

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

January 7, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- January 7
 - ADP employment (Dec)
 - Trade Balance (Nov)
 - Fed Dec 16-17 meeting minutes
- January 8: Initial jobless claims (Jan 2)
- January 9
 - NFP report (Dec)
 - U/E rate (Dec)

EUROZONE

- January 6: PMI-index services & composite (Dec, f)
- January 7
 - U/E rate (Nov)
 - CPI (Dec)

SEE

SERBIA

- January 5-9: PPI (Dec)
- January 6: 53-week T-Bills auction

ROMANIA

- January 5: International reserves (Dec)
- January 6: PPI (Nov)
- January 7: MPC meeting
- January 8
 - Retail sales (Nov)
 - 3.25% 2018 T-Bonds auction
- January 9: Trade balance (Nov)

BULGARIA

- January 7: International reserves (Dec)
- January 8
 - Retail sales (Nov)
 - IP (Nov)
- January 9: Trade balance (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Eurozone flash headline consumer inflation came in weaker than anticipated at -0.2%YoY in December, turning negative for the first time since autumn 2009 and adding to market expectations that the ECB will probably adopt a government bond-buying program in the coming weeks/months. Against this background, the EUR extended its recent downtrend on Wednesday, with the EUR/USD sliding to a new 9-year low near 1.1820 in European trade.

GREECE: Greece's Public Debt Management Agency (PDMA) successfully sold €1.625bn of 6-month T-bills on Wednesday, including €375mn in non-competitive bids, to roll over maturing debt. The sale's bid-cover ratio came in at 1.58, while the yield achieved stood at 2.30%, 15bps higher from the previous tender late last year.

SOUTH EASTERN EUROPE

ROMANIA: At its MPC meeting earlier today, the Central Bank (NBR) lowered its key policy rate by 25bps to a new record low of 2.50%, in line with market expectations.

BULGARIA: According the latest Ministry of Finance data, public debt amounted to €9.598bn at the end of November, equivalent to 23.1% of GDP and up by 1.9% compared to the previous month.

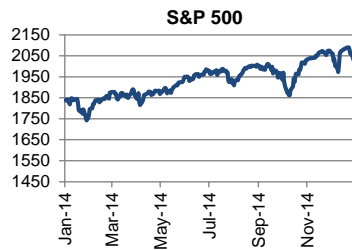
CESEE MARKETS: Emerging stock markets broadly firmed in European trade on Wednesday, with the broad MSCI index of emerging equities snapping a multi-session losing streak. Separately, **CESEE currencies** were mixed, while **government bonds** firmed across the region, as NBR's latest move fanned speculation that other Central Banks in the region may resort to further monetary easing.

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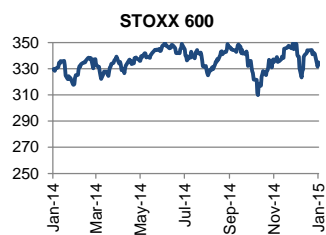
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Latest world economic & market developments

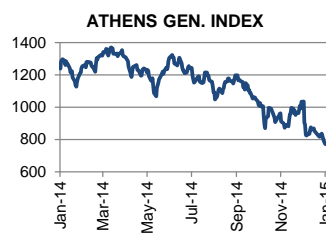
GLOBAL MARKETS



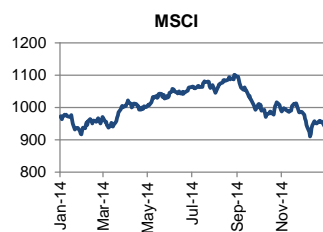
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

Eurozone flash headline consumer inflation came in weaker than anticipated at -0.2%YoY in December, vs. a market's median forecast of -0.1%YoY, turning negative for the first time since autumn 2009 from +0.3%YoY in the prior month. The drop in headline CPI came mainly on the back of a 6.3%YoY decline in energy prices, due to the recent fall in oil prices, while core CPI, which excludes energy food, alcohol and tobacco, crept up to 0.8%YoY from 0.7%YoY in November. In all, the data adds to market expectations that the ECB will probably adopt a government bond-buying program in the coming weeks/months in an effort to boost euro area economic activity and address deflation risks. Against this background, the EUR extended its recent downtrend on Wednesday, with the EUR/USD sliding to a new 9-year low near 1.1820 in European trade, before regaining some ground towards 1.836/38 at the time of writing. Focus for the rest of the session is on the US ADP employment report for December and the Fed's December 16-17 meeting minutes which will likely be closely scrutinized by market participants for any hints about the timing of potential FOMC interest rate hikes ahead.

