

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 19, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- November 17
 - Empire State Index (Nov)
 - Industrial prod. (Oct)
- November 19
 - Housing starts (Oct)
 - Housing permits (Oct)
- November 20
 - Initial jobless claims (Nov. 15)
 - CPI (Oct)
 - Philly Fed (Nov)
 - Existing home sales (Oct)

EUROZONE

- November 17: ECB President testifies before the European Parliament's Committee on Economic and Monetary Affairs
- November 20: PMI manufacturing & services (Nov)
- November 21: ECB President speaks at European Banking Congress

SEE

SERBIA

- November 19: T-Bonds auction
- November 20-21: CAD (Sep)

ROMANIA

- November 17: 2027 T-Bonds auction
- November 20: 2018 T-Bonds auction

BULGARIA

- November 17: CAD (Sep)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In FX markets, the USD retained a firm tone in European trade on Wednesday amid expectations that the minutes from the October 28/29 FOMC policy meeting, due for release later in the day, will probably reflect the relatively hawkish tone of the official FOMC policy statement.

GREECE: With near three weeks to go before the next Eurogroup scheduled for December 8, a divergence of views between Greek authorities and the troika on a number of key issues underlying the current (5th) program review reportedly continues to exist.

SOUTH EASTERN EUROPE

SERBIA: Dinar remains under pressure despite Central Bank interventions in the FX markets.

ROMANIA: In the absence of any significant news domestically, the EUR/RON remained range-bound and government bonds were little changed on Tuesday.

BULGARIA: According to local media reports, Bulgaria's Finance Ministry intends to request €1.3bn in 6-month bridge loans from four international banks.

CESEE MARKETS: The majority of **CESEE stock markets** posted modest gains in European trade on Wednesday, with market caution prevailing ahead of the release of the Fed meeting minutes later today. In the FX markets, **CESEE currencies** were mixed with the Turkish lira underperforming.

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Latest world economic & market developments

GLOBAL MARKETS

In FX markets, the USD retained a firm tone in European trade on Wednesday amid expectations that the minutes from the October 28/29 FOMC policy meeting, due for release later in the day, will probably reflect the relatively hawkish tone of the official FOMC policy statement. Meanwhile, the JPY remained under pressure across the board. Japan's disappointing Q3 GDP data earlier this week suggested that the domestic economy unexpectedly entered recession while Prime Minister Shinzo Abe announced y-day his decision to postpone for 18 months a sales tax increase, initially planned for October 2015, and call a snap election next month. Against this background, the USD/JPY extended its recent gains hitting a fresh multi-year high near 117.60 earlier today. Looking ahead, the prospect of further USD/JPY appreciation seems likely on the back of diverging Fed and BoJ monetary policy expectations. Elsewhere, the EUR/USD was standing close to 1.2530/5 in European trade at the time of writing, within distance from a 2 ½ week peak of 1.2445 hit a few sessions ago supported by y-day's unexpected improvement in Germany's November ZEW survey. Yet, amid expectations that the ECB is likely to adopt additional non-conventional measures ahead, if needed, to address deflation risks, there is little to suggest that the EUR/USD is poised for further significant gains in the sessions ahead.

GREECE

With near three weeks to go before the next Eurogroup scheduled for December 8, a divergence of views between Greek authorities and the troika on a number of key issues underlying the current (5th) program review reportedly continues to exist including. Against this apparent deadlock, press reports suggested that the December 8 deadline for the completion of the current review, seems rather challenging. Should this be the case, as recently suggested by ESM General Director Klaus Regling, one cannot rule out the possibility of an extraordinary Eurogroup taking place in mid-December ahead of the December 18th EU Summit with the sole purpose of addressing the Greek issue.

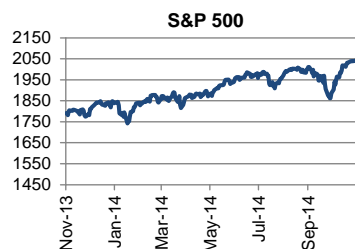
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Latest developments in the CESEE region

