

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 21, 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: Taking their cue from the positive trend in Wall Street overnight, Asian bourses closed broadly higher on Friday in the wake of upbeat US data releases. Separately, major European stock indices firmed and the euro came under renewed pressure in morning trade today after ECB President Mario Draghi signaled earlier on the day that the Central Bank is ready to adopt, if needed, additional non-conventional measures to address deflation risks.

SOUTH EASTERN EUROPE

SERBIA: The IMF reached a staff-level agreement with Serbian authorities over a new three year precautionary Stand-By Arrangement worth € 1bn.

ROMANIA: The MoF issued on Thursday RON 500mn in 3Y bonds at an average accepted yield of 2.39%.

BULGARIA: According to a statement issued by Prime Minister Boyko Borissov, guaranteed deposits up to €100k in insolvent Corporate Commercial Bank will start being repaid on December 4th.

CESEE MARKETS: Tracking gains in major global bourses, the majority of **emerging stock markets** moved modestly higher in European trade on Friday. In the FX markets, **CESEE currencies** were mixed earlier today as the US dollar retained a firm tone. In the **local rates markets**, government bonds firmed after ECB President Mario Draghi's comments.

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Latest world economic & market developments

GLOBAL MARKETS

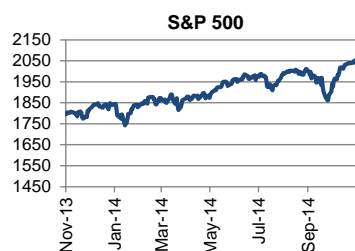
Taking their cue from the positive trend in Wall Street overnight, Asian bourses closed broadly higher on Friday in the wake of upbeat US data releases. In more detail, US existing home sales rose by 1.5%MoM to a 1-year high annual rate of 5.26 million units in October, while the Philly Fed index unexpectedly rose, spiking to a 21-year peak of 40.8 in November. In addition, core Consumer Price Index (excluding food and energy) increased by 0.2%MoM, marking the highest pace of increase over the last 5 months and outpacing expectations as well as September's 0.1%MoM advance. Meanwhile, initial jobless claims fell to 291k at the week ending on November 15 from a 293k in the prior week. Separately, major European stock indices firmed in morning trade after ECB President Mario Draghi signaled earlier on the day that the door remains open for the adoption of additional non-conventional measures ahead, if needed, to address deflation risks. During his speech to the European Banking Congress, ECB President highlighted that "underlying growth momentum remains weak" and that the "inflation situation in the euro area has become increasingly challenging", reiterating that the Central Bank is ready to endorse further monetary easing measures, if needed. In the FX markets, the EUR came under renewed pressure after ECB President's comments, with the EUR/USD hovering around levels of 1.2453/56 at the time of writing, within distance from a multi-session low of 1.2447 hit earlier in the session. Separately, the Japanese yen recovered some ground on Friday after Finance Minister Taro Aso suggested that he views the domestic currency's depreciation over the past week as too rapid. Against this backdrop, the USD/JPY eased to an intraday low near 117.35 in Asian trade, before pulling back towards 117.80/84 in Europe.

Latest developments in the CESEE region

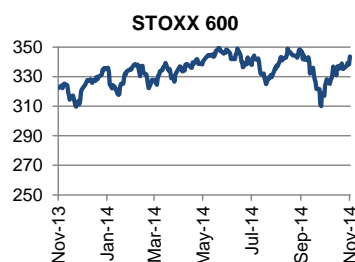
CESEE MARKETS

Tracking gains in major global bourses, the majority of **emerging stock markets** moved modestly higher in European trade on Friday. In the FX markets, **CESEE currencies** were mixed earlier today as the US dollar retained a firm tone. The Turkish lira slightly weakened as investor caution prevailed ahead of an S&P review of the country's sovereign credit rating due later today. Against this backdrop, the USD/TRY hovered around levels of 2.2206/24 at the time of writing having bounced from a multi-session trough of 2.2160 in morning European trade in the wake of Thursday's Central Bank MPC decision announcement to keep interest rates on hold, which confounded some recent market speculation about a potential rate cut. In more detail, the CBT kept the overnight borrowing and lending rates at 7.50% and 11.25%, respectively, and maintained the main benchmark, 1-week repo rate, at 8.25%. Looking ahead, the USD/TRY's technical picture suggests that a break below today's trough may pave the way towards 2.2145 (November 18 low) ahead of 2.2040 (61.8% Fibonacci retracement from September's lows to October's highs). On the upside, immediate resistance stands at today's peak of 2.2290, before 2.2340 (60-day moving average). In all, we anticipate the Central Bank to hold its fire until inflation embarks on a sustainable downtrend, before delivering any rate cuts. Recall that CPI stood at 8.96%YoY in October, well above the official CBRT 5% medium-term target. Elsewhere, the Hungarian forint firmed to a new 5-month peak of 303.80/EUR in European trade amid lessened rate-cut expectations following upbeat Q3 GDP data announced earlier this month. In the **local rates markets**, government bonds firmed after ECB President Mario Draghi's comments, with the corresponding Hungarian debt yields recoiling by 7-12bps across the curve and approaching anew recent life-time lows.

