

January 20, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- January 21-25: World Economic Forum, Davos

#### US

- January 19: Martin Luther King Day
- January 20:
  - NAHB index (Jan)
  - President Obama speaks
- January 21
  - Housing starts (Dec)
  - Housing permits (Dec)
- January 22: Jobless claims (Jan 17)
- January 23: Existing home sales (Dec)

#### EUROZONE

- January 20: DE: ZEW (Jan)
- January 22
  - ECB MPC meeting
  - Consumer conf. (Jan)
- January 23: PMI (Jan)
- January 25: GR: Parliamentary elections

#### SEE

##### SERBIA

- January 20: CAD (Nov)
- January 21: 4% 2018 T-bonds auction

##### ROMANIA

- January 19: 5.8% 2027 T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their lead from the positive tone in Asia, major European bourses were firmer in early trade on Tuesday supported by market expectations that the ECB will adopt a sovereign-bond buying program at its upcoming policy meeting on Thursday. Today's improved performance in global equity markets favored the US dollar while the EUR remained under pressure.

**GREECE:** According to the most recent Bank of Greece data, the total amount of funding taken by domestic financial institutions from the Eurosystem edged up in December coming in at an eight-month high of €56.04bn from €44.85bn in the prior month. On the latter, a Fitch Ratings economic report released earlier this week reportedly suggested that political uncertainty in Greece before and after the 25 January election is expected to raise liquidity and funding risks for banks adding that such strains should be manageable as banks are better prepared to withstand deposit outflows than in mid-2012 when elections were last held, as long as access to Eurosystem facilities is maintained.

### SOUTH EASTERN EUROPE

**SERBIA:** EconMin Zeljko Sertic said late last week that the tender for the sell-side advisor for State-owned telecommunication company Telekom Srbije will be launched by the end of the month.

**ROMANIA:** The MoF sold on Monday RON 250mn in 2027 bonds (above an initially planned RON 200mn amount) in the primary market. The auction produced an unexpectedly low yield of 3.30%, which came in against a market median forecast of 3.40-50%.

**BULGARIA:** According the Regional Economic Prospects 2015, released yesterday, the European Bank for Reconstruction and Development revised lower its projection for Bulgaria's real GDP growth for this year to 0.8% from 2.0% previously.

**CESEE MARKETS: Emerging stock markets** broadly firmed in European trade today, led by gains in Asian bourses following better-than-anticipated Q4 GDP data from China. Expectations that the ECB will adopt additional monetary stimulus measures at its upcoming MPC meeting on Thursday also continued to provide support. Elsewhere, **CESEE currencies** consolidated near Monday's levels, while **government bonds were mixed** earlier today.

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## Latest world economic & market developments

### GLOBAL MARKETS

Major European bourses were firmer in early trade on Tuesday supported by market expectations that the ECB will adopt a sovereign-bond buying program at its upcoming policy meeting on Thursday in an effort to address deflationary pressures and support euro area economic activity. Official data from China which showed that the second largest world economy grew by a higher-than-expected 7.4%YoY in 2014, albeit slightly lower compared to the government's 7.5%YoY official target, also helped. News that the IMF revised lower its global growth forecasts for this year and next to 3.5% and 3.7% compared to 3.8% and 4.0% respectively three months earlier, was broadly shrugged off. Today's improved performance in global equity markets favored the US dollar while the EUR remained under pressure amid lingering expectations that the ECB is about to embark on a quantitative easing program.

### GREECE

According to the most recent Bank of Greece data, the total amount of funding taken by domestic financial institutions from the Eurosystem edged up in December coming in at an eight-month high of €56.04bn from €44.85bn in the prior month. The above followed the release of recent press reports suggesting that the Bank of Greece filed a request to the ECB late last week for the activation of the Emergency Liquidity Assistance mechanism to all four systemic banks. High-level officials from two of those four banks, Eurobank and Alpha Bank, reportedly confirmed that a formal request to the BoG was applied last week clarifying that such a move has been made as a precaution. On the latter, a Fitch Ratings economic report released earlier this week reportedly suggested that political uncertainty in Greece before and after the 25 January election is expected to raise liquidity and funding risks for banks adding that such strains should be manageable as banks are better prepared to withstand deposit outflows than in mid-2012 when elections were last held, as long as access to Eurosystem facilities is maintained.

