

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 9, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- Apr 9: FOMC meeting minutes (Mar 18-19)
- Apr 10: Initial jobless (Apr 5)
- Apr 11: UoM cons conf (Apr)

### SEE SERBIA

- April 7: PPI (Mar)
- April 9: 10-year RSD T-bonds auction
- April 11: HICP (Mar)

### ROMANIA

- Apr 7
  - Net wages (Feb)
  - RON 200mn T-Bonds auction
- April 9: Trade balance (Feb)
- April 10
  - CPI (Mar)
  - IP (Feb)
  - RON 500mn T-Bonds auction
- April 11: CAD (Feb)

### BULGARIA

- Apr 7
  - U/E rate (Mar)
  - T-Bonds auction
- Apr 8
  - IP (Feb)
  - Retail sales (Feb)
- April 11: Trade balance (Feb)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Trucking gains in Wall Street overnight, **major European bourses** were firmer in early trade on Wednesday as bargain hunters emerged following recent losses. In FX markets, the **JPY** was among the main outperformers favored by BoJ Governor Haruhiko Kuroda's comments.

**Greece:** Greece's Public Debt Management Agency (PDMA) successfully sold **€1.3bn of 26-week T-bills on Tuesday**. The auction produced a yield of 3.01%, down 59bps from a March tender and the lowest since January 2010 when paper of similar maturity was offered at 1.38%. Meanwhile, a number of local and international press reports suggested that Greece is expected to proceed with the issue of €2bn in 5-yr notes today, its first foray into wholesale funding markets since May 2010.

### SOUTH EASTERN EUROPE

**SERBIA:** The EBRD adopted on Tuesday a new 4 year strategy for Serbia, setting the Bank's priorities and objectives over the next four years (2014-2018).

**ROMANIA:** The Ministry of Finance held yesterday the supplementary auction for 10 year bonds (initially auctioned on Monday).

**BULGARIA:** Industrial output, retail trade and construction rose on an annual basis in February.

**CESEE Markets:** **Emerging stock markets** closed broadly higher on Tuesday led by gains in Chinese shares amid persisting expectations about economic stimulus measures from domestic authorities. Separately, **CESEE currencies** broadly firmed, with the Turkish lira posing as the region's best performer.

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## Latest world economic & market developments

### GLOBAL MARKETS

Trucking gains in Wall Street overnight, major European bourses were firmer in early trade on Wednesday as bargain hunters emerged following recent losses. In FX markets, the JPY was among the main outperformers with the USD/JPY retreating to levels around 102.00 in early European trade following a short-lived spike slightly above 103.00 in the prior session. In the press conference that followed the conclusion of the two-day BoJ policy meeting y-day, Governor Haruhiko Kuroda signaled that the Central Bank does not intend to launch additional easing measures any time soon on the view that the domestic economy is heading towards reaching the 2.0% inflation goal by next year. He also expressed his confidence that the domestic economy will eventually ride out the impact of the recent sales tax hike.

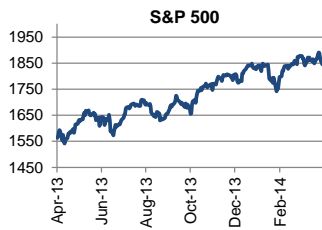
### GREECE

Greece's Public Debt Management Agency (PDMA) successfully sold €1.3bn of 26-week T-bills on Tuesday, including €300mn in non-competitive bids. The auction produced a yield of 3.01%, down 59bps from a March tender and the lowest since January 2010 when paper of similar maturity was offered at 1.38%. The sale's bid-to-cover ratio came in at 3.10, up from 2.31 in the March sale with foreign investors purchasing the main bulk of the amount offered. Meanwhile, a number of local and international press reports suggested that Greece is expected to proceed with the issue of €2bn in 5-yr notes today, its first foray into wholesale funding markets since May 2010. As per the same sources, the bond issue will be available only to foreigners.