GREECE

Greece's Public Debt Management Agency (PDMA) successfully sold €1.625bn of 6-month T-bills on Wednesday, including €375mn in non-competitive bids, to roll over maturing debt. The sale's bid-cover ratio came in at 1.58, vs. 1.81 achieved in a prior auction of similar maturity paper in December, while the yield achieved stood at 2.30%, 15bps higher from the previous tender late last year.

Latest developments in the CESEE region

CESEE MARKETS

Emerging stock markets broadly firmed in European trade on Wednesday, with the broad MSCI index of emerging equities snapping a multi-day losing streak to recoup part of this year's losses with gains to the tune of 0.3% at the time of writing. In the CESEE region, Poland's WIG index broadly outperformed its peers, rising by 0.9% earlier in Europe, while Romania's BET Index followed suit with a 0.5% rise in the wake of the Central Bank MPC meeting where the NBR lowered its key policy rate by 25bps to a new record low of 2.50%, in line with market expectations. Separately, **regional currencies** were mixed. The Romanian leu was flat at 4.4940/EUR at the time of writing, while the Polish zloty led the winners' pack firming by 0.2% to 4.3070/EUR. The EUR/PLN's technical picture suggests that a break below today's 4.2997 trough may pave the way towards 4.2720 (50% Fibonacci retracement from December's lows/highs), while, on the upside, immediate resistance lies at 4.3220 (January 6, 2015 high). Elsewhere, **government bonds** firmed across CESEE, as NBR's latest move fanned speculation that other Central Banks in the region, namely Hungary's and Poland's, may resort to further monetary easing amid subdued inflation pressures and persisting risks to the region's economic recovery. Recall that the former has rendered a total of 490bps of monetary easing since August 2012 bringing its key policy rate to a lifetime low of 2.10% in July, while the latter slashed its reference rate by 50bps to a lifetime trough of 2.00% in October breaking a 15-month streak of stable interest rates. Along these lines the corresponding 2 and 10-year Polish T-bond yields eased by 3.5% and 5.5% to 1.70% and 2.33%, respectively, while Romania's 9-year yield slid by ca 10bps to a record low of 3.32%.

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ROMANIA: Indicators	2013	2014f	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	
	current	2014f	2015f
Policy Rate (eop)	2.75	2.75	2.50

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

ROMANIA

(Bucharest, 7/1/2015, 9:20 EET): **Latest Political & Macro Developments:** At its MPC meeting earlier today, the Central Bank (NBR) lowered its key policy rate by 25bps to a new record low of 2.50%, in line with market expectations. Additionally, it narrowed the symmetrical corridor of interest rates on its standing facilities around the policy rate to ± 2.25 ppts from ± 2.50 ppts before. The latter, which is scheduled to come into effect on January 8, will bring the interest rate on the NBR's lending facility (Lombard) to an annual 4.75% from 5.25%, while the deposit facility rate will remain at 0.25% per annum. Looking ahead, taking into account that annual CPI stood at 1.3% in November, below the lower range of the NBR's 1.5-3.5% official inflation target range, falling global energy prices and persisting risks to the domestic economic recovery, further monetary easing in the coming months can not be ruled out entirely. **Market Developments:** The EUR/RON remained trapped within a tight range of 4.4950-4.5000 over the first few sessions of 2015. Meanwhile, money market rates kicked off the year on a lower footing, with those of tenors up to 1 year easing by around 15bps across the curve to close in the prior session at mid-levels of 0.70% (1-month), 1.35% (3 months), 1.50% (6 months) and 1.65% (12 months). In a similar vein, government bonds moved broadly higher on Tuesday with the corresponding 3 and 5-year yields falling on the day by ca 5bps each to 2.25% and 2.75%, while those for 10-years maturity rose by around 10bps to close at 3.45%.

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BULGARIA: Indicators	2013	2014f	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	2014f	2015f
Policy Rate (eop)	N/A	N/A	N/A

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

BULGARIA

(Sofia, 7/1/2015, 9:20 EET): **Market Developments:** According to the latest Ministry of Finance data, public debt amounted to €9.598bn at the end of November, equivalent to 23.1% of GDP and up by 1.9% compared to the previous month. The breakdown of the data showed that domestic debt stood at €4.018bn, while external totaled €5.580bn. For this year, the government anticipates an increase to 29.7% of GDP public debt.