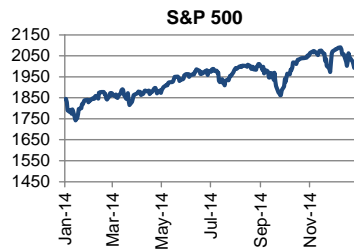
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## Latest developments in the CESEE region

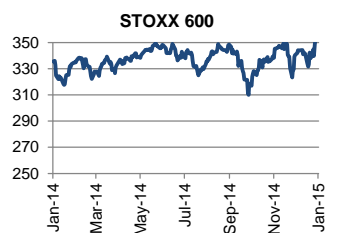
### CESEE markets

**Emerging stock markets** broadly firmed in European trade today, led by gains in Asian bourses following better-than-anticipated Q4 GDP data from China. Expectations that the ECB will adopt additional monetary stimulus measures at its upcoming MPC meeting on Thursday also continued to provide support. Hungary's BUX index led the gains in the region, with a near 1% rise, outperforming a 0.4% advance in the broad MSCI emerging market equities index. **CESEE currencies** consolidated near Monday's levels. The Hungarian forint posed as the region's best performer ahead of a T-Bills auction scheduled for later today and in the wake of Economy Ministry State Secretary Gabor Orban's comments, that domestic economic fundamentals did not justify the forint's recent weakening and "warrant stable forint exchange rate". Along these lines, the EUR/HUF hovered around an intraday low near 318.55 at the time of writing, below yesterday's close of 319.60. Technically, strong support stands at 317.70 (Jan. 19 lows) ahead of 316.90 (Jan. 13, trough). Elsewhere, the Turkish lira was little changed at 2.3380/USD at the time of writing, ahead of the MPC meeting later today, where the Central Bank is broadly expected to keep its key policy rate unchanged at 8.25%. In the local rates markets, **government bonds were mixed** earlier today. Turkish paper fared better with the corresponding 2-year benchmark yield easing by 6bps to 7.15% in European trade.

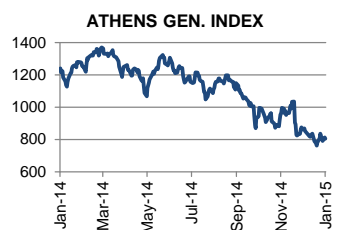
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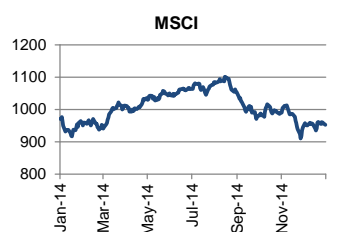
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	-1.5	-2.0	0.0
CPI (pa, yoy %)	7.8	2.0	3.5
Budget Balance/GDP	-5.8	-7.2	-5.7
Current Account/GDP	-5.0	-6.1	-4.7
EUR/RSD (eop)	114.57	120.50	124.50
	2014	current	2015f
Policy Rate (eop)	8.00	8.00	7.00

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

## SERBIA

(Belgrade, 19/1/2015, 17:45 CET): **Latest Political & Macro Developments:** Minister of Economy Zeljko Sertic said late last week that the tender for the sell side advisor for State-owned telecommunication company Telekom Srbije will be launched by the end of the month. The consultant will be chosen in a period of three months and by mid-year the privatization process is anticipated to officially kick off. Telekom is estimated to be valued at ca. €2bn, and the State will own 78% prior to the tender's launch. In 2013, the company recorded revenues of just above €1bn and EBITDA of close to €400mn. A successful tender will provide the government an important source of income, which according to Prime Minister Aleksandar Vucic will be used to spur public investments and early repayments of the most expensive foreign debts. **Market Developments:** The EUR/RSD extended its recent downtrend on Monday, to close lower at 121.85/05, amid speculation about a potential increase in FX inflows into the market in the coming days on expected corporate FX-conversion activity.

