

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

January 28, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan. 27: New home sales (Dec)
- Jan. 28
 - CB cons sentiment (Jan)
- Jan. 29: FOMC meeting
- Jan. 30
 - GDP (Q4)
 - Pending home sales (Dec)
 - Initial jobless claims (Jan 25)
- Jan. 31
 - Personal spending (Dec)
 - UoM cons conf (Feb)

EUROZONE

- Jan. 27:
 - DE: Ifo (Jan)
- Jan. 31: CPI (Jan)

SEE

SERBIA

- Jan. 28: 2-year RSD T-Bond auction
- Jan. 29: 5-year EUR T-Bond auction
- Jan. 31:
 - IP (Dec)
 - Trade balance (Dec)
 - Retail sales (Dec)
 - GDP (Q4, p)

BULGARIA

- Jan. 27:
 - U/E rate (Dec)
 - RON 500mn T-Bond auction
- Jan. 31: Budget (Dec)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets have broadly stabilized on Tuesday on expectations that Turkey's Central Bank will adopt a more decisive monetary policy stance to support the domestic currency at today's extraordinary meeting. In FX markets, the USD regained some composure as investors brace for the Fed's two-day policy meeting, which commences later today.

GREECE: Speaking at the press conference following the conclusion of the January 27 Eurogroup, President Jeroen Dijsselbloem said that further work needs to be done by the Greek side for the settlement of outstanding issues underlying the present program review (4th). On his part, Greece's Finance Minister Yiannis Stournaras expressed his optimism that a staff level agreement on a technical basis will be reached ahead of the February 17 Eurogroup, paving the way for an approval of the next EU loan tranche to Greece at the March 10 Eurogroup.

SOUTH EASTERN EUROPE

SERBIA: Domestic stock markets and the dinar come under pressure in the wake of the snap elections announcement.

ROMANIA: M2 money supply increased by 8.8% YoY in December, while non-government credit declined by 3.3% YoY on ongoing banks' deleveraging.

BULGARIA: Bulgarian opposition plans unified anti-government rally; Ministry of Finance issued 9-month T-Bills at average yield of 0.58%; equity indices closed in a positive territory for the third consecutive session.

CESEE Markets: Emerging equity markets extended their recent sell-off y-day on the back of lingering concerns about China's growth outlook and expectations that the Fed will announce this week a further \$10bn reduction in the pace of its asset purchases. Recently erupted worries over Argentina's economy and ongoing domestic political jitters in several CESEE economies exacerbated losses in regional asset markets. Today's Central Bank extraordinary monetary policy meeting in Turkey takes centre stage.

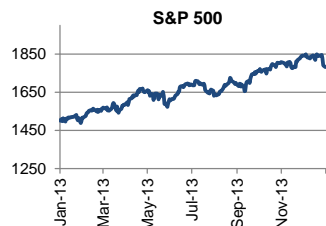
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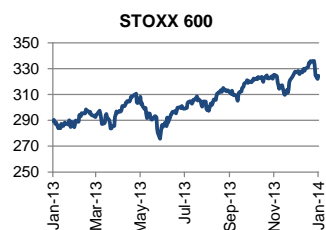
Latest world economic & market developments

GLOBAL MARKETS

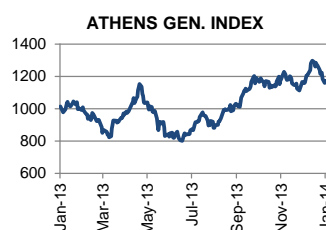
After posting hefty losses over the last few sessions, global equity markets have broadly stabilized on Tuesday on expectations that Turkey's Central Bank will adopt a more decisive monetary policy stance to support the domestic currency at today's extraordinary meeting. News that China may have narrowly escaped the first default in its trust industry also favored market sentiment towards risky assets. In FX markets, the USD regained some composure as investors brace for the Fed's two-day policy meeting, which commences later today.



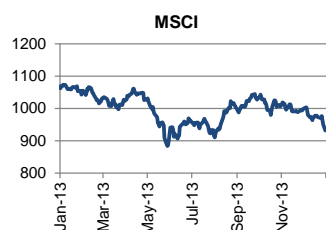
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

Speaking at the press conference following the conclusion of the January 27 Eurogroup, President Jeroen Dijsselbloem said that further work needs to be done by the Greek side for the settlement of outstanding issues underlying the present program review (4th). Furthermore, he called both the Greek government and the troika to do their utmost to conclude the negotiations as soon as possible. On his part, Greece's Finance Minister Yiannis Stournaras expressed his optimism that a staff level agreement on a technical basis will be reached ahead of the February 17 Eurogroup, paving the way for an approval of the next EU loan tranche to Greece at the March 10 Eurogroup.

