

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 14, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Apr 14: Retail sales (Mar)
- Apr 15
 - Empire manufacturing (Apr)
 - CPI (Mar)
 - NAHB housing index (Apr)
- Apr 16
 - Housing starts (Mar)
 - Housing permits (Mar)
 - IP (Mar)
- Apr 17
 - Initial jobless claims (Apr 12)
 - Philly Fed (Apr)

EUROZONE

- DE: Apr 15: ZEW (Apr)
- EA: Apr 16: HICP (Mar)

SEE SERBIA

- April 14: 2-year floating RSD bonds auction

ROMANIA

- Apr 14: RON 500mn 5-Y T-Bonds auction
- April 17: MPC meeting
- April 17-22: CAD (Jan)

BULGARIA

- Apr 14
 - CPI (Mar)
 - CAD (Feb)
- April 14-18: U/E rate (Mar)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking losses in Wall Street on Friday, major Asian bourses kicked off the week on a negative tone pressured by increased political tensions in Ukraine. Elsewhere, the EUR gave back some of its recent gains following comments by ECB President Mario Draghi over the weekend that “a further strengthening of the exchange rate would require further stimulus”.

Greece: During her visit to Athens on Friday, German Chancellor Angela Merkel mentioned that official discussions Greece’s debt sustainability will commence after Eurostat confirms a primary surplus in the country’s FY-2013 general government accounts (expected on April 23). On his part, Greece’s Prime Minister Antonis Samaras reiterated that there is no need for a new financing package. On the data front, the latest BoG data revealed that bank credit to the domestic private sector i.e., non-financial corporations & households (excluding the Bank of Greece) shrunk in March for the 33rd consecutive month.

SOUTH EASTERN EUROPE

SERBIA: inflation pressures eased further in March, with annual CPI coming in at 2.3% against 2.6% in February.

ROMANIA: MoF holds a primary market auction for RON 500mn in 5Y (Jun 2019) benchmark bonds on Monday. The average accepted yield is expected to come in at around 4.50-60%.

BULGARIA: Bulgaria’s trade balance improved in February, with the corresponding deficit marking a narrowing of BGN 231mn on an annual basis to BGN 584.4mn thanks to falling imports.

CESEE Markets: Emerging stock markets shed part of their recent gains on Friday, trailing global equities lower. News that Moody’s cut its outlook on Turkey’s Baa3 sovereign credit ratings to negative from stable late last week also weighed. **CESEE currencies** remained under pressure, with the Ukrainian hryvnia leading the losses in the region.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking losses in **Wall Street** on Friday, **major Asian bourses** kicked off the week on a negative tone pressured by increased political tensions in Ukraine. Favored by global equity markets' lackluster performance, the **JPY** retained a firm tone in European trade on Monday with the USD/JPY hovering around 101.60/65 at the time of writing, not far from a 2 ½ month low of 101.30 hit late last week. Elsewhere, the **EUR** gave back some of its recent gains following comments by **ECB President Mario Draghi** over the weekend that "a further strengthening of the exchange rate would require further stimulus". After hitting levels slightly above 1.3900 on Friday, the EUR/USD moved lower standing close to 1.3850/55 at the time of writing, within distance from a multi-session low of 1.3830 marked earlier in Asia.

GREECE

During her visit to Athens on Friday, **German Chancellor Angela Merkel** referred to Greece's successful return to wholesale financing markets last week as a "step in the right direction". She also mentioned that official discussions on Greece's debt sustainability will commence after Eurostat confirms a primary surplus in the country's FY-2013 general government accounts (expected on April 23). On his part, **Greece's Prime Minister Antonis Samaras** reiterated that there is no need for a new financing package insisting that last week's successful bond offer may be seen as prelude for the country's full return to international markets. On the data front, the latest BoG data revealed that **bank credit to the domestic private sector** i.e., non-financial corporations & households (excluding the Bank of Greece) shrunk in March for the 33rd consecutive month, by -0.4% mom to €216,2bn, the lowest level since late 2007.

