the jobless rate may be nearing a cyclical peak.

### SOUTH EASTERN EUROPE

**SERBIA:** Serbia sells €85m of two year RSD floating rate Bonds at 1.49% over the Key rate.

**ROMANIA:** Persisting conflicts between the two main ruling coalition partners have spurred speculation of a possible coalition break-up.

**BULGARIA:** The number of employed Bulgarians decreased by 0.6% YoY at the end of December, but nominal salary rises by 2.2% YoY over the same month.

**CESEE Markets:** Emerging equity markets closed broadly lower on Thursday, the majority of regional currencies weakened amid worries over the global economic recovery. Higher US government bond yields also weighed on the region's assets.

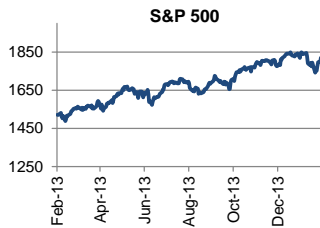
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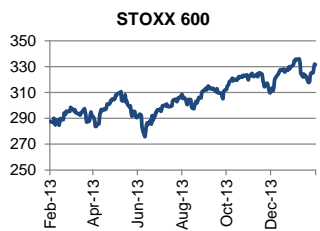
## Latest world economic & market developments

### GLOBAL MARKETS

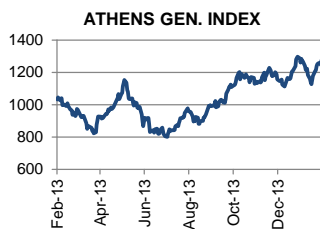
The majority of Asian stock markets firmed on Friday, tracking gains on Wall Street overnight. Disappointing US data released y-day were finally shrugged off on the view that their weakness was attributed to adverse weather conditions and does not necessarily point to weaker economic fundamentals. In the **FX markets**, the EUR retained a firm tone in European trade on Friday ahead of the Eurozone's Q4 GDP report due later in the day.



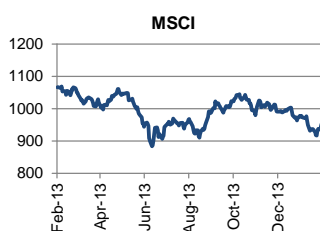
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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-

### Greece

**Latest Political & Macro Developments:** The seasonally adjusted jobless rate hit a new historic high in November 2013 coming in at 28.0% with unemployment being particularly pronounced among youth (61.4%). However, recent positive net hiring figures on the labor market provide some hope that the jobless rate may be nearing a cyclical peak. **Market Developments:** Prices of Greek corporate bonds were little changed on Friday, with volumes remaining low. Selling pressure was evidenced on Ote18 and Ote16 while some buying interest emerged in SB Minerals.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging equity markets** closed broadly weaker on Thursday halting a 2-day rising streak, led lower by falling Latin American stocks amid worries over the global economic recovery, while higher US government bond yields also weighed on the region's assets. Against this background, the MSCI emerging equities index lost 0.78% yesterday. Nonetheless, the index stood 0.91% higher compared to its levels at the end of last week having received support from newly incumbent Fed Chair Janet Yellen's first congressional testimony, where she confirmed continuity of the Central Bank's existing monetary policy. Stronger-than-anticipated trade data from China announced earlier this week also favoured. Elsewhere, **CESEE bourses** closed mixed on Thursday, with Turkey's BIST 100 index leading the losses with a 1.16% drop and Ukraine's PFTS outperforming its regional peers with a 1.03% rise. In the **FX markets**, the majority of regional currencies weakened. The Serbian dinar closed marginally weaker at 115.80/EUR after the Central Bank held its key policy rate unchanged at 9.50%, in line with market expectations and intervened once again in the FX markets in order to halt the currency's renewed depreciation momentum. The Hungarian forint also came under pressure, easing as far as a multi-session low of 313/EUR amid ongoing speculation about another rate cut at the MPC's meeting next week. The market's median forecast is for a 10bps reduction on February 18, which if delivered will bring the MNB base rate to a new record low of 2.75%. Separately, the Ukrainian hryvnia came under renewed pressure on Thursday with the USD/UAH hitting an intraday peak of 8.78, approaching anew a near 5-year high of 8.87 hit earlier this month 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. In the **external debt markets**, Ukraine's CDS spreads stood near a 4-year high of 1200bps in view of a persisting political stalemate which has resulted to the freeze of much-needed external financial aid.

