

December 1, 2014

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- December 1: ISM manufacturing (Nov)
- December 3
  - ADP employment change (Nov)
  - ISM non-manufacturing
- December 4
  - Initial jobless claims (Nov. 29)
- December 5
  - Non-farm payrolls (Nov)
  - U/E rate (Nov)
  - Trade balance (Oct)
  - Industrial orders (Oct)

#### EUROZONE

- December 1: PMI manufacturing (Nov)
- December 4: ECB interest rate decision and press conference

#### SEE ROMANIA

- December 2: International reserves (Nov)
- December 3:
  - Retail sales (Oct)
  - GDP (Q3, p)
- December 4: RON 300mn 2025 4.75% T-Bonds auction

#### BULGARIA

- December 3: GDP (Q3, f)
- December 3: International reserves (Nov)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The USD retained a firm tone in European trade on Monday as recent US macro data releases support the view that the domestic economy remains on a sustained recovery path. Elsewhere, the EUR/USD remained trapped within the 1.2350/1.2550 recent range. Amid market anxiety over the outcome of Thursday's ECB monetary policy meeting, EUR/USD range bound activity will likely prevail until then. We expect the ECB to stay put on its monetary policy while President Mario Draghi is likely to signal once again that the prospect of additional monetary policy easing remains on the cards.

**GREECE:** The Greek government reportedly sent to the troika heads early on Sunday its final proposals over the outstanding issues underlying the current program review. As per the same sources, the said proposals include, among others, an increase in the value-added tax applied to hotels and certain amendments to the pension system. Meanwhile, international press reports suggested that the November 27 Euro Working Group agreed on the provision of an Enhanced Conditions Credit Line (ECCL) to Greece once the current EFSF program comes to an end.

### SOUTH EASTERN EUROPE

**SERBIA:** Industrial production fell by 11.2%YoY in October, with the annual rate of decline somewhat easing from a 16.0%YoY drop in the prior month. Meanwhile, the trade deficit registered a modest, 1.6%YoY, increase to € 2,2103.2mn over the first ten months of the year and retail trade turnover increased by 1.5%YoY at constant prices in October.

**BULGARIA:** According to Eurostat data, the rate of unemployment in Bulgaria declined by 0.1 percentage point to 11.1% in October.

**CESEE MARKETS:** Tracking losses in major European and Asian bourses on Monday, the majority of **emerging stock markets** fell in European trade as a further drop in global oil prices weighed down on energy-related shares and added to deflation concerns in the Eurozone. Meanwhile, downbeat manufacturing data from China added to the negative tone. Separately, **CESEE currencies** and **local rate markets** were little changed earlier today.

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## Latest world economic & market developments

### GLOBAL MARKETS

The USD retained a firm tone in European trade on Monday as recent US macro data releases support the view that the domestic economy remains on a sustained recovery path. Against this background, the USD/JPY extended its recent gains hitting a fresh multi-year peak of 119.13 earlier in the day. News that Moody's ratings agency downgraded Japan's sovereign credit rating by one notch to A1 from Aa3 amid "heightened uncertainty" over the government's ability to cut the country's fiscal deficit in the wake of its recent decision to push back a sales tax increase, also favored. Elsewhere, the EUR/USD was standing close to 1.2460/65 in European trade at the time of writing, remaining trapped within the 1.2350/1.2550 recent range. Amid market anxiety over the outcome of Thursday's ECB monetary policy meeting, EUR/USD range bound activity will likely prevail until then. We expect the ECB to stay put on its monetary policy while President Mario Draghi is likely to signal once again that the prospect of additional monetary policy easing remains on the cards.

### GREECE

The Greek government reportedly sent to the troika heads early on Sunday its final proposals over the outstanding issues underlying the current program review. As per the same sources, the said proposals include, among others, an increase in the value-added tax applied to hotels and certain amendments to the pension system. Meanwhile, international press reports suggested that the November 27 Euro Working Group agreed on the provision of an Enhanced Conditions Credit Line (ECCL) to Greece once the current EFSF program comes to an end. The said credit facility will reportedly comprise of the untapped HSFS buffer, estimated at ca €11.4bn (or the vast portion of it). On the data front, Greece's retail trade volume index, including automotive fuel, rose by 2.2%YoY in September, marking the fourth consecutive monthly improvement. Separately, euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) edged down by €0.252mn in October coming in at ca €164.5bn, halting a seven-month rising streak.

