

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 31, 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: Positive US data helped the USD retain a firm tone in European trade on Friday. Focus today is on Eurostat's flash HICP estimate for January amid persisting deflation concerns.

GREECE: Speaking to his party's ND parliamentary committee y-day, Greek Premier Antonis Samaras said that, based on the most recent data, the General Government primary balance (ESA 95 terms) is projected to record a surplus of €1bn or more for the full-year 2013, a development that could open the door for additional debt relief measures by official lenders.

SOUTH EASTERN EUROPE

SERBIA: EUR/RSD consolidated around recent highs on Thursday; the government sold EUR 48.57mn of 5-year EUR-denominated T-Bonds at an auction yesterday.

ROMANIA: RON interest rates rise sharply on the back of the EM sell-off and concerns about lower RON liquidity as a result of suspected central bank intervention.

BULGARIA: Producer prices decreased by 2.8% on annual basis in December; domestic stock market SOFIX posts its largest daily drop since mid-December.

CESEE Markets: Emerging stock markets closed broadly lower on Thursday, weighed down by persisting worries over China's growth outlook and concerns about the impact of the gradual withdrawal of the Fed's stimulus program on regional economies. In the **FX markets**, regional currencies remained under pressure against a firmer USD.

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Latest world economic & market developments

GLOBAL MARKETS

The US economy grew by a 3.2%qoq annualized rate in Q4 2013, in line with market expectations, compared to a growth rate of 4.1%qoq annualized in the prior quarter, supporting market optimism about the prospects of the world's largest economy. Positive US data helped the USD retain a firm tone in European trade on Friday with the DXY index hovering around 81.096 at the time of writing, within distance from a multi-session peak of 81.135 hit earlier this week. Focus today is on Eurostat's flash HICP estimate for January amid persisting deflation concerns. The market's median forecast is for a modest increase to 0.9%yoy from 0.8%yoy in December and a four-year low of 0.7% recorded three months earlier.

GREECE

Speaking to his party's ND parliamentary committee y-day, Greek Premier Antonis Samaras said that, based on the most recent data, the General Government primary balance (ESA 95 terms) is projected to record a surplus of €1bn or more for the full-year 2013, a development that could open the door for additional debt relief measures by official lenders. As explicitly spelled out in the 26/27 November 2012 Eurogroup statement, official lenders committed themselves to consider further measures and assistance to Greece, if necessary, until the country regains market access to international markets, conditional on a vigorous implementation of the requirements and objectives of the agreed adjustment program. Eurostat's next EDP report is due on April 23, 2014.

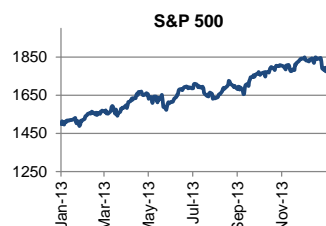
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Latest developments in the CESEE region

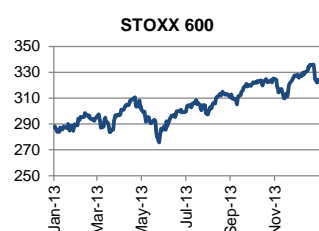
CESEE markets

Emerging stock markets closed broadly lower on Thursday, weighed down by persisting worries over China's growth outlook and concerns about the impact of the gradual withdrawal of the Fed's stimulus program on regional economies. Yet, many EM indices recouped part of their intraday losses, in the wake of positive US data. Against this backdrop, the MSCI emerging equities index closed in a marginally negative territory of 0.03%, having bounced from a near 5-month low hit earlier in the session. The index appears braced to register losses of ca 7% in January. In the **CESEE space** domestic equity markets broadly firmed. Turkey's BIST 100 posed among the best performers with a 0.99% increase after Finance Minister Mehmet Simsek ruled out restrictions on capital movements after the Central Bank's higher than expected rate hikes earlier in the week provided little support to the lira. His comments followed press reports a day earlier quoting PM Erdogan as saying that the government may soon announce "out of the ordinary" measures. In the **FX markets**, regional currencies remained under pressure against a firmer USD. The Hungarian forint slid to a 2-year low of 312.50/EUR on Thursday after the Central Bank left the door open for further rate cuts ahead. Note that the MNB key policy rate currently stands at a record low of 2.85% following 415bps of cumulative monetary easing since August 2012. The Turkish lira found little respite in the wake of the CBT's hefty tightening action earlier in the week, with the USD/TRY closing at 2.2692 on Thursday's settlement, not too far from a record peak of 2.39 hit a few sessions ago.

