

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 24, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- December 22: Existing home sales (Nov)
- December 23
 - Durable goods orders (Nov)
 - GDP (Q3)
 - UoM consumer confidence (Dec, f)
 - New home sales (Nov)
- December 24: Initial jobless claims (Dec. 20)

SEE

SERBIA

- December 22: Current account (Oct)
- December 23: EUR 50mn 4% 3-year T-Notes auction
- December 25: Real gross wages (Nov)

BULGARIA

- December 23: Gross external debt (Oct)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking new record highs in Dow Jones and S&P 500 overnight as well as gains in Asian bourses on Wednesday, major European stock markets moved broadly higher in morning trade favored by upbeat US GDP data, in thin trade ahead of the Christmas holidays. Against this backdrop, the US dollar retained a firm tone earlier today.

GREECE: The outcome of the second vote in Greek Parliament for the election of a new President of the Hellenic Republic that took place on Tuesday was within market expectations, with 168 MPs voting in favor of the presidential nominee out of the 200 in-favor votes required. As a result, a third and final ballot will take place on December 29, with a 3/5^{ths} majority i.e., 180 “yes” votes needed.

SOUTH EASTERN EUROPE

SERBIA: Public Debt Administration sold on Tuesday €50m worth of 3Y EUR-denominated T-Notes at an average accepted yield of 4.47%.

CESEE MARKETS: Emerging stock markets tread water in European trade on Wednesday, in thin trade ahead of the Christmas holidays, while caution prevailed after S&P warned it may downgrade Russia’s sovereign credit ratings in the new year and upbeat US macroeconomic data supported the view that the Fed may hike interest rates sooner than previously expected. In a similar vein **CESEE currencies** were relatively flat on the day, with the Turkish lira little changed ahead of the MPC meeting decision later today, where the Central Bank is anticipated to stay put on interest rates.

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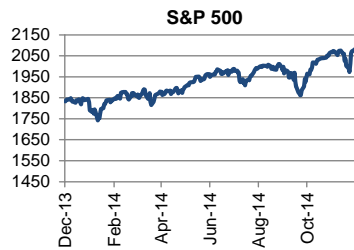
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Latest world economic & market developments

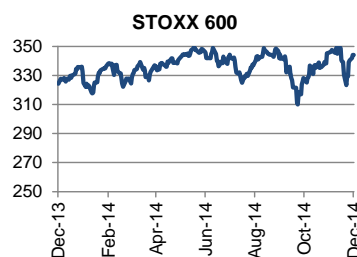
GLOBAL MARKETS

Tracking new record highs in Dow Jones and S&P 500 overnight as well as gains in Asian bourses on Wednesday, major European stock markets moved broadly higher in morning trade favored by upbeat US macroeconomic data, in thin trade ahead of the Christmas holidays. In more detail, according to the third estimate of Q3 GDP, the US economy grew by 5.0%QoQ annualized, marking its fastest pace of increase in eleven years after growth of 4.6% in the prior quarter and revised from 3.9% previously announced. The data confounded expectations for a 4.3% increase. Against this backdrop, the US dollar retained a firm tone earlier today, with the DXY index consolidating near a 9-year high of 90.159 achieved on Tuesday and the EUR/USD hovering around levels of 1.2202/04 the time of writing, to stand close to a new 2-year trough near 1.2165 hit in the prior session. With the upbeat US Q3 GDP data adding to the view that the Fed may hike interest rates sooner than previously expected, the two-year U.S. Treasury yield spiked to a 4-year peak of 0.74% on Tuesday, before easing towards 0.72% on profit taking earlier today.

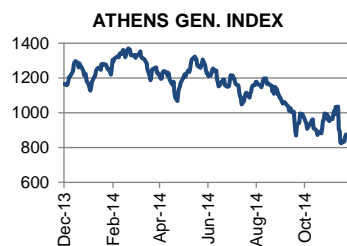
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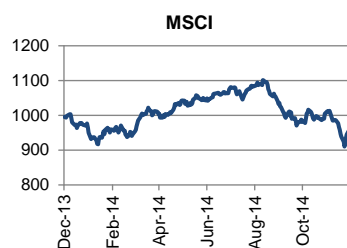
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

GREECE

The outcome of the second vote in Greek Parliament for the election of a new President of the Hellenic Republic that took place on Tuesday was within market expectations. Specifically, out of the 299 attending MPs in the 300-seat Parliament, 168 voted in favor of the presidential nominee i.e., 155 MPs of the coalition government + 13 independent MPs. The number of no (i.e., "present") votes totaled 131; 120 attending lawmakers from opposition parties as none of them broke the official party line + 11 independent MPs. Meanwhile, one lawmaker was absent. As a reminder, Article 32 of the Greek constitution incorporates up to three separate ballots for the election of a new President. In the first two, a 2/3rd majority of the total number of MPs is required i.e., 200 in-favor votes. If both fail to elect a new President, a third and final ballot will take place with a 3/5th majority i.e., 180 "yes" votes needed. As the Speaker of the Hellenic Parliament stated shortly after the conclusion of yesterday's procedure, the third vote will be held on December 29th at 12:00 noon (Athens time). In case the latter vote also fails to produce a qualified majority, Parliament will have to be dissolved within ten days and general elections will be called.

