

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 16, 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: The SNB's decision y-day to discontinue the EUR/CHF minimum exchange rate of 1.20, first instituted in early September 2011, and to move the reference interest rate further into negative territory to -0.75% from -0.25% previously, caught markets by surprise. The CHF rose sharply across the board while perceived safe-havens, including US Treasuries, firmed.

GREECE: According to the latest BoG data, Greece's travel balance recorded a surplus of €10.47bn in the period January- September 2014, marking an 11.2% increase on an annual basis. This positive development was mainly attributed to a €1.2bn (10.9%YoY) rise in travel receipts to €12.0bn.

SOUTH EASTERN EUROPE

SERBIA: As was widely expected the Central Bank (NBS) kept its key policy rate unchanged at 8.00% at its MPC meeting on Thursday, but announced its decision to amend the Banks' Required Reserves with the National Bank of Serbia.

ROMANIA: The EUR/RON closed marginally higher around levels of 4.5000 on Thursday, with the pair recoiling from an intraday high of 4.5050 hit after the SNB's announcement.

BULGARIA: The FinMin announced on Thursday it "has ordered" the repayment of a 13-year \$1.1bn USD denominated bond issued in April 2002.

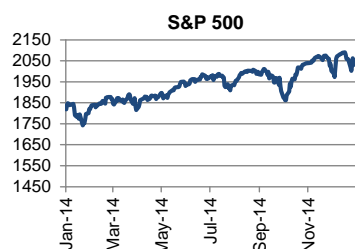
CESEE MARKETS: Emerging stock markets broadly fell in European trade today, weighed down by SBN's move on Thursday to remove the franc's 3-year-old cap against the euro. In regional FX, **CESEE currencies** were mixed.

DISCLAIMER

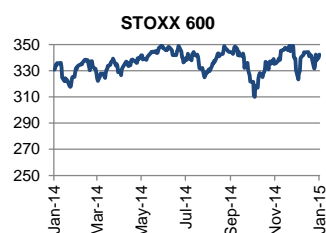
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Latest world economic & market developments

GLOBAL MARKETS



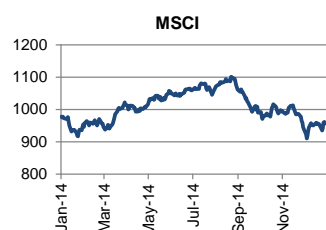
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

The SNB's decision y-day to discontinue the EUR/CHF minimum exchange rate of 1.20, first instituted in early September 2011, and to move the reference interest rate further into negative territory to -0.75% from -0.25% previously, caught markets by surprise. The CHF rose sharply across the board with the EUR/CHF dropping to as low as 0.858 at some point y-day before recovering towards 1.03 in European trade today, remaining though ca 18% lower compared to levels witnessed over the last few months. As market tries to find a new equilibrium in the way to the upcoming crucial ECB monetary policy meeting scheduled for January 22, FX volatility is likely to prevail. Meanwhile, the EUR/USD extended its recent losses as the SNB's policy move was perceived by market participants as a signal that the prospect of the ECB adopting a sovereign bond-purchasing program at its next meeting is highly likely. The EUR/USD stood close to 1.1630 at the time of writing after dropping to fresh multi-year low of 1.1570 at some point y-day while the prospect of further weakness ahead of next week's ECB policy meeting, cannot be ruled out. As is usually the case in times of heightened market uncertainty, perceived safe-havens, including US Treasuries, firmed with the 10-yr UST yield hovering at the time of writing not far from y-day's multi-month closing low of 1.71%. On the data front, US inflation data for December due later today lure market attention.