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ROMANIA: Indicators	2013	2014e	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	
	2014	current	2015f
Policy Rate (eop)	2.75	2.50	2.25

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

## ROMANIA

(Bucharest, 20/1/2015, 9:10 EET): **Market Developments:** The EUR/RON traded within a tight range of 4.5010/080 on Monday, remaining though within distance from a multi-month peak near 4.5135 a session earlier. In the money market, RON rates moved lower reversing a late last week rise, with all implied rates up to 3-months moving down some 10bps. Elsewhere, the MoF sold on Monday RON 250mn in 2027 bonds (above an initially planned RON 200mn amount) in the primary market. The auction produced an unexpectedly low yield of 3.30%, which came in against a market median forecast of 3.40-50%, with possibly just one large buyer picking up the entire amount. As a result, yields for maturities over 5-years moved around 10bps lower in the wake of the aforementioned auction, while those for shorter tenors remained largely unchanged.

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

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

## BULGARIA

(Sofia, 20/1/2015, 10:00 EET): **Latest Political & Macro Developments:** According the Regional Economic Prospects 2015, released yesterday, the European Bank for Reconstruction and Development revised lower its projection for Bulgaria's real GDP growth for this year to 0.8% from 2.0% previously, citing delays in the resolution of last year's banking sector crisis which are likely to constrain the government's fiscal consolidation efforts and credit growth. EBRD also noted that the cancellation of the South Stream pipeline project would weight on investments and domestic demand. **Market Developments:** In line with the regional trend, the main SOFIX index closed modestly lower (-0.5%) at 499.97 points on Monday.

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**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities																																																																
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**SEE MARKETS**

**SERBIA**

Money Market			
	Last	ΔDbps	ΔYTD bps
BELIBOR	on	12	-334
7/N			
1-week	7.22	23	-279
1-month	7.40	6	-265
3-month	8.16	12	-169
6-month	8.55	9	-124

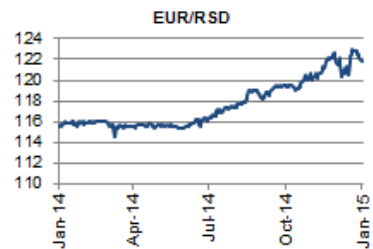
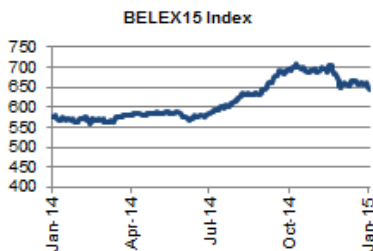
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.21	0	16
5Y RSD	10.21	0	3
7Y RSD	11.26	0	1

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.10	0	-16
USD Nov-24	1.89	-467	-125

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	280	0	-10
10-year	346	-1	-9

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	647.8	-0.41%	-2.89%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	121.75	-0.07%	-0.33%



**ROMANIA**

Money Market			
	Last	ΔDbps	ΔYTD bps
ROBOR	0.41	-1	-16
O/N			
1-month	0.69	-2	-22
3-month	1.59	-1	-11
6-month	1.84	-1	-17
12-month	1.87	-1	-15

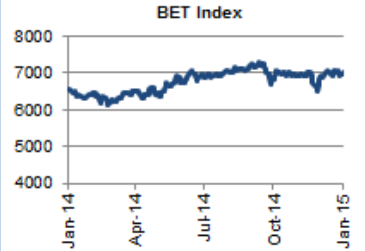
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.67	-1	-34
5Y RON	2.15	1	-36
10Y RON	2.94	-1	-57

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.48	-1	-25
USD Aug-23	3.22	-1	-40

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	121	1	-21
10-year	163	1	-24

STOCKS			
	Last	ΔD	ΔYTD
BET	6997.9	0.38%	-1.20%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.504	-0.04%	-0.46%



**BULGARIA**

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.01	0	-1
LEONIA			
1-month	0.20	0	-2
3-month	0.42	0	-1
6-month	0.78	0	-1
12-month	1.48	0	-2

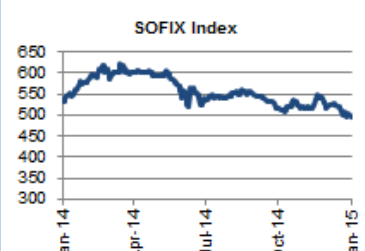
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.58	-32	-46
5Y BGN	1.07	-12	-38
10Y BGN	2.49	0	-26

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.86	-5	-29

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	200	0	9
10-year	251	0	11

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	496.0	-0.79%	-4.99%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.6872	-0.12%	-4.19%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:15 EET

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