

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 23, 2014

## HIGHLIGHTS

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- May 21: FOMC meeting minutes
- May 22
  - Initial jobless claims (May 17)
  - Existing home sales (Apr)
- May 23: New home sales (Apr)

#### EUROZONE

- May 21: Consumer confidence (May)
- May 22: PMI (May)
- May 23: (DE): Ifo (May)

#### SEE SERBIA

- May 20:
  - CAD (Mar)
  - 2-Y T-Bonds auction

#### ROMANIA

- May 19: RON 400mn 10-Y T-Bond auction
- May 22: RON 500mn T-Bonds auction

#### BULGARIA

- May 19: T-Bonds auction (2016)
- May 19-23: U/E rate (Apr)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Tracking gains in Wall Street overnight, **major Asian bourses** firmed on Friday supported by a string of positive US data releases y-day. Increased market optimism about growth prospects of the US economy helped the **USD** move higher in European trade. Elsewhere, the **EUR** remained under pressure on increased ECB easing expectations and market anxiety ahead of the outcome of the European Parliament elections (no official results will be announced anywhere in the EU until 21:00 GMT on Sunday).

**Greece:** Fitch Ratings upgraded Greece's sovereign credit rating by one notch to **B** from **B-** with a stable outcome. In other news, **Greece's current account deficit** stood at €44.4mn in March, €1.196bn narrower compared to the same month a year earlier.

### SOUTH EASTERN EUROPE

**SERBIA:** Prime Minister Aleksandar Vucic said on Thursday that Serbia will stick to the agreed fiscal consolidation program despite the potential impact of adverse weather conditions in the domestic economy.

**ROMANIA:** MoF issued on Thursday RON 500mn in 6Y bonds (Apr 2020) at an average accepted yield of 4.29%, ca 5 bps below the market's median forecast.

**BULGARIA:** According to the annual report of the Swiss Institute of Management Development, Bulgaria ranked 56<sup>th</sup> out of 60 countries in the World Competitiveness Ranking for 2014.

**CESEE Markets:** Emerging bourses were poised to record their fourth consecutive weekly rise on Friday thanks to mounting expectations for further stimulus measures from domestic authorities in major economies around the globe. **CESEE currencies** consolidated near recent highs in early trade on Friday. The Turkish lira stood near a multi-session peak of 2.0796 vs. the USD in spite of a surprise 50bps cut in the CBT's key policy rate y-day.

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## Latest world economic & market developments

### GLOBAL MARKETS

Tracking gains in Wall Street overnight, **major Asian bourses** firmed on Friday supported by a string of positive US data releases y-day. Increased market optimism about growth prospects of the US economy helped the USD move higher in European trade. The **USD/JPY** was trading close to 101.70/75 at the time of writing, having recovered from y-day's 101.30 intraday low and a 3-½ month trough of 100.80 hit a couple of sessions earlier. Apparently, the Japanese currency failed to capitalize on renewed tensions in the Korean peninsula and an army coupe in Thailand. Elsewhere, the EUR remained under pressure on increased ECB easing expectations and market anxiety ahead of the outcome of the European Parliament elections (no official results will be announced anywhere in the EU until 21:00 GMT on Sunday). The **EUR/USD** stood close to 1.3640/45 in early European trade, not far from a three-month low of 1.3635 recorded earlier this week.

### GREECE

**Fitch Ratings upgraded Greece's sovereign credit rating by one notch to B from B-** with a stable outcome. In the accompanying statement, the ratings agency cited improved growth prospects and the remarkable fiscal adjustment achieved over the last few years. Nonetheless, Fitch noted that downside risks prevail including, among others, the risk of renewed political and social instability and potential failure of the economy to embark on a sustained recovery path. In other news, **Greece's current account deficit** stood at €44.4mn in March, €1.196bn narrower compared to the same month a year earlier. Travel receipts rose by 29.1%YoY to €195mn.