GREECE

According to the latest BoG data, Greece's travel balance recorded a surplus of €10.5bn in the period January- September 2014, marking an 11.2% increase on an annual basis. This positive development was mainly attributed to a €1.2bn (10.9%YoY) rise in travel receipts to €12.0bn, that was though partially offset by an increase of €0.125bn (8.9%YoY) in travel payments. The incoming passenger traffic including cruise passengers – calculated on the basis of the number of tourists – increased by 20%YoY in the same period coming in at 20.7mn compared to 17.23mn in the same period a year earlier. In other news, according to preliminary data for the execution of the State Budget on a modified cash basis that were released earlier this week, the State Budget balance for the full year of 2014 recorded a deficit of €3.64bn (c. 2% of GDP), compared to a €0.76bn shortfall penciled in the 2015 Budget and a deficit of €0.6bn envisaged in the MTF5 2015-2018 primarily due to weakness in ordinary budget net revenue (mainly from taxation).

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Latest developments in the CESEE region

CESEE markets

Emerging stock markets broadly fell in European trade today, weighed down by SBN's move on Thursday to remove the franc's 3-year-old cap against the euro. In regional FX, **CESEE currencies** were mixed. The Hungarian forint recovered from yesterday's 1% decline against the euro and a 20% plunge vs. the CHF on hopes that the negative impact from SNB's decision would be smaller than previously thought, especially after the government adopted last year a scheme to convert FX loans into forints. In more detail, the EUR/HUF pulled back below 320 earlier today from record highs near 237 on Thursday, while the CHF/HUF eased by 2.5% at the time of writing. Separately, the Polish zloty weakened by ca 0.2% per euro on the day adding to yesterday's 1.5% a session earlier. With the prospect of further monetary easing by Central Banks in the region still on the cards, further CESEE currency weakness in the weeks/months ahead seems likely.

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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
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.00

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

SERBIA

(Belgrade, 15/1/2015, 17:00 CET): **Latest Political & Macro Developments:** As was widely expected the Central Bank (NBS) kept its key policy rate unchanged at 8.00% at its MPC meeting on Thursday. At the statement issued upon the conclusion of the MPC meeting, the Central Bank acknowledged that inflation currently remains below the NBS target tolerance band ($4 \pm 1.5\%$) but underscored that it anticipates a move within the said range around mid-year as temporary disinflation effects gradually wane. That said, it added that weak domestic demand dynamics and subdued price pressures in the euro area are likely to contain inflation pressures. On a separate note, NBS announced yesterday its decision to amend the Banks' Required Reserves with the National Bank of Serbia in a move likely to boost FX liquidity and support the domestic economy. The changes include a 1ppt reduction in FX reserve requirement to 26% on liabilities with maturity up to two years and to 19% on liabilities with maturity over two years. In addition, the structure of FX required reserves has been changed, with increased share of dinar allocations – from 36% to 38% and from 28% to 30%, depending on the maturity of the sources of funding. In other news, the Public Debt Administration sold RSD 2.012bn just over a half of the planned RSD 3bn 3-month T-Bills. The auction produced a yield of 7.23%, which came in slightly above that achieved at a prior tender of similar maturity (7.00%) held two months ago. **Market Developments:** The EUR/RSD closed little changed at 122.45/65 on Thursday, bucking a negative regional trend, after the NBS announcement about changes in the structure of the mandatory reserve requirements. Looking ahead, potential new ECB monetary policy easing in the coming weeks/months may provide some further support to the dinar and local government bonds.

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ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.5	2.5	3.0
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP	-2.3	-2.2	-2.2
Current Account/GDP	-1.1	-1.2	-1.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.50	2.25

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

ROMANIA

(Bucharest, 16/1/2015, 9:15 EET): **Market Developments:** The EUR/RON closed marginally higher around levels of 4.5000 on Thursday, with the pair recoiling from an intraday high of 4.5050 hit after the SNB's announcement. Potential Central Bank intervention may have been behind the said leu recovering. On the money market, the implied 1W-1M rates moved some 40bps higher to 0.80% in view of growing risk aversion. On the primary market the MoF issued the planned RON 500mn in 5Y bonds at an average accepted yield of 2.19%, which came in at the lower end of expectations, as bids were submitted before the SNB announcement. RON government bonds came under pressure in the wake of the SNB's decision before completely recovering their losses by closing time.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.5	0.8
CPI (pa, yoy %)	0.4	-1.5	0.1
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	2.1	2.2	1.8
EUR/BGN (eop)		1.9558	
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

