

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 7, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan. 7: trade balance (Nov)
- Jan. 8
 - ADP empl. (Dec)
 - FOMC Dec 17-18 min.
- Jan. 9: Initial jobless claims (Jan. 4)
- Jan. 10
 - NFP (Dec)
 - U/E rate (Dec)

EUROZONE

- Jan. 7: CPI (Dec)
- Jan. 9:
 - ECB meeting
 - Econ Sentiment (Dec)

SEE

SERBIA

- Jan. 7: market holiday
- Jan 8: PPI (Dec)

ROMANIA

- Jan. 7: PPI (Nov)
- Jan. 8
 - Retail sales (Nov)
 - MPC meeting
- Jan. 9: Trade Bal (Nov)
- Jan. 10: GDP (Q3)

BULGARIA

- Jan. 7: U/E rate (Dec)
- Jan. 9: Trade balance (Nov)
- Jan. 10
 - IP (Nov)
 - Retail sales (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the negative tone on Wall Street overnight, the majority of major European bourses opened lower on Tuesday following y-day's weaker-than-expected US data. In FX markets, the JPY retained a firm tone in European trade as increased risk aversion enhanced the currency's safe-haven appeal.

GREECE: With nearly a week to go before the heads of the troika mission return to Athens to resume discussions with domestic authorities in the context of the current program review, Greece's Premier Antonis Samaras and Deputy Prime Minister Evangelos Venizelos will hold their first meeting of the New Year later in the day. In other news, the most recent Bank of Greece data showed that private sector deposits to domestic MFIs rose in November, halting five consecutive months of declines.

SOUTH EASTERN EUROPE

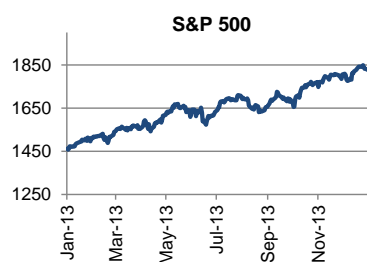
BULGARIA: Bulgarians have called a protest rally against the cabinet of PM Plamen Oresharski, scheduled for Friday. The main SOFIX index traded at its highest levels since Sept'09.

ROMANIA: MoF hired BNP Paribas, Citigroup and JP Morgan to lead its next international bond issue. The MoF has recently increased its MTM program by EUR 7bn, so as to cover projected borrowing needs over the period 2014-2016, with EUR 2bn eyed for this year.

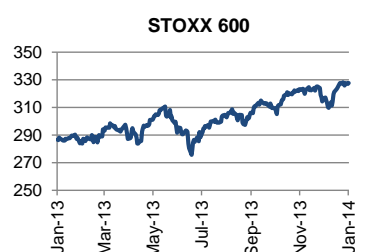
CESEE Markets: With several **stock markets in the CESEE region** closed for the holidays, regional indices recorded a mixed picture on Monday. **Regional currencies** were little changed. Central Bank policy meetings in Romania and Poland later this week take centre stage.

DISCLAIMER

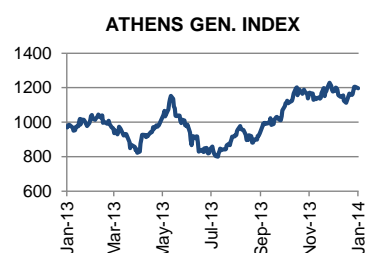
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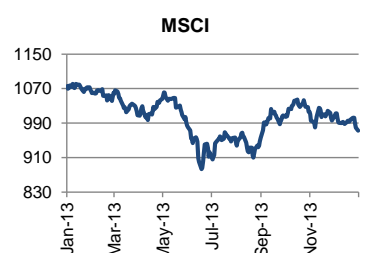
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B-	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the negative tone on Wall Street overnight, the majority of major European bourses opened lower on Tuesday following y-day's weaker-than-expected US data. The US ISM-non-manufacturing index declined in December coming in at a six-month low of 53.0 from 53.9 in the prior month mainly due to weaker new orders. Market anxiety ahead of this week's ECB policy meeting and the US' December non-farm payrolls report, also weighed on market sentiment towards risky assets. In FX markets, the JPY retained a firm tone in European trade as increased risk aversion enhanced the currency's safe-haven appeal.

