

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 25, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- Apr 22: Existing home sales (Mar)
- Apr 23: New home sales (Mar)
- Apr 24
  - Durable goods orders (Mar)
  - Initial jobless claims (Apr 17)
- Apr 25: UoM Consumer confidence (p, May)

### EUROZONE

- Apr 22: Consumer Confidence (Apr)
- Apr 23: PMI (Apr)
- DE: Apr 24: Ifo (Apr)

### SEE SERBIA

- April 22
  - EUR 24.31mn 4.50% 2019 T-Bonds auction
  - CAD (Jan)
- April 25: Real wages (Mar)

### ROMANIA

- Apr 24: RON 500mn T-Bonds auction
- April 25: M2 (Mar)

### BULGARIA

- April 23: Gross external debt (Feb)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of Asian bourses ended lower today amid escalating political tensions between Ukraine and Russia. In FX markets, the JPY was firmer in European trade on Friday favored by heightened geopolitical jitters and the prevailing market view that the BoJ is unlikely to adopt additional monetary policy easing measures any time soon.

**GREECE:** The Euro Working Group (EWG) approved at its meeting on Thursday the disbursement of the first tranche -out of three- of the next EFSF loan installment to Greece, amounting €6.3bn. The approval followed a Eurostat press release earlier this week in the context of the Excessive Deficit Procedure (EDP), which confirmed that Greece's 2013 full-year general government accounts generated a primary surplus of €3.4bn (or 1.9%-of-GDP) in ESA-95 terms, after subtracting a €19.3bn one-off State support to domestic financial institutions.

### SOUTH EASTERN EUROPE

**SERBIA:** In line with expectations, Aleksandar Vucic was formally nominated by the President of Serbia for the post of the Prime Minister.

**ROMANIA:** 7Y (June 2021) MoF bond auction finds strong demand.

**BULGARIA:** House prices remained flat on annual basis in Q1 2014.

**CESEE Markets: Emerging stock markets** opened broadly lower on Friday, poised to record their second consecutive week of losses and their biggest weekly decline since early March, on escalating geopolitical tensions between Russia and Ukraine as well as weaker technology shares.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses ended lower today amid escalating political tensions between Ukraine and Russia. Positive data from both the US and Germany, were broadly shrugged off. In FX markets, the JPY was firmer in European trade on Friday favored by heightened geopolitical jitters. The prevailing market view that the BoJ is unlikely to adopt additional monetary policy easing measures any time soon, also helped the Japanese currency.

### GREECE

The Euro Working Group (EWG) approved at its meeting on Thursday the disbursement of the first tranche -out of three- of the next EFSF loan installment to Greece, amounting €6.3bn. The other two EFSF loan tranches, worth €1bn each, will be paid out in June and July respectively, subject to fulfillment of certain milestones. The approval followed a Eurostat press release earlier this week in the context of the Excessive Deficit Procedure (EDP), which confirmed that Greece's 2013 full-year general government accounts generated a primary surplus of €3.4bn (or 1.9%-of-GDP) in ESA-95 terms, after subtracting a €19.3bn one-off State support to domestic financial institutions. Under the Economic Adjustment Program, European Commission spokesperson Simon O'Connor confirmed Greece's FY-2013 general government primary surplus came in at €1.5bn (or 0.8%-of-GDP), outperforming the program target for a balanced primary position and opening the door for additional debt relief measures by official lenders. The relevant issue was reportedly raised at Thursday's EWG meeting by the Chairman of Greece's Council of Economic Experts. As per the same sources, EWG members agreed that such discussions should take place during the course of the next troika review of Greece's adjustment program (reportedly expected to commence in June 2014).

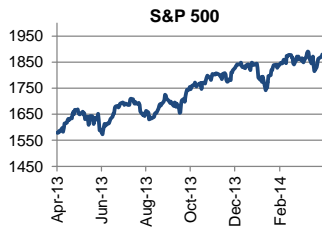
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## Latest developments in the CESEE region

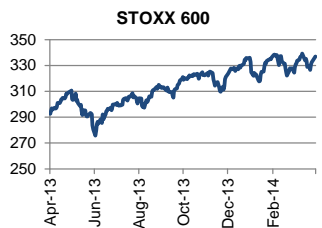
### CESEE markets

**Emerging stock markets** opened broadly lower on Friday, poised to record their second consecutive week of losses and their biggest weekly decline since early March. Escalating geopolitical tensions between Russia and Ukraine as well as weaker technology shares were behind the new bout of heightened risk aversion. On the former, an agreement signed on April 17 between the EU, the US, Ukraine and Russia outlining steps to alleviate tensions in the region seemed to be on the brink of collapse as Ukrainian forces reportedly raided pro-Russian separatist checkpoints and Russia began new military exercises in its boarder with Ukraine. Meanwhile, U.S. Secretary of State John Kerry warned Russia about potential new sanctions. Adding to the negative tone, S&P cut earlier today Russia's both long and short term foreign currency sovereign credit ratings to BBB-/A-3 from BBB-/A-2. Against this backdrop, the emerging equity MSCI index was trading 0.84% lower at the time of writing and **CESEE bourses** weakened as well. Ukraine's PFTS fell by 0.44% as geopolitical tensions overshadowed media reports that the IMF proposed offering a \$17bn loan package to Ukraine. In the **FX markets**, the Turkish lira was little changed on Friday, a day after the Central Bank left interest rates unchanged at its MPC meeting, with the accompanying statement reading that "the tight monetary policy stance will be maintained until there is a significant improvement in the inflation outlook", in a move reaffirming its independence and fending off from political pressure for monetary easing to support the domestic economy. The Late Liquidity Window lending rate was reduced to 13.5% from 15% previously.