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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, 13/2/2014, 17:30CET): **Latest Political & Macro Developments:** Serbia sold on Wednesday €85mn of two year RSD floating rate Bonds at 1.49% over the Key rate, which came against a yield of 2.19% achieved in an auction of similar maturity paper in November last year. Elsewhere, in a monthly review publication, the Serbian Economics Institute (MAT) noted that FDI inflows of €70mn in 2013 were disappointing, highlighting that Serbia needs at least €1.7bn in order to achieve sustainable growth medium term. The institute added that such a high figure for 2014 could only be achieved by the sale of the state-owned Telekom. **Market Developments:** The EUR/RSD was trading in a relatively tight range of 115.70-90 115.95/15 on Thursday, against a background of strong corporate demand for euros and renewed (ca €50-60mn) Central Bank intervention in the FX markets to halt the dinar's depreciation momentum. Along these lines, the EUR/RSD closed at 115.85/05. Meanwhile, the domestic stock market lost 0.25%.

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## ROMANIA

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

(Bucharest, 14/2/2014, 09:00 EET): **Latest Political & Macro Developments:** Persisting political conflicts between the two main ruling coalition partners, the social-democrats and the liberals, have recently fanned speculation about a possible coalition break-up. If these rumours are vindicated, the social-democrats and their allies have enough seats in the parliament to stay in power on their own. However, it seems that the probability of the liberals leaving the government is relatively low at the moment. Today, the Q4 GDP data release takes centre stage. The market's median forecast is for annual growth of 2.8%. **Market Developments:** Domestic political jitters pushed the EUR/RON to a February high of 4.4980 on Thursday. However, the 4.5000 key psychological level is likely to provide resistance for now. Short term RON rates remain elevated as money market liquidity hasn't recovered yet, with the implied 1M from swaps at 4.75% (up to 3% a week ago). In ROMGB, the MoF rejected on Thursday all bids in a RON 100mn of 10Y bonds auction, considering requested yields to be too high.

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## BULGARIA

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

(Sofia, 13/2/2014, 17:30 EET): **Latest Political & Macro Developments:** According to NSI preliminary figures, the number of employed Bulgarians amounted to 2.208 mn at the end of December. This marks a 0.6% YoY decrease, and follows ongoing declines in the level of employment since August. The breakdown of the data showed that the biggest monthly drop in December was observed in the hotel & restaurant business (20%), followed by agriculture (10%) and culture & sport (7.4%). On the other hand, the nominal salary increased for the fourth consecutive month in December recording a 2.2% YoY rise and coming in at BGN 846. The most significant gains were spotted in education, culture & sport and healthcare. **Market Developments:** The domestic stock market halted its 9-day rising streak on Thursday, on profit taking. All indices closed in red with SOFIX leading the losses with a 0.8% drop to 574 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	1829.83	0.6%	-1.0%	EUR/USD	1.3701	0.2%	-0.3%	UST - 10yr	2.73	0	-30	GOLD	1308	0.4%	8.5%
Nikkei 225	14313.03	-1.5%	-12.1%	GBP/USD	1.666	0.0%	0.6%	Bund-10yr	1.68	1	-25	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	331.48	-0.2%	1.0%	USD/JPY	101.85	0.3%	3.4%	JGB - 10yr	0.60	-1	-15	LME X	3079	-0.4%	-2.6%

**SEE MARKETS**

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	7.88	6	-13	O/N	4.48	0	274	LEONIA	0.04	0	-3		
1-week	8.13	5	-15	1-month	3.61	0	173	1-month	0.30	1	-2		
1-month	8.50	3	-8	3-month	3.59	0	115	3-month	0.61	0	-4		
3-month	8.80	2	-8	6-month	3.56	0	57	6-month	1.14	0	-2		
6-month	9.10	4	-5	12-month	3.55	0	40	12-month	2.19	-1	-1		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	10.04	0	-102	3Y RON	3.89	0	-6	3Y BGN	1.03	0	-6		
5Y RSD	11.42	-2	-140	5Y RON	4.78	0	13	5Y BGN	1.75	0	-10		
7Y RSD	12.95	0	-85	10Y RON	5.52	0	22	10Y BGN	3.43	0	-6		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	4.24	0	-77	EUR Sep-20	3.52	2	-33	USD Jan-15	0.79	-2	22		
USD Nov-24	4.07	-262	-280	USD Aug-23	4.67	0	-14	EUR Jul-17	1.65	-1	-15		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	370	5	-39	5-year	183	0	-1	5-year	123	0	0		
10-year	404	5	-43	10-year	228	0	-4	10-year	171	2	-4		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	566.1	-0.25%	1.45%	BET	6361.4	0.55%	-2.04%	SOFIX	574.0	-0.80%	16.78%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	116.1	-0.23%	-1.28%	EUR/RON	4.4848	0.09%	-0.27%	USD/BGN	1.4277	0.15%	-0.32%		

SERBIA		ROMANIA		BULGARIA	
<b>BELEX15 Index</b>		<b>BET Index</b>		<b>SOFIX Index</b>	
<b>EUR/RSD</b>		<b>EUR/RON</b>		<b>USD/BGN</b>	

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:30 EET

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