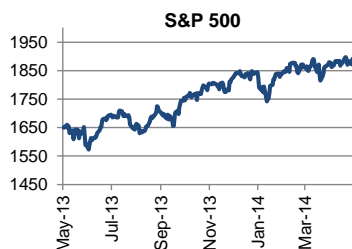
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## Latest developments in the CESEE region

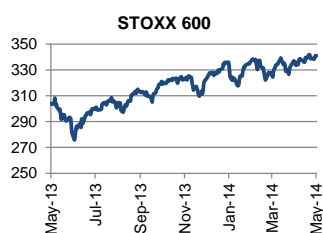
### CESEE markets

**Emerging bourses** were poised to record their fourth consecutive weekly rise on Friday thanks to mounting expectations for further stimulus measures from domestic authorities in major economies around the globe. A rally in Indian bourses in the wake of the market positive outcome in the country's recent general elections has also provided support over recent sessions. Nonetheless, market anxiety prevails over the upcoming results of the EU Parliament polls as well as this Sunday's presidential elections in Ukraine. Against this background, the MSCI emerging markets index was nearly unchanged in European trade on Friday, after hitting a new 7-month peak at 1,041.4 points in the prior session. Elsewhere, the majority of **CESEE stock markets** advanced earlier today. Turkey's BIST 100 index outperformed with a 0.34% rise. The said index hit a new 6-½-month peak at 78,452.7 points at some point earlier today, a session after the Central Bank (CBT) unexpectedly cut interest rates at its MPC meeting. Elsewhere, **CESEE currencies** consolidated near recent highs in early trade on Friday. The Turkish lira stood near a multi-session peak of 2.0796 vs. the USD in spite of a surprise 50bps cut in the CBT's key policy rate (one-week repo rate) y-day. The Central Bank cited "the recent decline in uncertainties and improvement in the risk premium indicators" for its decision. The Central Bank's MPC decision assisted Turkish government bonds move higher, with the corresponding 2 and 10-year benchmark yields sliding by 3 and 9bps to respective 6-month lows of 8.65% and 8.96% earlier today.

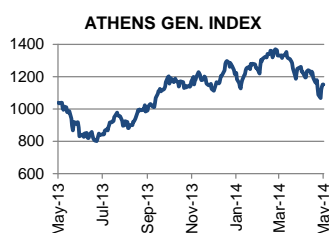
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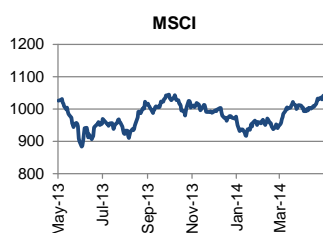
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.00	9.00

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

## SERBIA

(Belgrade, 22/5/2014, 17:00 CET): **Latest Political & Macro Developments:** Prime Minister Aleksandar Vucic said on Thursday that Serbia will stick to the agreed fiscal consolidation program despite the potential impact of adverse weather conditions in the domestic economy. Elsewhere, the Public Debt Agency issued on Wednesday RSD 10bn worth of 2Y T-Bonds at an average accepted yield of 9.30%, 50bps below a previous issue of similar maturity paper held in March. **Market Developments:** The EUR/RSD remained trapped within a recent tight range of 115.55/75 on Thursday. In other news, Minister of Finance, Lazar Krstic said that Tax Administration has adopted new measures aiming to address grey economy which are estimated to generate revenues of EUR100mn this year.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
EUR/RON (eop)	4.44	4.46	4.70
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 23/5/2014, 09:25 EET): **Market Developments:** The EUR/RON closed at 4.4100 on Thursday after hitting fresh year-to-date lows of 4.4000 earlier in the session pressured by heavy off-shore selling. In money markets, short term RON rates moved higher yesterday ahead of the end of the reserve period today. As a result, O/N and T/N implied rates from swaps approached the 1W rate around 1.75%, from levels of ca 0.5% earlier this week. In ROMGB, the MoF issued on Thursday RON 500mn in 6Y bonds (Apr 2020) at an average accepted yield of 4.29%, some 5 bps below the market's median forecast.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	1.0
EUR/BGN (eop)		1.95583	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 23/5/2014, 10:20 EET): **Latest Political & Macro Developments:** According to the annual report of the Swiss Institute of Management Development, Bulgaria ranked 56<sup>th</sup> out of 60 countries in the World Competitiveness Ranking for 2014, due to, among others, relatively low level of education, difficult access to financial resources and persisting deflation pressures. According to the same report, Bulgaria placed 57<sup>th</sup> in the prior year and 38<sup>th</sup> in 2009. **Market Developments:** The domestic stock market ended little changed on Thursday.