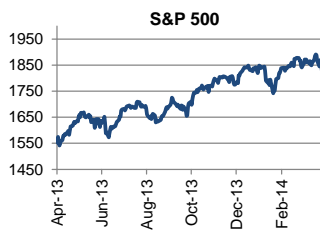
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Latest developments in the CESEE region

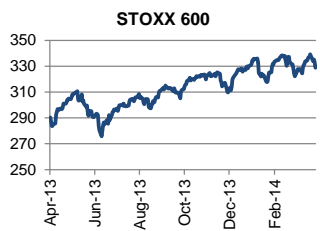
CESEE markets

Emerging stock markets shed part of their recent gains on Friday, trailing global equities lower. News that Moody's cut its outlook on Turkey's Baa3 sovereign credit rating to negative from stable late last week also weighed. The agency cited increased pressure on the country's external financing position, amid heightened domestic political jitters and lower global liquidity, a weaker near-term growth outlook and growing uncertainty about the medium-term growth prospects. The announcement follows a similar decision by S&P in early February, where the rating agency warned about risks of a hard economic landing. As a result, Turkey's BIST 100 index closed at 71,736pts, 0.57% weaker on the day. In a similar vein, the broader MSCI emerging equity index snapped a 5-session rising streak to close 0.62% lower. Bucking the region's trend the main stock indices in Serbia and Ukraine firmed by 0.54% and 3.32% respectively. Separately, **CESEE currencies** remained under pressure on Friday, with the Ukrainian hryvnia leading the losses in the region and hitting a lifetime low near 13.61/USD after Russian President Vladimir Putin warned late last week about a disruption of gas exports to Ukraine. The Turkish lira trailed behind, recoiling to a 1-week trough close to 2.13/USD, weighed down by news about Moody's credit rating outlook cut which overshadowed a narrowing in February's current account deficit. In the **local rates markets**, Turkish government bonds trimmed part of their recent gains, with the 2- and 10-year benchmark bond yields standing 21bps and 14bps higher respectively on Friday's settlement, from multi-month intraday lows of 9.73% and 9.94% hit a session earlier.

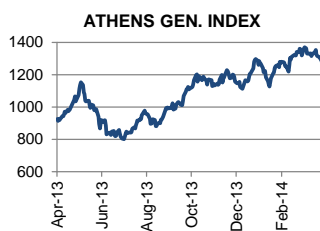
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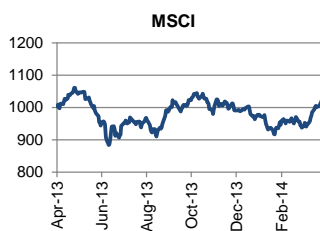
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BB+	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
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

SERBIA

(Belgrade, 11/4/2014, 16:50 CET): **Latest Political & Macro Developments:** According to the latest Central Bank (NBS) data, inflation pressures eased further in March, with annual CPI coming in at 2.3% against 2.6% in February and a 4-month peak of 3.1% in January. March's reading stands just below the lower boundary of the NBS inflation target range of $4 \pm 1.5\%$. On a monthly basis, CPI fell by 0.3%, with the decline driven primarily by a drop in food prices, especially vegetables. **Market Developments:** The EUR/RSD was little changed on Friday, hovering around levels of 115.40/60 for most of the session. In our view, range trading will likely prevail in the sessions ahead amid persisting market expectations about renewed Central Bank interventions in the FX markets.

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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
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

ROMANIA

(Bucharest, 14/4/2014, 09:20 EET): **Latest Political & Macro Developments:** According to the latest Central Bank (NBR) data, Romania's current account ran a deficit of EUR 102mn in the first two months of the year, compared to a surplus of EUR 177mn in the same period of 2013. Meanwhile, the trade balance came in at a surplus of EUR 174mn, little changed from January and February last year. Separately, FDI increased by 35.6%YoY over the said period totaling EUR 282mn. **Market Developments:** The EUR/RON was little changed at the end of last week, remaining trapped within its recent tight range of 4.4600/660. On the money markets, short-term RON rates – O/N to 1W – came under pressure ahead of the end of the reserve period (on Apr 23). However, rates above 1W were little changed as large MoF maturities due early next week are expected to boost liquidity. In government bonds, the MoF holds today a primary market auction for RON 500mn in 5Y benchmark bonds (Jun 2019), with yields expected to average around 4.50-4.60%, down from 4.95% rendered at a prior auction of similar maturity paper held in March.