ppetropoulou@eurobank.gr

Latest developments in the CESEE region

CESEE markets

Emerging equity markets extended their recent sell-off y-day on the back of lingering concerns about China's growth outlook and expectations that the Fed will announce this week a further \$10bn reduction in the pace of its asset purchases. Recently erupted worries over Argentina's economy and ongoing domestic political jitters in several CESEE economies exacerbated losses in regional asset markets. The MSCI emerging equities index plummeted by 1.92% on Monday, hitting a near 5-month low. Bucking the region's trend, Turkey's BIST 100 index ended in a marginally positive territory, after the Central Bank announced it would hold an extraordinary meeting this evening (relevant announcement expected at 22.00GMT), so as "to take necessary policy measures for price stability". The news raised hopes about a more decisive Central Bank action to stem the lira's recent downtrend. As a reminder, the TRY has come under significant pressure in recent months, after the Fed announced in May last year that it was considering a gradual withdrawal of its stimulus program. As a result, Turkish assets have been among the most hit in the emerging markets space due to the country's significant external financing requirements which deem the domestic economy highly dependent on foreign capital inflows. Escalating domestic political tensions following a domestic corruption scandal involving high-level politicians and prominent businessmen added to the lira's depreciation pressures in recent weeks. The TRY hit a record low of 2.39/USD yesterday. In a decision praised by the government, CBT has so far abstained from delivering outright interest rate hikes, which could hurt domestic economic activity ahead of local elections later this year as the upcoming polls are seen as a key gauge of the ruling AKP's popularity. As regards today's MPC meeting, the market's median forecast is for a 225bps hike on the overnight lending rate to 10.00%.

gphoka@eurobank.gr

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	-6.5	-7.1	-5.2
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, 27/1/2014, 16:00 CET): **Latest Political & Macro Developments:** The Statistical Bureau of Serbia announced that the average net salary in December amounted to RSD 50,820 (€438). This represents a 6.0% YoY increase in real terms and a 14.9% MoM rise primarily due to seasonal factors. Nonetheless, salaries registered a cumulative drop of 1.5% in real terms in the whole of 2013. **Market Developments:** The dinar reached a new 16-month low of 116.05/25/EUR in the wake of Deputy Prime Minister Aleksandar Vucic's announcement about early parliamentary elections. In response to the aforementioned, the Central Bank intervened in the FX markets to halt the currency's depreciating momentum, selling around EUR 60mn. As a result, the EUR/RSD dropped to 115.70/90. Elsewhere, the Belex came under selling pressure, with the main index shedding 1.68%.

zeljko.devcic@eurobank.rs

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.7	2.7
CPI (pa, yoy %)	3.3	4.0	3.0
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	3.75	3.75

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

ROMANIA

(Bucharest, 27/1/2014, 16:30 EET): **Latest Political & Macro Developments:** M2 money supply increased by 8.8% YoY in December thanks to NBR's monetary easing cycle since the middle of last year. Yet, non-government credit continued to decline, recording a 3.3% YoY drop in December, in view of ongoing domestic banks' deleveraging. **Market Developments:** The EUR/RON was little changed on Monday, remaining within the 4.5300/400 range, largely shrugging off loses in other emerging currencies. Short-term RON interest rates jumped to 1.5-2% as the start of the new reserve period coincided with corporate budget payments and the recent bout of heightened risk aversion. On the primary market, the MoF sold on Monday RON 500mn in 5Y bonds at an average yield of 5.32%, roughly in line with market expectations.

Bogdan.Radulescu@bancpost.ro

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, 27/01/2014, 17:50 EET): **Latest Political & Macro Developments:** Bulgaria's opposition GERB party is mulling on organizing a unified anti-government rally, calling for the cabinet's resignation. Note that the party's leader, former PM Boyko Borisov, has publicly expressed his support to the university occupiers, asking them to nominate their representatives and hold a meeting with the opposition in order to discuss future steps. Last Friday, student groups occupied again Sofia University's main building, calling for the resignation of Prime Minister Plamen Oresharski's Socialist-led government, the dissolution of Parliament and snap elections. Similar incidents took place in universities across the country in October and November last year. **Market Developments:** A 9-month T-Bills auction on Monday received strong market demand, with the Ministry of Finance placing BGN 400mn (EUR 204.52mn) at an average annual yield of 0.58%. The latter compares to an earlier market forecast for an average yield of 0.65-0.70% and was 2bps lower compared to a 6-month T-Bills tender held three weeks ago. The bid/cover ratio was at 2.11. Banks acquired most of the issue (70%) followed by guarantee and pension funds, which accounted for 14.15% and 15.85% of the volume placed, respectively. In other news, major equity indices closed in a positive territory for the third consecutive session. SOFIX added 0.60% to close at 546.67 points after marking an intra-day high at 550.