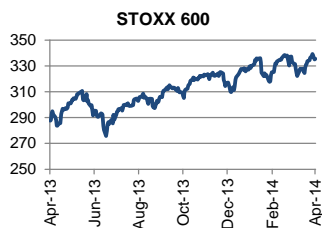
## Latest developments in the CESEE region

### CESEE markets

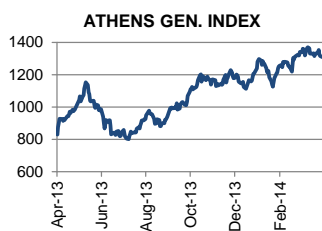
**Emerging stock markets** closed broadly higher on Tuesday led by gains in Chinese shares amid persisting expectations about economic stimulus measures from domestic authorities. The MSCI emerging equities index firmed for the third consecutive session, registering gains to the tune of 0.73% and ending at a 4-month high near 1,011.50 points. Meanwhile, CESEE bourses closed mixed as geopolitical tensions in Ukraine appeared to intensify over the last few days. Although Ukraine's PFTS index spiked by 3.35% fully paring Monday's losses, Bulgaria's SOFIX underperformed its regional peers with a 1.18% decline. Hungary's BUX followed suit with a 0.32% drop, weighed down by OTP bank's shares, which also has operations in Ukraine and Russia. Separately, **CESEE currencies** broadly firmed on Tuesday, with the Turkish lira posing as the region's best performer favored by strong inflows to the domestic stock and bond markets, as well as February's better-than-anticipated industrial production data. Specifically, the USD/TRY slid as far as a 3 – ½ month intraday trough near 2.0880 yesterday after closing at 2.1105 on Monday's settlement. Tracking the lira's gains, the Hungarian forint tested a 2-½-month peak near 304.45/EUR at some point on Tuesday. The currency continues to enjoy strong support from Sunday's general election result, while a well-received T-bills auction held on Tuesday also favored. In the **local rates markets**, Turkish government bonds rallied, with the 2-year benchmark bond yield falling by 45bps to a 3-month closing low of 9.96%.



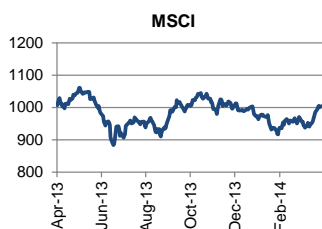
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	<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

## SERBIA

(Belgrade, 8/4/2014, 16:15 CET): **Latest Political & Macro Developments:** The EBRD adopted on Tuesday a new 4 year strategy for Serbia, setting the Bank's priorities and objectives over the next four years (2014-2018). Specifically, the said strategy focuses, among others, on a further strengthening of the private sector by enhancing its role and competitiveness, bolstering the financial sector and developing sustainable and efficient public utilities. Since 2001, the EBRD has invested a total of €3.5bn in projects for the domestic economy. **Market Developments:** The EUR/RSD closed at 115.40 on Tuesday following a sort-lived drop below 115.30/50 at some point which prompted renewed Central Bank (NBS) intervention in FX markets. The NBS bought approximately EUR20mn, which brings the total amount of euro purchased to EUR 70mn so far 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, 9/4/2014, 09:20 EET): **Market Developments:** The EUR/RON closed at 4.4600 on Tuesday, remaining trapped within its recent range of 4.4530-4.4630. On the money market, rates on swaps moved lower with the 1 month swap ending at around 2.05% (-5bps on the day), 3 months at 2.35% (-10bps) and 1 year at 2.70% (-5 bps). The Ministry of Finance held yesterday the supplementary auction for 10 year bonds (initially auctioned on Monday). The issued amount totaled RON 14.1mn and the average accepted yield stood at 5.26%.

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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, 8/4/2014, 6:10 EET): **Latest Political & Macro Developments:** According to the latest NSI data industrial production rose by 6.5%YoY in February following a 2.5%YoY rise in the prior month. Additionally, retail trade ex-auto increased by 9.2% YoY in February compared to +7.3%YoY in January. On the other hand, construction production rose for the second month running in February marking a 5.5%YoY advance. **Market Developments:** Domestic stock indices broadly fell on Tuesday, with the SOFIX closing 1.18% lower at 608.73 points. Meanwhile, Monday's 5-year notes auction result came in better than expected with the Ministry of Finance placing BGN 50mn at a lower-than-expected average accepted yield of 1.885%. The bid-to-cover ratio stood at 2.14. The main bulk of the issue was acquired by banks with a share of 55.46%.