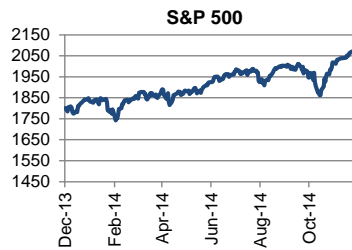
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

## Latest developments in the CESEE region

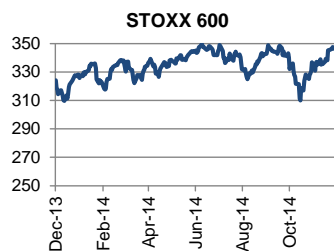
### CESEE MARKETS

Tracking losses in major European and Asian bourses on Monday, the majority of **emerging stock markets** fell in European trade as a further drop in global oil prices weighed down on energy-related shares and added to deflation concerns in the Eurozone. Meanwhile, downbeat manufacturing data from China added to the negative tone. Turkey's BIST 100 index bucked the region's negative trend rising by 0.5% at the time of writing as lower oil prices somewhat mitigated inflation and current account deficit concerns. Separately, **CESEE currencies** were little changed earlier on Monday. The Polish zloty broadly outperformed its regional peers, firming to a 1-week peak of 4.1740/EUR intraday in the wake of upbeat PMI manufacturing data for November, which showed an unexpected increase to an 8-month high of 53.2, from 51.2 in the prior month. This development reduces the possibility of a rate cut at the MPC's upcoming meeting on Wednesday. In the **local rate markets**, government bonds were mixed, with Polish paper leading the losses after November's upbeat data. Along these lines, the corresponding 2-year yield bounced 9bps higher to 1.81% on the day, remaining however within recent record lows of 1.7 hit earlier in November.

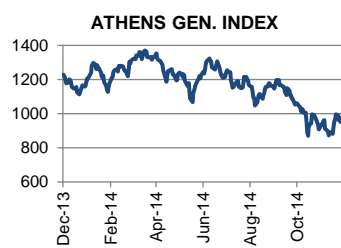
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)



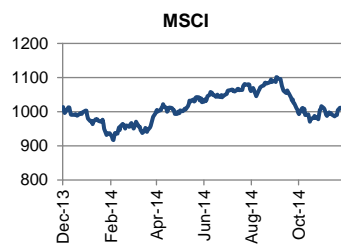
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.00	8.00

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

(Belgrade 28/11/2014, 17:00 CET): **Latest Political & Macro Developments:** According to data released on Friday by the Statistical Office of the Republic of Serbia, industrial production fell by 11.2%YoY in October, with the annual rate of decline somewhat easing from a 16.0%YoY drop in the prior month. The breakdown of the data showed that electrical energy production remained the main drag in industrial output, although half of the damaged stations, as a result of torrential rain earlier this year, have been restored. In other data, the trade deficit registered a modest, 1.6%YoY, increase to € 2,2103.2mn over the first ten months of the year, with exports growth of 2.0%YoY (to € 9,275.0mn), marginally outpacing that of imports (1.3%YoY to €12828.2mn). In total, exports covered 72.3% of imports over the said period. Separately, retail trade turnover increased by 1.5%YoY at constant prices in October. **Market Developments:** The EUR/RSD moved modestly higher on Friday, to close at 120.55/75, despite new Central Bank (NBS) intervention in the FX markets aimed at supporting the dinar. Including the aforementioned intervention, which is estimated around €10mn, the NBS has sold €240mn cumulatively in the FX market this month in order to halt the domestic currency's weakening.

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## BULGARIA

BULGARIA: Indicators	2012	2013e	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	
	<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

(Sofia, 1/12/2014, 10:20 EET): **Latest Political & Macro Developments:** According to Eurostat data, the rate of unemployment in Bulgaria declined by 0.1 percentage point to 11.1% in October. Despite this marginal improvement, it remained above the European Union average of 10.00%. **Market Developments:** The domestic stock market closed in a negative territory for the third session running on Friday with the major SOFIX index ending 1.0% lower at 514.42 points.