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CESEE MARKETS

Emerging stock markets tread water in European trade on Wednesday, in thin trade ahead of the Christmas holidays, while caution prevailed after S&P warned it may downgrade Russia's sovereign credit ratings in the new year and upbeat US macroeconomic data supported the view that the Fed may hike interest rates sooner than previously expected. In a similar vein **CESEE currencies**, were relatively flat on the day. The Polish zloty remained under pressure, with the EUR/PLN spiking to a new 1-year peak near 4.3055 in European trade today, weighed down by an unexpected decline (-0.2%YoY) in November's retail sales, announced yesterday. Technically, immediate resistance for the pair stands at today's peak, ahead of 4.3110 (September 5, 2014, high), while on the downside a break below today's 4.2920 trough may pave the way for a move towards 4.2545 (23.6% Fibonacci retracement from June's lows to December's highs). Elsewhere, the Turkish lira was little changed ahead of the MPC meeting decision later today, where the Central Bank is anticipated to stay put on interest rates and maintain its key policy (1-week repo rate) at 8.25%.

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SERBIA

SERBIA: Indicators	2013	2014f	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
Policy Rate (eop)	8.00	8.00	7.00

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

(Belgrade 23/12/2014, 17:20 CET): **Latest Political & Macro Developments:** Public Debt Administration sold on Tuesday €50m worth of 3Y EUR-denominated T-Notes at an average accepted yield of 4.47%. The issue was twice oversubscribed, pushing yields down ca 33bps compared to that produced at a previous auction of similar maturity paper held four months ago. Hopes about an eventual improvement in the country's fiscal position, in view of the current budget debate in Parliament, might also had a positive impact. **Market Developments:** With Monday's down-move towards a 3-week low of 120.80/00 proving to be short lived, the EUR/RSD closed 0.5% higher at 121.90/10. As we approach the end of the year, the door appears to be open for further upside for the pair, towards immediate resistance of 122.50/70.

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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	2082.17	0.2%	12.6%	EUR/USD	1.2206	0.3%	-11.2%	UST - 10yr	2.26	-1	-77	GOLD	1179	0.2%	-2.2%
Nikkei 225	17854.23	1.2%	9.6%	GBP/USD	1.5551	0.2%	-6.1%	Bund-10yr	0.60	1	-133	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	344.12	0.0%	4.8%	USD/JPY	120.45	0.2%	-12.6%	JGB - 10yr	0.33	0	-41	LMEX	2923	-0.7%	-7.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	-6	211
1-week	10.03	-5	175
1-month	9.98	-4	140
3-month	9.87	-6	99
6-month	9.87	-6	72

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.07	-7	-89
5Y RSD	10.19	0	-263
7Y RSD	11.25	0	-255

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.22	-3	-79
USD Nov-24	3.31	-328	-359

CDS

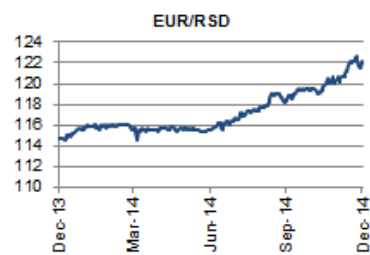
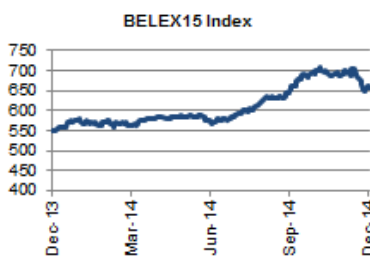
	Last	ΔDbps	ΔYTD bps
5-year	295	2	-114
10-year	357	0	-90

STOCKS

	Last	ΔD	ΔYTD
BELX15	657.0	-0.08%	17.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.04	0.07%	-6.12%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.73	22	-101
1-month	0.93	-6	-95
3-month	1.71	-3	-73
6-month	2.02	-1	-97
12-month	2.05	-1	-110

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.93	-4	-202
5Y RON	2.46	1	-219
10Y RON	3.48	0	-182

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.76	3	-208
USD Aug-23	3.60	-5	-121

CDS

	Last	ΔDbps	ΔYTD bps
5-year	138	0	-50
10-year	185	0	-47

STOCKS

	Last	ΔD	ΔYTD
BET	6899.7	-0.35%	6.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4623	0.46%	0.24%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	1	-5
1-month	0.23	0	-9
3-month	0.43	0	-21
6-month	0.79	0	-36
12-month	1.50	0	-69

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.03	-8	-7
5Y BGN	1.35	-13	-49
10Y BGN	2.74	0	-75

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-0.69	-82	-153
EUR Jul-17	1.17	-2	-63

CDS

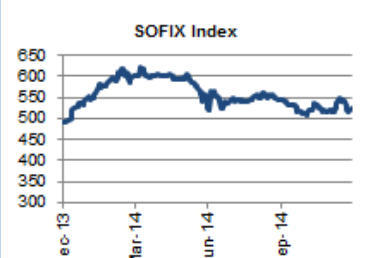
	Last	ΔDbps	ΔYTD bps
5-year	194	1	66
10-year	243	0	68

STOCKS

	Last	ΔD	ΔYTD
SOFIX	523.8	0.54%	6.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6023	0.27%	-11.18%



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

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