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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	2002.61	-0.9%	-2.7%	EUR/USD	1.184	-0.4%	-2.1%	UST - 10yr	1.98	4	-19	GOLD	1214	-0.4%	2.4%
Nikkei 225	16885.33	0.0%	-3.2%	GBP/USD	1.5127	-0.2%	-2.9%	Bund-10yr	0.46	2	-8	BRENT CRUDE	175	0.0%	0.0%
STOXX 600	334.86	1.0%	-2.2%	USD/JPY	119.13	-0.6%	0.5%	JGB - 10yr	0.30	1	-3	LMEX	2858	-0.3%	-1.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-152	-246
1-week	7.80	-136	-221
1-month	8.38	-109	-167
3-month	8.75	-82	-110
6-month	8.99	-67	-80

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.11	-1	3
5Y RSD	10.18	0	0
7Y RSD	11.28	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.50	17	24
USD Nov-24	3.37	-324	23

CDS

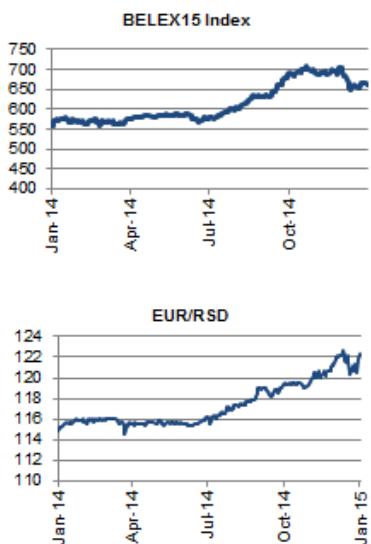
	Last	ΔDbps	ΔYTD bps
5-year	287	-12	-3
10-year	351	-13	-3

STOCKS

	Last	ΔD	ΔYTD
BELEX15	659.7	-1.17%	-1.10%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.41	0.00%	-0.86%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	-2	-128
1-month	0.75	-5	-113
3-month	1.63	-5	-81
6-month	1.92	-7	-107
12-month	1.95	-5	-120

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	1	-203
5Y RON	2.32	-9	-233
10Y RON	3.33	-8	-197

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.67	-1	-7
USD Aug-23	3.54	7	-8

CDS

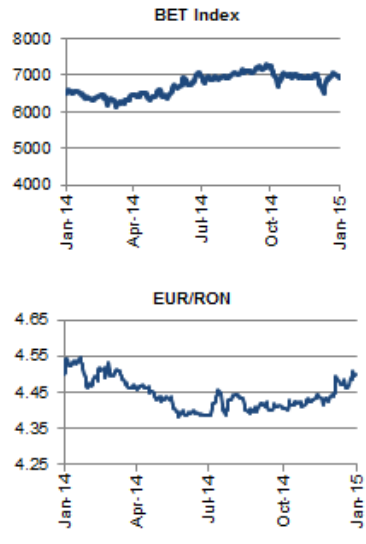
	Last	ΔDbps	ΔYTD bps
5-year	145	5	2
10-year	189	5	3

STOCKS

	Last	ΔD	ΔYTD
BET	6962.1	0.70%	-1.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4976	0.03%	-0.31%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	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	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	2	4
5Y BGN	1.49	6	5
10Y BGN	2.80	0	5

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-10.68	-830	-496
EUR Jul-17	1.12	-2	-4

CDS

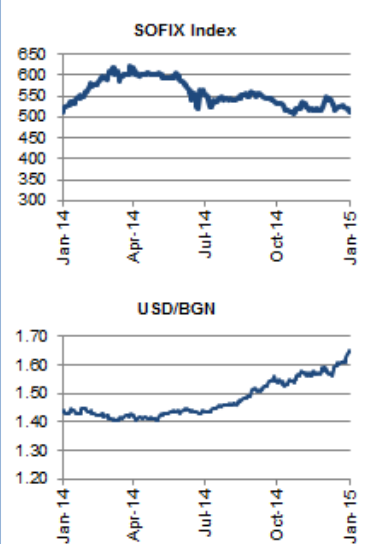
	Last	ΔDbps	ΔYTD bps
5-year	201	4	10
10-year	250	4	9

STOCKS

	Last	ΔD	ΔYTD
SOFIX	510.2	-1.34%	-2.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6519	-0.42%	-2.14%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 14:30 EET

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