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

BULGARIA

(Sofia, 15/1/2015, 18:00 EET): **Latest Political & Macro Developments:** The FinMin announced on Thursday it "has ordered" the repayment of a 13-year \$1.1bn USD denominated bond issued in April 2002. The redemption is estimated to reduce public debt from 27.0% to 24.8% of GDP. The repayment is financed by a previously successfully placed 10-year €-Bond with coupon of 2.95% or 5.30ppts lower than the one maturing, leading to a €48.9mn reduction in annual interest costs.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1992.67	-0.9%	-3.2%
Nikkei 225	16864.16	-1.4%	-3.4%
STOXX 600	347.13	-0.4%	1.3%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1588	-0.4%	-4.2%
GBP/USD	1.5215	0.2%	-2.3%
USD/JPY	116.63	-0.4%	2.6%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	1.73	1	-44
Bund-10yr	0.45	-2	-9
JGB - 10yr	0.24	-1	-9

Commodities

	Last	ΔD	ΔYTD
GOLD	1257	-0.4%	6.1%
BRENT CRUDE	175	0.0%	0.0%
LMEX	2701	1.0%	-7.3%

SEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR	on	16	-346
1-week	6.99	19	-302
1-month	7.34	2	-271
3-month	8.04	-8	-181
6-month	8.46	-7	-133

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.21	-4	17
5Y RSD	10.21	0	3
7Y RSD	11.26	0	1

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.02	-1	-24
USD Nov-24	1.89	-467	-125

CDS

	Last	ΔDbps	ΔYTD bps
5-year	265	2	-25
10-year	330	2	-24

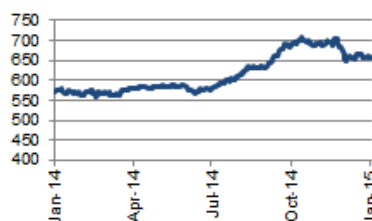
STOCKS

	Last	ΔD	ΔYTD
BELEX15	656.0	0.06%	-1.65%

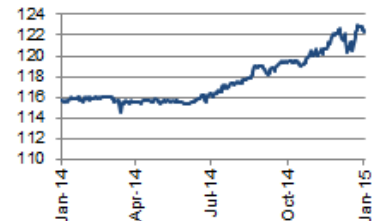
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.23	0.28%	-0.72%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR	0.43	0	-14
1-month	0.71	2	-20
3-month	1.6	3	-10
6-month	1.85	1	-16
12-month	1.88	2	-14

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.68	0	-33
5Y RON	2.16	-1	-35
10Y RON	3.03	-2	-48

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.53	-2	-20
USD Aug-23	3.28	-2	-33

CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	0	-23
10-year	162	0	-25

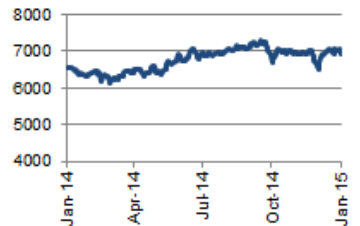
STOCKS

	Last	ΔD	ΔYTD
BET	6954.5	0.27%	-1.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5061	-0.04%	-0.50%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	-1
1-month	0.19	0	-2
3-month	0.42	0	-2
6-month	0.78	0	-1
12-month	1.48	0	-2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.90	-3	-14
5Y BGN	1.20	0	-25
10Y BGN	2.56	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	#N/A N/A	#N/A N/A	-3564
EUR Jul-17	0.86	0	-30

CDS

	Last	ΔDbps	ΔYTD bps
5-year	190	1	-1
10-year	241	1	0

STOCKS

	Last	ΔD	ΔYTD
SOFIX	499.1	0.39%	-4.41%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6876	-0.38%	-4.21%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:20 EET

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