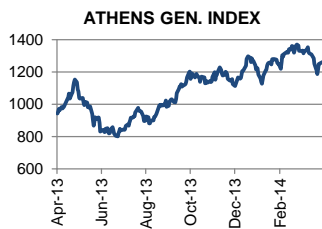
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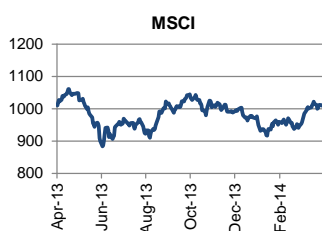
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Credit Ratings			
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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

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

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

## SERBIA

(Belgrade, 24/4/2014, 17:00 CET): **Latest Political & Macro Developments:** After holding talks with political parties, President Tomislav Nikolic formally nominated Aleksandar Vucic for the post of the Prime Minister, as was widely expected. **Market Developments:** The EUR/RSD broke above the upper limit of its 115.40/60 recent trading range on Thursday closing at 115.65/85. Technically, the next upside target stands at 116.00 where a renewed Central Bank intervention is likely, in an attempt to halt the cross's upside momentum. Elsewhere, the Privatization and Bankruptcy Agency issued new legislation regarding the time deposit amounts that state companies in bankruptcy are allowed to hold within the domestic banking system. In other news, the domestic stock market extended its recent gains, closing in a positive territory for the 5<sup>th</sup> consecutive session on Thursday, registering a 0.18% increase.

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## ROMANIA

(Bucharest, 25/4/2014, 09:10 EET): **Market Developments:** The MoF held two primary market auctions on Thursday, of RON 800mn in 6M T-Bills and RON 500mn in 7Y (June 2021) bonds. Given the scarcity of short term paper in the domestic market, the T-Bill auction drew strong demand from local ALM accounts, with the average accepted yield at 2.73% despite the recent sharp increase in short-term money market rates. With regards to the 7Y tender, the amount offered was placed at an average yield of 4.94%, 5-10 bps below secondary market levels and 35bps lower than that recorded in a previous auction of similar maturity paper last month. Strong demand for the said tender pushed yields across the curve lower in the secondary market by some 10-15bps. In money markets, O/N RON rates fell at the start of the new reserve period, moving below the 3.5% NBR monetary policy rate compared to levels north of 5.0% early this week. Elsewhere, 1-6M implied rates from swaps remained close to recent highs. In FX markets, the EUR/RON weakened on Thursday closing not far from its 4.4450 year-to-date low.

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## BULGARIA

(Sofia, 24/4/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the house price index remained broadly unchanged on an annual basis in Q1 2014. The average market price per square meter (psm) stood at BGN 866.44, well below a lifetime peak of BGN 1,481 registered in Q3 2008. The report depicted Sofia as the most expensive city in the country with an average price of BGN 1,463.17 psm. **Market Developments:** Domestic stock indices resumed their uptrend on Thursday with the main SOFIX index adding 0.81% to close at 605.56 points.

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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	1878.61	0.2%	1.6%	EUR/USD	1.3836	0.0%	0.7%	UST - 10yr	2.67	-1	-36	GOLD	1293	0.0%	7.2%
Nikkei 225	14429.26	0.2%	-11.4%	GBP/USD	1.6795	0.0%	1.4%	Bund-10yr	1.51	-2	-42	BRENT CRUDE	167	-0.1%	-0.1%
STOXX 600	334.35	-0.5%	1.9%	USD/JPY	102.27	0.0%	3.0%	JGB - 10yr	0.62	1	-12	LMEX	3121	0.7%	-1.2%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.87	-1	-14
1-week	8.18	-1	-10
1-month	8.46	1	-12
3-month	8.86	1	-2
6-month	9.13	0	-2

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.15	0	19
5Y RSD	11.47	0	-135
7Y RSD	12.19	0	-162

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.26	0	-75
USD Nov-24	3.82	-273	-308

**CDS**

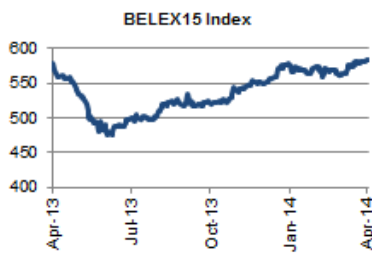
	Last	ΔDbps	ΔYTD bps
5-year	305	1	-104
10-year	344	-1	-103

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	583.1	-0.05%	4.51%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.00%	-0.93%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.29	-2	155
1-month	2.91	2	103
3-month	3	-2	56
6-month	3.38	-1	39
12-month	3.42	-1	27

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.74	-1	-21
5Y RON	4.26	-2	-39
10Y RON	5.12	-2	-18

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.97	-12	-87
USD Aug-23	4.23	-1	-58

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A N/A	-11
10-year	212	#N/A N/A	-21

**STOCKS**

	Last	ΔD	ΔYTD
BET	6441.4	-0.59%	-0.81%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4534	-0.10%	0.44%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.29	0	-3
3-month	0.57	1	-8
6-month	1.08	0	-7
12-month	2.08	-1	-11

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.95	0	-14
5Y BGN	1.58	-1	-27
10Y BGN	3.16	0	-33

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.39	-3	-20
EUR Jul-17	1.37	0	-44

**CDS**

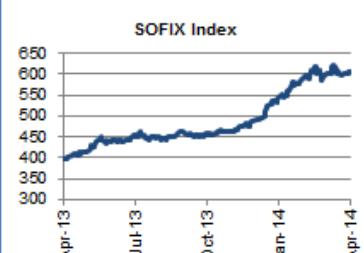
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A N/A	1
10-year	167	#N/A N/A	-7

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	605.7	0.03%	23.24%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4136	0.04%	0.67%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:15 EET

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