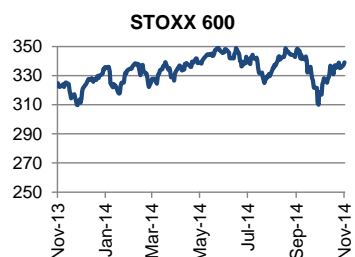
CESEE MARKETS

The majority of **CESEE stock markets** posted modest gains in European trade on Wednesday, with market caution prevailing ahead of the release of the Fed meeting minutes later today. Turkey's BIST 100 remained the region's top performer for the second session running, continuing to receive support from lower oil prices as the country is heavily dependent on energy imports, which significantly augment its current account deficit. In the FX markets, **CESEE currencies** were mixed with the Turkish lira underperforming as the US dollar retained a firm tone, while caution prevailed in the way to the Central Bank monetary policy meeting tomorrow. In more detail, the USD/TRY hovered around levels of 2.2260/70 at the time of writing, having bounced from yesterday's 3-week trough of 2.2145. With inflation remaining firmly above the official CBRT 5% medium-term target (CPI stood at 8.96%YoY in October), the market's consensus is for unchanged interest rates tomorrow. Nonetheless, further lira weakness in the coming sessions seems to be on the cards should the CBRT surprise markets with a rate cut. Against this backdrop, the USD/TRY's technical picture suggests that a break above today's peak of 2.2280 may pave the way towards 2.2320 (60-day moving average) ahead of 2.2440 (38.2% Fibonacci retracement from September's lows to October's highs).

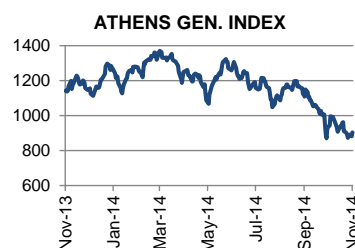
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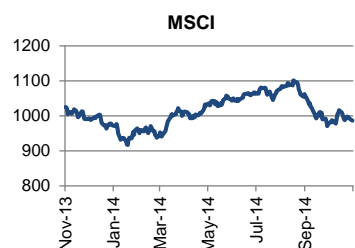
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Credit Ratings		
	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

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.5	-0.4
CPI (pa, yoy %)	7.8	7.8	2.5
Budget Balance/GDP	-7.5	-5.8	-8.0
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	117.00
	2013	current	2014f
Policy Rate (eop)	9.50	8.00	8.00

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

(Belgrade 18/10/2014, 17:00 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold on Tuesday the planned €50mn of 1-year EUR-denominated bonds. The average accepted yield was at 2.80%, 39bps below achieved in a prior auction of similar maturity paper held in August, while the issue was 2.5 times oversubscribed, probably on investor optimism about a favourable outcome from the negotiations between the government and the IMF over a new credit line. The negotiations are scheduled to conclude on November 20th. **Market Developments:** Despite new Central Bank intervention, the dinar came under renewed pressure on Tuesday, with the EUR/RSD closing at 120.50/70, approaching anew a lifetime trough at 120.65/85 hit on Thursday. It is worth noting that that since the beginning of last week the National Bank of Serbia has sold €180mn in the FX markets to support the dinar, out of which €40mn were offered on Tuesday. However, persisting fiscal consolidation concerns and market worries about a timely agreement over an IMF credit line are likely to continue exerting depreciating pressures on the dinar in the months ahead.

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ROMANIA

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	3.0
CPI (pa, yoy %)	3.3	4.0	1.7
Budget Balance/GDP	-3.0	-2.3	-2.2
Current Account/GDP	-4.4	-1.1	-1.0
EUR/RON (eop)	4.44	4.46	4.40
	2013	current	2014
Policy Rate (eop)	4.00	2.75	2.75

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

(Bucharest, 19/11/2014, 9:00 EET): **Market Developments:** In the absence of any significant news domestically, the EUR/RON remained trapped within 4.4320/360 on Tuesday, near the 4.4420 upper boundary of this month's trading range. In money markets, 1M implied rates from swaps eased back to recent lows of 0.90% from around 1.10% on Monday, while O/N to 1W rates remained close to the deposit facility rate of 0.25%. In a similar tone, government bonds were little changed on a daily basis.

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BULGARIA

BULGARIA: Indicators	2012	2013	2014f
Real GDP growth %	0.6	0.9	1.8
CPI (pa, yoy %)	3.0	0.9	-0.9
Budget Balance/GDP	-0.8	-1.5	-3.0
Current Account/GDP	-0.9	1.9	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

(Sofia, 18/11/2014, 17:35 EET): **Latest Political & Macro Developments:** According to local media reports, Bulgaria's Finance Ministry intends to request €1.3bn cumulatively in 6-month bridge loans from four international banks. The loans will be, reportedly, repaid by Eurobonds issuance that will take place next year. In addition, the government plans to secure a further BGN 1.5bn in local currency denominated bonds from local investors, needed to repay guaranteed deposits in insolvent Corp bank. **Market Developments:** The domestic stock market recovered part of its recent losses on Tuesday, in view of improved risk sentiment. Against this background, the main SOFIX index rose by 0.78% to 521.23 points, snapping a 6-day losing streak.