GREECE

With nearly a week to go before the heads of the troika mission return to Athens to resume discussions with domestic authorities in the context of the current program review, Greece's Premier Antonis Samaras and Deputy Prime Minister Evaggelos Venizelos will hold their first meeting of the New Year later in the day. According to the local press, items expected to dominate the agenda will include: (i) the outstanding issues underlying the current program review e.g. the size of a projected fiscal gap in FY-2014 and ways/strategies to cover it, projected fiscal gaps in FY-2015 & FY-2016 and the update of the government's medium-term fiscal plan (MTSF 2014-2017), third party-taxes, domestic labor market reform and social security contributions; and (ii) issues related to Greece's six-month rotating EU Presidency which commenced on January 1st, 2014. In other news, the most recent Bank of Greece data showed that private sector deposits to domestic MFIs rose in November, halting five consecutive months of declines. In more detail, corporate and household deposits to domestic MFIs increased by €658mn (or 0.4% mom), reaching €161.04bn.

Latest developments in the CESEE region

CESEE markets

With several **stock markets in the CESEE region** closed for the holidays, regional indices recorded a mixed picture on Monday. Turkey's main BIST 100 index closed 3.11% higher, recouping losses recorded earlier in the session. Bulgaria's SOFIX trailed behind posting gains to the tune of 1.00%, while Hungary's BUX and Romania's BET index shed 0.29% and 0.41%, respectively. In the broader Emerging Markets space, the MSCI index of emerging equities dropped by 0.72% weighed down by concerns about a potential slowdown in China's economy. Separately, **regional currencies** were little changed on Monday. The Turkish lira eased as far as a new record low of 2.1948/USD amid persisting domestic political jitters, accommodative Central Bank policy rates and worries over China's growth outlook. The Fed's December decision to start tapering its QE program has also weighed on the Turkish currency in recent weeks. With regards to the latter, the country is considered heavily reliant on foreign capital inflows in order to finance its elevated current account deficit (estimated at around 7.4%-of-GDP in 2013 according to the market's latest median forecast), and the FOMC's decision to start trimming its asset purchases has raised concerns about a potential reduction of such inflows into Turkey. Elsewhere, the PLN and the RON were a tad weaker on Monday, ahead of central bank policy meetings scheduled later this week in both countries. In detail, the Central Bank of Poland is broadly expected to maintain its base rate at 2.50% on Wednesday while, on the same day, Romania's Central Bank is broadly anticipated to cut its key policy rate by 25bps to a new record low of 3.75%.

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ROMANIA

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	2.2	2.2
CPI (pa, yoy %)	5.0	1.8	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	4.43	4.45
	current	2013	2014f
Policy Rate (eop)	4.00	4.00	4.00

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

(Bucharest, 07/01/2014, 09.30 EET): **Latest Political & Macro Developments:** MoF hired BNP Paribas, Citigroup and JP Morgan to lead its next international bond issue. There is no further information as regards the potential timing of the issue or whether it will be denominated in EURs or USDs. The MoF has recently increased its MTM program by EUR 7bn, so as to cover projected borrowing needs over the period 2014-2016, with EUR 2bn eyed for this year. **Market Developments:** At the time of writing this report, the EUR/RON rate was trading near the psychological resistance level of 4.5000. Short-term RON rates were hovering around the 1% NBR deposit facility rate amid expectations of a fresh 25 bps rate cut at the NBR meeting on Wednesday and abundant liquidity conditions in the domestic money market. In the ROMGB market, the government bond yield curve saw some further bullish steepening, with gains of around 10 bps recorded across the 1-3Y maturities spectrum.

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BULGARIA

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.8	0.5	1.5
HICP (pa, yoy %)	2.4	0.5	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, 06/01/2014, 17.30 EET): **Latest Political & Macro Developments: Latest Political & Macro Developments:** Bulgarians have called a protest rally against the cabinet of PM Plamen Oresharski. The rally is scheduled to take place in Sofia on Friday, January 10. This is the first protest for 2014, following a string of rallies that began last June after the appointments made by the socialist government shortly after they came in power. **Market Developments:** Bulgarian equities continue their strong performance of the last several months, with the major benchmark SOFIX index closing at 498.5 on Monday, up ca 1.0% on the day. The index is traded at its highest levels since Sept'09. Liquidity improved on the back of strong demand for blue chips like Sopharma, Chimimport and Central Cooperative Bank.