pmikov@postbank.bg

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	1781.56	-0.5%	-3.6%	EUR/USD	1.3663	-0.1%	-0.6%	UST - 10yr	2.78	3	-25	GOLD	1257	0.0%	4.2%
Nikkei 225	14980.16	-0.2%	-8.0%	GBP/USD	1.6601	0.1%	0.3%	Bund-10yr	1.69	2	-24	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	324.39	0.7%	-1.2%	USD/JPY	103.15	-0.6%	2.1%	JGB - 10yr	0.63	-1	-11	LMEX	3086	-0.6%	-2.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.96	11	-5
1-week	8.12	3	-16
1-month	8.47	2	-11
3-month	8.88	7	0
6-month	9.13	0	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.15	0	-91
5Y RSD	11.16	2	-166
7Y RSD	12.24	3	-157

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.56	-2	-45
USD Nov-24	6.78	0	-13

CDS

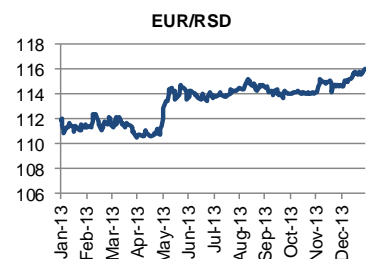
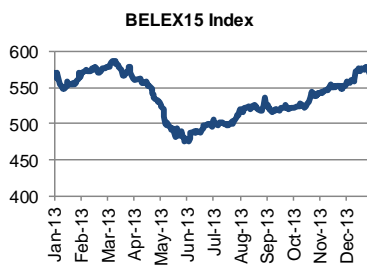
	Last	ΔDbps	ΔYTD bps
5-year	377	-1	-33
10-year	413	-1	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	567.5	-1.68%	1.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.9	-0.07%	-1.16%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.54	4	-20
1-month	1.56	-1	-32
3-month	1.95	-1	-49
6-month	2.59	0	-40
12-month	2.72	-2	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.23	-1	-72
5Y RON	4.31	-1	-34
10Y RON	5.35	0	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.63	1	-21
USD Aug-23	4.89	4	8

CDS

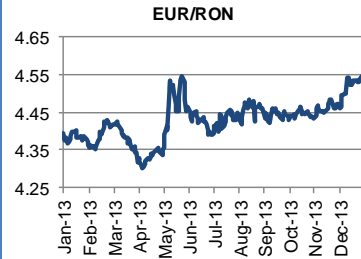
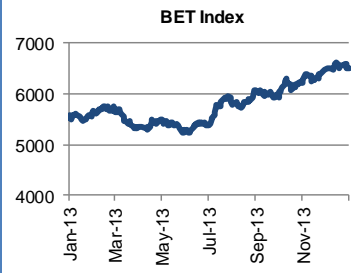
	Last	ΔDbps	ΔYTD bps
5-year	186	0	2
10-year	232	-1	0

STOCKS

	Last	ΔD	ΔYTD
BET	6483.8	0.02%	-0.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5327	0.29%	-1.32%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.31	0	-1
3-month	0.64	0	-1
6-month	1.11	-6	-5
12-month	2.12	-10	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.11	0	2
5Y BGN	1.80	-1	-4
10Y BGN	3.52	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.74	0	15
EUR Jul-17	1.74	-3	-6

CDS

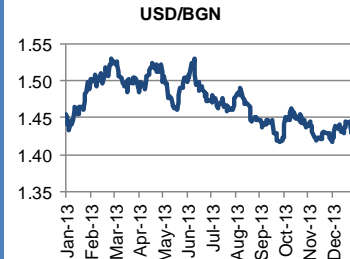
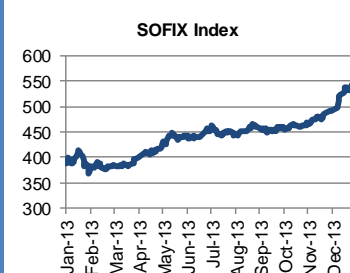
	Last	ΔDbps	ΔYTD bps
5-year	126	0	3
10-year	176	-4	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	547.9	0.22%	11.47%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4314	-0.06%	-0.58%



Contributors to this issue

Zeljko Devcic

Head of Trading, Eurobank ad Beograd

+381 11 206 5822

zeljko.devcic@eurobank.rs

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Petko Mikov, CFA, FRM

Head of Trading Desk, Capital Markets Division, Eurobank

+359 28166488

pmikov@postbank.bg

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Erqasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos: Head of Global Markets
Research pmonokrousos@eurobank.gr, +30 210 37 18
903

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst
gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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