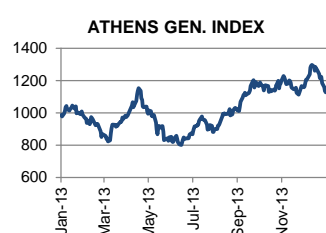
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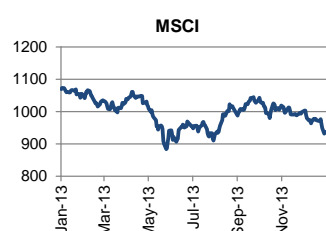
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

(Belgrade, 30/1/2014, 16:00 CET): **Latest Political & Macro Developments:** As expected, President Tomislav Nikolic officially announced that the upcoming snap general elections will be held on March 16th in tandem with local polls in Belgrade. Former President Boris Tadic is contemplating on leaving the Democratic Party and establishing his own opposition front. **Market Developments:** The EUR/RSD consolidated around recent highs of 116.00/20 on Thursday, while the potential of a political deadlock in the upcoming elections is likely to add to the dinar's current depreciation trend. In other news, the government sold EUR 48.57mn of 5-year EUR-denominated T-Bonds at an auction yesterday, slightly lower compared to EUR 50mn initially planned. The bonds carried an annual coupon of 4.5% and bore a yield of 5.10%.

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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
	2013	current	2014f
Policy Rate (eop)	4.00	3.75	3.75

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

(Bucharest, 30/1/2014, 17.15 EET): **Market Developments:** The EUR/RON recoiled over the last few days easing from Tuesday's multi-month peak of 4.5700 to around 4.5070 yesterday. The leu largely shrugged off losses recorded in other emerging market currencies, reportedly on possible central bank intervention. On the money markets, short term RON interest rates jumped some 150 bps on the back of EM sell-off, companies' tax payments and on potentially reduced RON liquidity in view of the suspected NBR intervention. Government bonds were also sold aggressively, mainly by off-shores, with the yield curve undertaking some bear flattening. Yields of bonds with maturity up to 1Y moved some 100bps higher while the corresponding mid and long-term yields jumped around 40 bps.

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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	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 30/01/2014, 18.00 EET): **Latest Political & Macro Developments:** According to NSI data, the Producer Price Index dropped by 2.8% YoY, mainly on the back of hefty declines registered in the mining (12.1% YoY), manufacturing (0.8% YoY) and distribution of electricity and gas (5.2% YoY) sub-indices. In other news, according to a Bloomberg Quarterly Survey conducted among 20 economists, forecasts for Bulgaria's economic growth for the next two years were revised downwards. Real GDP growth is now expected to come in at 1.6% in 2014 and to pick up pace to 2.5% in 2015 versus previous estimates of 1.8% and 2.8%, respectively. The unemployment rate is also expected to deteriorate compared to previous forecasts from 11.3% to 12.4% in 2014 and from 9% to 11.4% in 2015. Average annual inflation is expected to decrease to 1.2% in 2014 and to move close to 2.1% in 2015. **Market Developments:** The domestic stock market halted a 5-session rally on Thursday, with all indices closing in red. SOFIX lost 1.13% breaking below key support level of 550.

