

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 12, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- January 12: Fed's Lockhart speaks
- January 13: Fed's Kocherlakota speaks
- January 14
 - Fed's Plosser speaks
 - Retail sales (Dec)
- January 15
 - Empire Manuf. (Jan)
 - Jobless claims (Jan 10)
 - Philly Fed (Jan)
- January 16
 - CPI (Dec)
 - Industrial prod. (Dec)
 - UoM cons. sent. (Jan)
 - Fed's Kocherlakota, Bullard speak

EUROZONE

- January 14: ECB's Praet speaks
- January 16
 - ECB's Costa speaks
 - HICP (Dec, f)

SEE

SERBIA

- January 12: HICP (Dec)
- January 15: MPC mtg

ROMANIA

- January 12:
 - Net wages (Dec)
 - 4.75% 2025 T-Bonds
- January 13
 - CPI (Dec)
 - CAD (Nov)
- January 14
 - GDP (Q3, f)
 - Industrial prod. (Nov)
- January 15
 - 4.75% 2019 T-Bonds

BULGARIA

- January 12
 - Trade balance (Nov)
 - 3.10% 2025 T-Bonds
- January 14: CPI (Dec)
- January 15: CAD (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US non-farm payrolls increased more than expected in December and the unemployment rate declined to the lowest since June 2008. Yet, average hourly earnings unexpectedly dropped, supporting the view that, although the US economy remains on a recovery path, the Fed will probably adopt a cautious stance on hiking interest rates in the months ahead. Against this environment, US Treasuries firmed while the USD gave back some of its recent hefty gains

GREECE: Responding to a number of recent press reports suggesting that there have been significant deposit outflows from domestic MFIs in recent weeks due to political uncertainty ahead of the January 25 general election, the **Bank of Greece issued a statement** on Sunday saying that "the Bank of Greece along with the ECB are monitoring closely the developments and intervene whenever this is necessary. On the data front, **arrivals of non-residents from abroad** increased by 22.2%YoY in the period January-September 2014.

SOUTH EASTERN EUROPE

SERBIA: Fitch affirmed on Friday Serbia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+', with Outlook Stable.

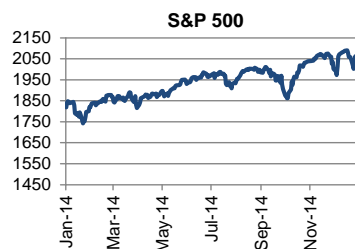
CESEE MARKETS: Emerging stock markets kicked off the week little changed, while the majority of **CESEE currencies** remained under pressure in European trade on Monday and **government bonds** retained a firm tone, as the door is open for further Central Bank monetary easing ahead.

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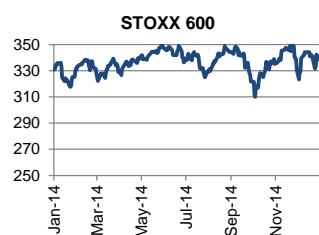
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Latest world economic & market developments

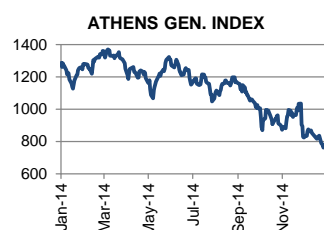
GLOBAL MARKETS



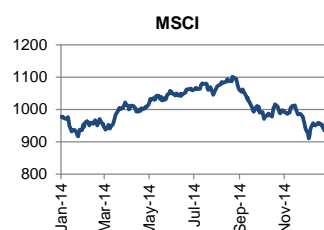
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