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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	1851.96	0.4%	0.2%	EUR/USD	1.3791	0.0%	0.3%	UST - 10yr	2.70	2	-33	GOLD	1310	0.1%	8.6%
Nikkei 225	14299.69	-2.1%	-12.2%	GBP/USD	1.6735	-0.1%	1.1%	Bund-10yr	1.58	2	-35	BRENT CRUDE	167	0.0%	0.0%
STOXX 600	335.98	0.6%	2.4%	USD/JPY	102.1	-0.3%	3.1%	JGB - 10yr	0.62	0	-13	LMEX	3032	0.1%	-4.0%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.88	-2	-13
1-week	8.17	-2	-11
1-month	8.45	-2	-13
3-month	8.84	-1	-4
6-month	9.11	-1	-4

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.14	-10	18
5Y RSD	11.41	0	-141
7Y RSD	12.24	0	-156

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.13	1	-88
USD Nov-24	5.01	-162	-190

**CDS**

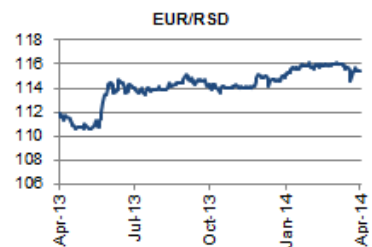
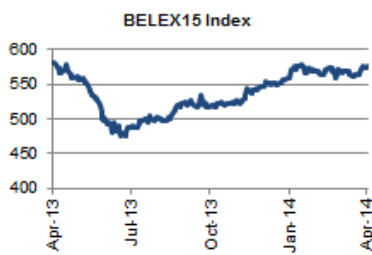
	Last	ΔDbps	ΔYTD bps
5-year	326	-5	-83
10-year	365	-5	-82

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	576.2	0.24%	3.26%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.05%	-0.66%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.18	-3	44
1-month	2.29	-2	41
3-month	2.94	1	50
6-month	3.32	3	33
12-month	3.35	4	20

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.84	1	-11
5Y RON	4.42	0	-23
10Y RON	5.20	0	-10

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.18	-25	-66
USD Aug-23	4.44	-2	-37

**CDS**

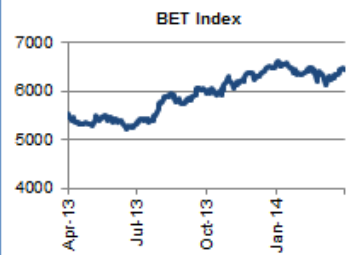
	Last	ΔDbps	ΔYTD bps
5-year	167	-2	-18
10-year	211	-5	-21

**STOCKS**

	Last	ΔD	ΔYTD
BET	6428.0	-0.33%	-1.01%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4606	0.01%	0.28%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	-3
1-month	0.29	0	-3
3-month	0.57	0	-8
6-month	1.04	0	-12
12-month	2.08	-1	-12

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.98	0	-11
5Y BGN	1.59	0	-26
10Y BGN	3.23	0	-26

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.58	-6	-1
EUR Jul-17	1.40	-8	-40

**CDS**

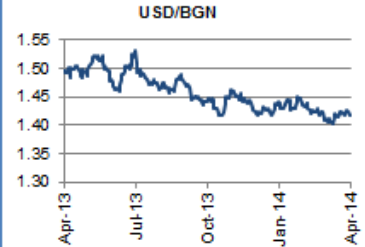
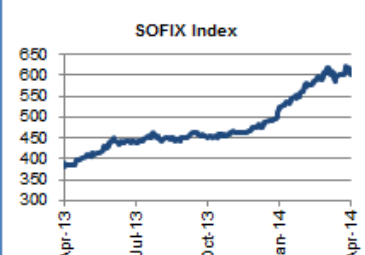
	Last	ΔDbps	ΔYTD bps
5-year	127	-1	4
10-year	175	0	0

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	602.3	-1.06%	22.53%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.4181	-0.03%	0.35%



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