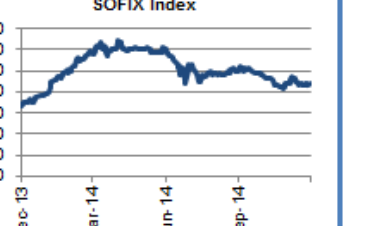
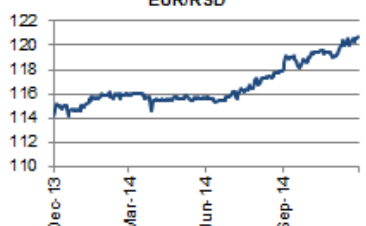


[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## 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	2067.56	-0.3%	11.9%	EUR/USD	1.2463	0.1%	-9.3%	UST - 10yr	2.17	1	-86	GOLD	1174	0.6%	-2.6%
Nikkei 225	17590.10	0.7%	8.0%	GBP/USD	1.5721	0.5%	-5.0%	Bund-10yr	0.71	1	-122	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	345.64	-0.5%	5.3%	USD/JPY	118.45	0.2%	-11.1%	JGB - 10yr	0.43	1	-31	LMEX	3023	-2.3%	-4.3%

## SEE MARKETS

SERBIA				ROMANIA				BULGARIA							
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>							
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>LEONIA</b>	Last	ΔDbps	ΔYTD bps
T/N	on	-5	-138	O/N	0.65	0	-109	1-month	0.03	1	-4	1-month	0.23	0	-9
1-week	6.89	-3	-139	1-month	0.86	0	-102	3-month	0.23	0	-22	3-month	0.43	0	-22
1-month	7.20	0	-138	3-month	1.73	0	-71	6-month	0.79	0	-36	6-month	0.79	0	-36
3-month	7.75	1	-113	6-month	2.09	0	-90	12-month	1.54	0	-65	12-month	1.54	0	-65
6-month	8.05	0	-110	12-month	2.1	0	-105	<b>BG Local Bonds</b>							
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	4	-63	3Y RON	1.89	-2	-206	3Y BGN	1.23	-1	13	5Y BGN	1.67	-4	-17
5Y RSD	10.22	0	-260	5Y RON	2.42	-4	-223	5Y BGN	1.67	-4	-17	10Y BGN	2.88	0	-61
7Y RSD	11.24	1	-256	10Y RON	3.57	-2	-173	<b>BG Eurobonds</b>							
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	-2	-138	EUR Sep-20	1.85	2	-200	USD Jan-15	-0.37	-2	-95	EUR Jul-17	1.26	-3	-54
USD Nov-24	2.30	-422	-460	USD Aug-23	3.62	1	-118	<b>CDS</b>							
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	248	0	-161	5-year	141	0	-44	5-year	144	0	19	10-year	196	1	21
10-year	312	0	-135	10-year	189	3	-43	<b>STOCKS</b>							
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	693.4	-0.51%	24.27%	BET	6936.5	-0.40%	6.82%	SOFIX	519.3	0.95%	5.65%	<b>FOREX</b>			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.70	-0.06%	-5.08%	EUR/RON	4.4338	-0.04%	0.88%	USD/BGN	1.5694	0.10%	-9.32%	<b>BELEX15 Index</b>			
<b>BELEX15 Index</b>				<b>BET Index</b>				<b>SOFIX Index</b>							
															
															

Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 13:30 EET

## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

[galatia.phoka@eurobank.gr](mailto:galatia.phoka@eurobank.gr)

### Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

### Ivan Radović

Head, Brokerage Department, Eurobank and Beograd

+381 11 30 27 533

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

## Eurobank Global Markets Research

### Global Markets Research Team

#### Dr. Platon Monokroussos:

Chief Market Economist

[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Paraskevi Petropoulou:** G10 Markets Analyst

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales

[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales

[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis:** Head of Corporate Sales

[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales

[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales

[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales

[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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