US non-farm payrolls rose by a higher than expected 252k in December while the respective figures for the prior two months were revised upward by 50k cumulatively with the domestic economy creating some 2.95mn jobs last year, the highest since 1999. Adding to the positive tone of the December report, the unemployment rate declined from 5.7% to 5.6%, the lowest since June 2008 as the participation rate dropped to 62.7%, matching a 35-year low marked three months earlier. Average hourly earnings unexpectedly declined by 0.2%MoM taking the annual rate to 1.7%, the lowest since late 2012 supporting the view that, although the US economy remains on a recovery path, the Fed will probably adopt a cautious stance on hiking interest rates in the months ahead. Against this environment, US Treasuries firmed while the USD gave back some of its recent hefty gains with the DXY index standing close to 92.115 at the time of writing, having retreated from a nine-year high of 92.528 marked a couple of sessions earlier. Favored by the USD's decline, the EUR managed to stage a modest recovery with the EUR/USD standing close to 1.1818/20 in early European trade on Monday after falling to a multi-year low of 1.1753 last week amid increased expectations that the ECB will embark on a government bond-buying program in the coming weeks/months in an effort to boost euro area economic activity and address deflation risks. However, looking ahead, relative Eurozone/US growth differentials and perceived divergence in the Fed's and the ECB's monetary policy stance suggest that short-to-medium term risks for the EUR/USD remain skewed to the downside. On the US data front, focus this week will be on December retail sales on Tuesday ahead of the more crucial December's CPI report on Friday.

GREECE

Responding to a number of recent press reports suggesting that there have been significant deposit outflows from domestic MFIs in recent weeks due to political uncertainty ahead of the January 25 general election, the **Bank of Greece issued a statement** on Sunday saying that "the Bank of Greece along with the ECB are monitoring closely the developments and intervene whenever this is necessary". As per the same statement, the ECB has decided since 2010 to offer certain credit facilities to countries under a European program, a decision that is not affected by political developments. On the data front, according to the Frontier Statistical Survey conducted by the Bank of Greece **arrivals of non-residents from abroad** increased by 22.2%YoY in the period January-September 2014. More precisely, arrivals from European countries, which accounts for the majority of arrivals of non-residents to Greece (89.0%), registered an increase of 22.6%YoY over the aforementioned period.

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Latest developments in the CESEE region

CESEE markets

Emerging stock markets kicked off the week little changed, with the broad MSCI emerging equities index recording modest losses to the tune of 0.2% at the time of writing weighed down by falling Chinese and declining energy shares. Elsewhere, the majority of **CESEE currencies** remained under pressure in European trade on Monday and **government bonds** retained a firm tone, as the door is open for further Central Bank monetary easing ahead. Notwithstanding the aforementioned, the market's median forecasts for the upcoming MPC meetings in Poland on Wednesday and Serbia on Thursday are for stable policy rates.

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SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	0.0
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-5.8	-7.2	-5.7
Current Account/GDP	-5.0	-6.1	-4.7
EUR/RSD (eop)	114.57	120.50	124.50
	current	2014	2015f
Policy Rate (eop)	8.00	8.00	7.00

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

SERBIA

(Belgrade, 9/1/2015, 17:00 CET): **Latest Political & Macro Developments:** Fitch affirmed on Friday Serbia's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'B+', with Outlook Stable. The decision came on the back of recent government efforts aimed at containing the country's "still large fiscal deficit", with the agency adding that the recently agreed 3-year €1bn precautionary agreement with the IMF "reflects the government's strong fiscal intent". Fitch also noted that it anticipates real GDP growth to contract by 0.6% in 2015, public debt to reach ca 80% of GDP by 2016 and the current account deficit to remain at relatively elevated levels, estimated to have totaled 6.5% of GDP last year. In other news, only one bid on Friday's tender for the sale of Smederevo steel factory "Zelezara", submitted by US based Esmark Group, met all the required criteria. The tender was launched for an 80% share of the company. The remaining 20% will be retained by the State. Zelezara was once the largest Serbian exporter, with production worth EUR 1.2bn and with total capacity of 2.2m tons of steel products per annum. Esmark has announced earlier in December 2014 that it is willing to invest ca USD 400mn in the revitalization of the company over the next three years and maintain its current 5,000 employees headcount. The privatization, if successful, is broadly expected to boost Serbia's GDP by approximately 1ppt, starting in 2016. **Market Developments:** The EUR/RSD closed little changed at 122.65/85 Friday, thanks to repeated Central Bank interventions in the FX markets in order to prop up the domestic currency, albeit remaining near an all-time high of 122.85/123.05 hit a session earlier. The Central Bank appears to have sold around 30 million euros on Friday.