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

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

BULGARIA

(Sofia, 11/4/2014, 17:20 EET): **Latest Political & Macro Developments:** According to preliminary NSI data, Bulgaria's trade deficit amounted to BGN 584.4mn in February, narrowing by BGN 231mn compared to the same month a year earlier. The said improvement came on the back of a 6.2%YoY drop in imports to BGN 3,806mn, reversing fully January's 6.2%YoY increase. Meanwhile, exports extended their downtrend in February, marking a 0.7%YoY drop to BGN 3,221.6mn. Yet, the pace of decline slowed down significantly from 10.8%YoY in the prior month. **Market Developments:** The domestic stock market fully pared Thursday's gains, with the main SOFIX index closing 0.64% lower, while the broader BG TR30 registered losses to the tune of 1.08%.

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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	1815.69	-0.9%	-1.8%	EUR/USD	1.384	-0.3%	0.7%	UST - 10yr	2.61	-1	-42	GOLD	1328	0.7%	10.1%
Nikkei 225	13933.58	-0.2%	-14.5%	GBP/USD	1.673	0.0%	1.1%	Bund-10yr	1.50	-1	-43	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	328.77	-1.4%	0.2%	USD/JPY	101.57	0.1%	3.7%	JGB - 10yr	0.61	0	-14	LMEX	3074	0.1%	-2.7%

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.84	-4	-17
1-week	8.15	-3	-13
1-month	8.44	-2	-14
3-month	8.83	0	-5
6-month	9.09	-3	-6

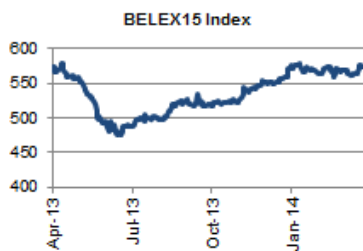
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	10.19	0	23
5Y RSD	11.39	0	-143
7Y RSD	12.24	0	-156

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.09	0	-91
USD Nov-24	4.85	-177	-204

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	319	4	-90
10-year	356	3	-90

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	580.5	0.54%	4.03%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.03%	-0.79%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.35	0	61
1-month	2.38	0	50
3-month	2.97	0	53
6-month	3.33	0	34
12-month	3.37	0	22

RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.82	0	-13
5Y RON	4.41	0	-24
10Y RON	5.16	0	-14

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.43	0	-41
USD Aug-23	4.31	-2	-50

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	172	5	-12
10-year	215	4	-17

STOCKS			
	Last	ΔD	ΔYTD
BET	6435.3	-0.57%	-0.90%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4658	0.00%	0.16%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.29	0	-3
3-month	0.57	0	-7
6-month	1.04	0	-12
12-month	2.08	0	-12

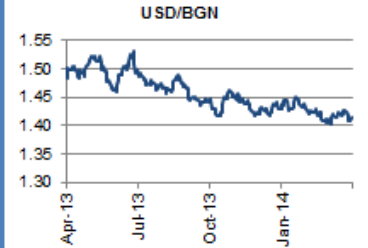
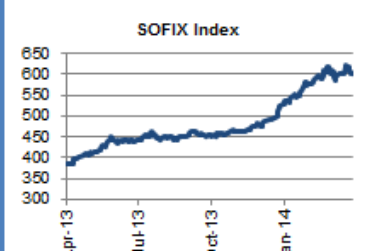
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.99	0	-10
5Y BGN	1.60	0	-24
10Y BGN	3.20	0	-29

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.65	-3	9
EUR Jul-17	1.35	9	-45

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	125	0	1
10-year	175	3	0

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	600.4	-0.64%	22.15%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.4133	-0.33%	0.69%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 09:15 EET

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