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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	2051.80	0.5%	11.0%	EUR/USD	1.2543	0.0%	-8.7%	UST - 10yr	2.33	1	-70	GOLD	1201	0.3%	-0.4%
Nikkei 225	17288.75	-0.3%	6.1%	GBP/USD	1.5692	0.4%	-5.2%	Bund-10yr	0.82	2	-111	BRENT CRUDE	177	0.0%	6.0%
STOXX 600	339.77	0.1%	3.5%	USD/JPY	117.52	-0.6%	-10.4%	JGB - 10yr	0.48	-3	-26	LMEX	3081	-0.9%	-2.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	6.53	4	-148
1-week	6.78	4	-150
1-month	7.07	4	-151
3-month	7.59	6	-129
6-month	8.00	4	-115

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.35	0	-170
5Y RSD	10.22	0	-260
7Y RSD	11.24	1	-256

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.55	0	-146
USD Nov-24	2.26	-422	-464

CDS

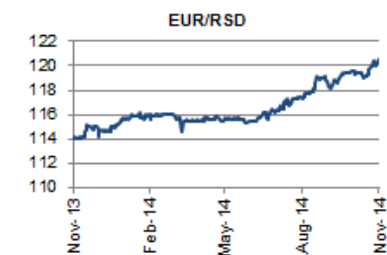
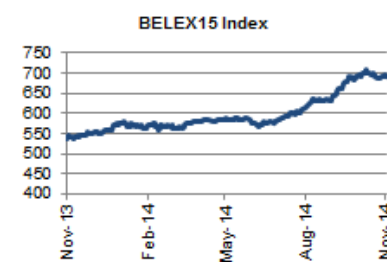
	Last	ΔDbps	ΔYTD bps
5-year	260	0	-149
10-year	324	0	-123

STOCKS

	Last	ΔD	ΔYTD
BELEX15	692.9	-0.28%	24.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.38	0.25%	-4.82%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	-1	-125
1-month	1.06	0	-82
3-month	1.8	0	-64
6-month	2.15	1	-84
12-month	2.15	1	-100

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	0	-201
5Y RON	2.53	0	-212
10Y RON	3.73	2	-157

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.99	-3	-186
USD Aug-23	3.79	1	-101

CDS

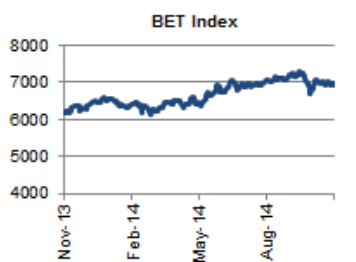
	Last	ΔDbps	ΔYTD bps
5-year	151	-2	-32
10-year	196	-2	-36

STOCKS

	Last	ΔD	ΔYTD
BET	6958.3	0.16%	7.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4423	-0.16%	0.69%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.23	0	-9
3-month	0.43	0	-22
6-month	0.79	0	-36
12-month	1.54	0	-65

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.43	-3	34
5Y BGN	1.93	-4	8
10Y BGN	3.15	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-0.12	-23	-71
EUR Jul-17	1.29	-5	-52

CDS

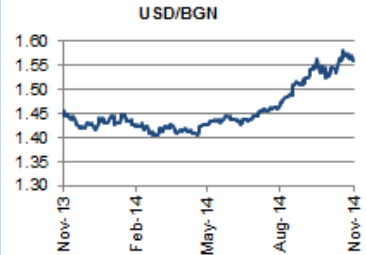
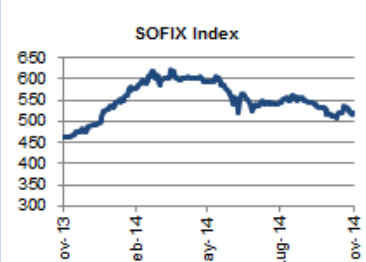
	Last	ΔDbps	ΔYTD bps
5-year	155	0	17
10-year	213	0	38

STOCKS

	Last	ΔD	ΔYTD
SOFIX	520.9	-0.06%	5.98%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5594	0.06%	-8.74%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:00 EET

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