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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	1826.77	-0.3%	-1.2%	EUR/USD	1.362	-0.1%	-0.9%	UST - 10yr	2.95	0	-7	GOLD	1239	0.1%	2.8%
Nikkei 225	15814.37	-0.6%	-2.9%	GBP/USD	1.6384	-0.1%	-1.0%	Bund-10yr	1.90	-1	-3	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	327.75	0.2%	-0.2%	USD/JPY	104.3	-0.1%	1.0%	JGB - 10yr	0.70	-3	-4	LMEX	3129	0.1%	-1.0%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	8.08	3	7
1-week	8.37	3	9
1-month	8.63	1	5
3-month	8.92	3	4
6-month	9.20	3	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	11.06	0	0
5Y RSD	12.28	-48	-54
7Y RSD	13.38	-43	-43

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.75	-24	-26
USD Nov-24	6.90	-1	0

CDS

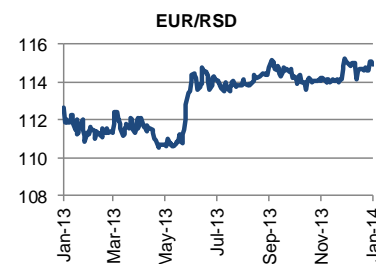
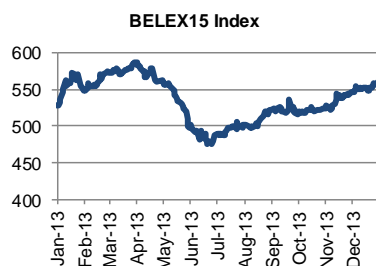
	Last	ΔDbps	ΔYTD bps
5-year	383	-19	-27
10-year	420	-21	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	560.3	0.52%	0.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	114.7	0.22%	-0.11%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.23	-15	-507
1-month	1.58	-12	-446
3-month	2.21	-5	-384
6-month	2.85	-4	-342
12-month	3.05	-4	-325

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.87	-4	-8
5Y RON	4.58	-8	-7
10Y RON	5.27	-2	-3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.85	-1	0
USD Aug-23	4.85	1	5

CDS

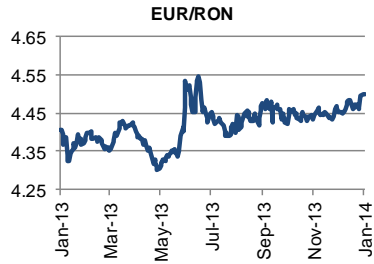
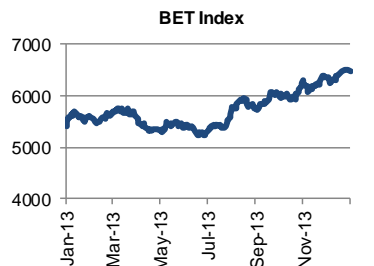
	Last	ΔDbps	ΔYTD bps
5-year	182	0	-3
10-year	231	-10	-1

STOCKS

	Last	ΔD	ΔYTD
BET	6469.6	0.17%	-0.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4975	0.05%	-0.55%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.30	0	-2
3-month	0.64	0	0
6-month	1.16	0	1
12-month	2.22	0	3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	1	-1
5Y BGN	1.89	1	4
10Y BGN	3.55	0	6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.89	1	31
EUR Jul-17	1.74	5	-6

CDS

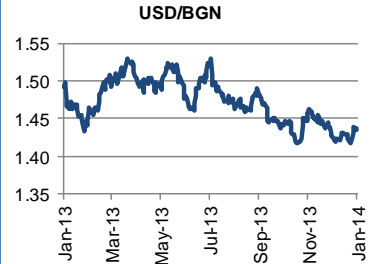
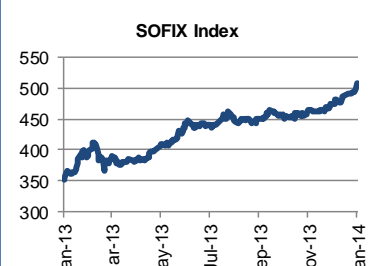
	Last	ΔDbps	ΔYTD bps
5-year	122	0	-2
10-year	176	-5	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	506.6	1.63%	3.07%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4362	-0.07%	-0.91%



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