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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	1794.19	1.1%	-2.9%	EUR/USD	1.354	-0.1%	-1.5%	UST - 10yr	2.69	-1	-34	GOLD	1242	-0.1%	3.0%
Nikkei 225	14914.53	-0.6%	-8.5%	GBP/USD	1.6474	-0.1%	-0.5%	Bund-10yr	1.70	-2	-23	BRENT CRUDE	168	0.0%	0.2%
STOXX 600	323.32	0.3%	-1.5%	USD/JPY	102.54	0.2%	2.7%	JGB - 10yr	0.62	0	-12	LMEX	3056	-0.6%	-3.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.89	7	-12
1-week	8.08	4	-20
1-month	8.34	-2	-24
3-month	8.75	5	-13
6-month	9.00	7	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.98	0	-107
5Y RSD	10.49	0	-233
7Y RSD	11.41	0	-240

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.80	0	-21
USD Nov-24	6.77	0	-13

CDS

	Last	ΔDbps	ΔYTD bps
5-year	374	4	-35
10-year	410	2	-37

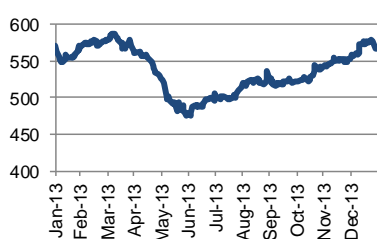
STOCKS

	Last	ΔD	ΔYTD
BELEX15	568.9	0.42%	1.95%

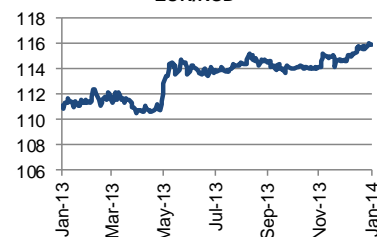
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.8	0.04%	-1.06%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.45	0	71
1-month	2.43	0	55
3-month	2.43	0	-1
6-month	2.73	0	-26
12-month	2.92	0	-23

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.54	0	-41
5Y RON	4.58	0	-7
10Y RON	5.56	0	26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.75	0	-10
USD Aug-23	4.90	0	10

CDS

	Last	ΔDbps	ΔYTD bps
5-year	188	0	3
10-year	235	2	2

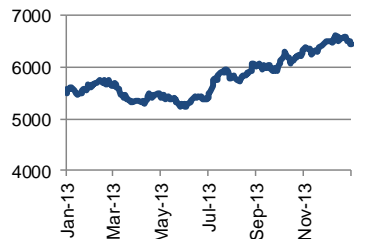
STOCKS

	Last	ΔD	ΔYTD
BET	6428.6	-0.28%	-1.00%

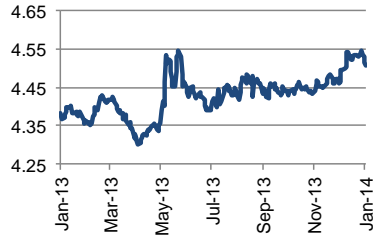
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5064	0.14%	-0.74%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.31	0	-1
3-month	0.62	1	-3
6-month	1.15	-1	-1
12-month	2.21	-1	2

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.10	0	0
5Y BGN	1.80	0	-4
10Y BGN	3.52	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.72	-2	16
EUR Jul-17	1.69	1	-11

CDS

	Last	ΔDbps	ΔYTD bps
5-year	127	0	3
10-year	178	7	3

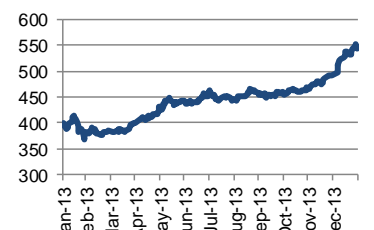
STOCKS

	Last	ΔD	ΔYTD
SOFIX	544.7	-1.13%	10.82%

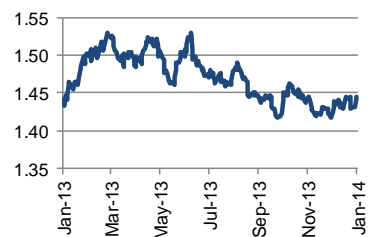
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4446	-0.12%	-1.49%

SOFIX Index



USD/BGN



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