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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	2044.81	-0.8%	-0.7%	EUR/USD	1.18	-0.4%	-2.5%	UST - 10yr	1.97	2	-20	GOLD	1222	-0.1%	3.1%
Nikkei 225	17197.73	0.2%	-1.5%	GBP/USD	1.5117	-0.3%	-3.0%	Bund-10yr	0.50	1	-4	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	341.24	1.0%	-0.4%	USD/JPY	119.24	-0.6%	0.4%	JGB - 10yr	0.28	0	-5	LMEX	2852	-0.5%	-2.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD bps
7/N	on	-12	-315
1-week	7.16	-10	-285
1-month	7.74	-7	-231
3-month	8.37	-6	-148
6-month	8.72	-6	-107

RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	8.97	0	-8
5Y RSD	10.04	1	-14
7Y RSD	11.19	1	-6

RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	4.32	0	6
USD Nov-24	3.09	-351	-5

CDS

	Last	ΔD	ΔYTD bps
5-year	275	-1	-15
10-year	342	-2	-13

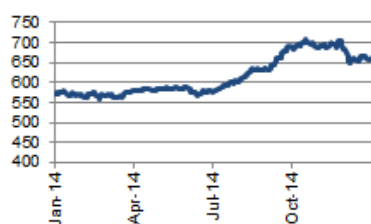
STOCKS

	Last	ΔD	ΔYTD
BELEX15	663.0	0.85%	-0.60%

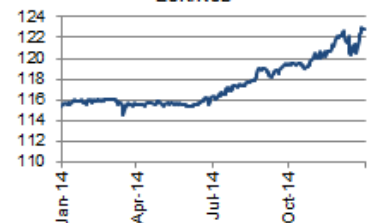
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.71	0.16%	-1.11%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	0.44	1	-130
1-month	0.68	1	-120
3-month	1.55	1	-89
6-month	1.83	2	-116
12-month	1.86	1	-129

RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.76	1	-219
5Y RON	2.22	-1	-243
10Y RON	3.21	-1	-209

RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Sep-20	1.62	1	-11
USD Aug-23	3.44	-1	-17

CDS

	Last	ΔD	ΔYTD bps
5-year	130	0	-13
10-year	173	0	-14

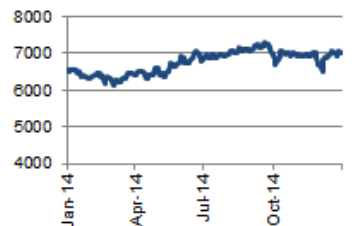
STOCKS

	Last	ΔD	ΔYTD
BET	7012.4	-0.05%	-1.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4848	0.10%	-0.03%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.21	0	-1
3-month	0.43	0	0
6-month	0.79	0	0
12-month	1.50	0	-1

BG Local Bonds

(yields)	Last	ΔD	ΔYTD bps
3Y BGN	1.16	15	12
5Y BGN	1.50	20	6
10Y BGN	2.76	0	1

BG Eurobonds

	Last	ΔD	ΔYTD bps
USD Jan-15	7.92	7506	1364
EUR Jul-17	0.92	-3	-24

CDS

	Last	ΔD	ΔYTD bps
5-year	199	7	8
10-year	249	6	9

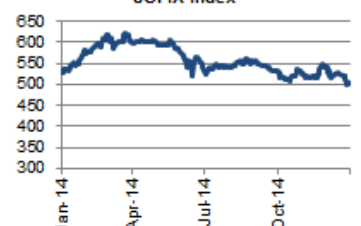
STOCKS

	Last	ΔD	ΔYTD
SOFIX	505.2	0.84%	-3.24%

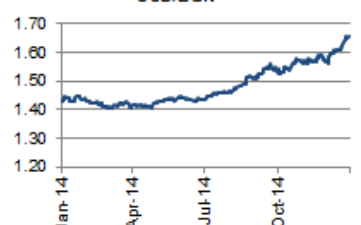
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6573	-0.34%	-2.46%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:15 EET

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