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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	1892.49	0.2%	2.4%	EUR/USD	1.3626	-0.2%	-0.9%	UST - 10yr	2.54	-1	-48	GOLD	1294	0.0%	7.3%
Nikkei 225	14462.17	0.9%	-11.2%	GBP/USD	1.685	-0.1%	1.8%	Bund-10yr	1.42	1	-51	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	341.02	0.0%	3.9%	USD/JPY	101.77	0.0%	3.5%	JGB - 10yr	0.59	-1	-15	LMEX	3141	0.9%	-0.6%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.37	8	-64
1-week	7.74	3	-54
1-month	8.12	2	-46
3-month	8.53	4	-35
6-month	8.67	7	-48

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.87	-6	-9
5Y RSD	10.89	0	-193
7Y RSD	11.59	0	-221

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.82	0	-119
USD Nov-24	2.75	-378	-415

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	291	12	-119
10-year	331	13	-116

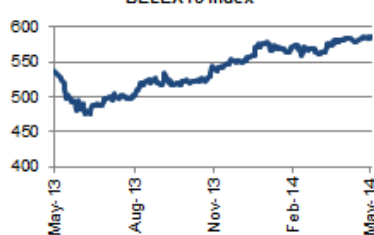
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	585.4	-0.13%	4.91%

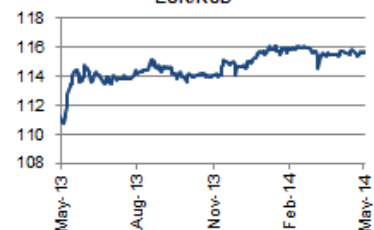
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.10%	-0.97%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.41	73	-33
1-month	2.3	4	42
3-month	2.76	0	32
6-month	3.14	0	15
12-month	3.21	0	6

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	-1	-55
5Y RON	3.87	-1	-78
10Y RON	4.77	-1	-53

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.78	0	-106
USD Aug-23	4.12	0	-69

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	173	0	-11
10-year	212	0	-21

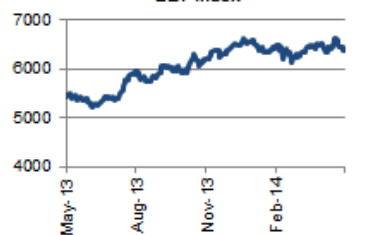
## STOCKS

	Last	ΔD	ΔYTD
BET	6390.1	0.21%	-1.60%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4115	0.08%	1.39%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.07	2	0
1-month	0.29	-1	-3
3-month	0.57	0	-8
6-month	1.08	0	-7
12-month	2.09	-1	-10

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.82	0	-27
5Y BGN	1.48	1	-37
10Y BGN	2.97	0	-52

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.49	-2	-10
EUR Jul-17	1.31	1	-50

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

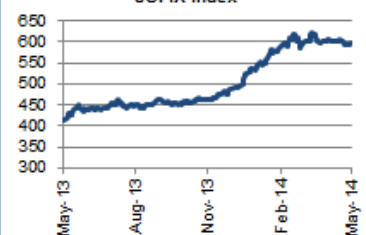
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.2	0.29%	21.29%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4354	-0.21%	-0.86%

SOFIX Index



USD/BGN



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