gphoka@eurobank.gr



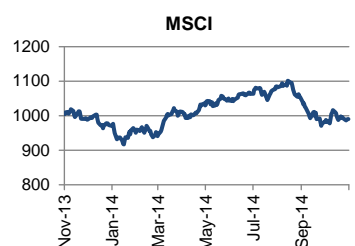
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	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 20/10/2014, 17:40 CET): **Latest Political & Macro Developments:** IMF head for Serbia Zuzana Murgasova announced on Thursday that, a mission visiting Belgrade during November 4-20 reached a staff-level agreement with Serbian authorities over a new three year precautionary Stand-By Arrangement worth € 1bn (200% of the country's quota). The funds will be available for disbursement, if needed. Ms. Murgasova added that the programme agreed aims to create conditions for sustainable growth and provide support to employment over the medium term, via the implementation of fiscal consolidation and structural reforms. The IMF noted that the program will primarily focus on the reduction of the public sector wage and pension bills as well as on lowering subsidies for state-owned companies. Meanwhile, the implemented fiscal consolidation is anticipated to allow, in turn, for the monetary policy relaxation, provided that external conditions are adequate. In the sidelines of the agreement's announcement, Serbia's Minister of Finance Dusan Vujovic said that the deal is expected to come into effect on January 1st 2015. **Market Developments:** The dinar's initially positive reaction to the IMF deal proved short-lived with the EUR/RSD closing marginally higher on Thursday at 120.20/40 after hitting a multisession low of 119.70/90 intraday. Looking ahead, we anticipate that the central bank will intervene anew in the FX markets to support the dinar if the EUR/RSD breaches the key resistance level of 120.20/40. On the flipside, a break below immediate support of 120.25-55, is likely to pave the way for a re-test of the recent 119.70 low.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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, 21/11/2014, 9:25 EET): **Market Developments:** The EUR/RON closed marginally lower, having eased from a three-month high at 4.4475 on Thursday. Further significant gains for the pair may prove limited as strong resistance lies at 4.4500 and may prove difficult to breach. In money markets, the current reserve period will end over the weekend and the new reserve period begins on Monday. As such, the 1W implied rate from swaps moved higher to 1.00% from 0.50% in the previous session, while those of longer tenure remained largely unchanged. However, the prospect of ample RON liquidity remaining in the market suggests that short term RON rates will likely pull back towards the deposit facility rate of 0.25% over the coming sessions. In other news, the MoF issued on Thursday RON 500mn in 3Y bonds at an average accepted yield of 2.39%. In the secondary market, government bonds rallied, with yields moving 5-8bps lower in a full reversal of Thursday's up-move.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

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, 21/11/2014, 10:15 EET): **Latest Political & Macro Developments:** According to a statement issued by Prime Minister Boyko Borissov, guaranteed deposits up to €100k in insolvent Corporate Commercial Bank will start being repaid on December 4th. **Market Developments:** Domestic stock indices treaded water on Thursday's session, with the main SOFIX index closing in a marginally positive territory at 519.82 points.

VBoteva@postbank.bg

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	2052.75	0.2%	11.1%	EUR/USD	1.2435	-0.8%	-9.5%	UST - 10yr	2.35	1	-68	GOLD	1196	0.2%	-0.8%
Nikkei 225	17357.51	0.3%	6.5%	GBP/USD	1.5664	-0.2%	-5.4%	Bund-10yr	0.78	-2	-115	BRENT CRUDE	177	0.0%	6.0%
STOXX 600	343.60	1.6%	4.7%	USD/JPY	117.93	0.2%	-10.7%	JGB - 10yr	0.46	-1	-28	LMEX	3115	0.3%	-1.4%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.62	11	-139
1-week	6.85	8	-143
1-month	7.15	9	-143
3-month	7.70	11	-118
6-month	8.04	5	-111

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.42	-1	-54
5Y RSD	10.22	0	-260
7Y RSD	11.23	0	-258

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.60	2	-140
USD Nov-24	2.24	-424	-466

CDS

	Last	ΔDbps	ΔYTD bps
5-year	258	0	-151
10-year	323	1	-124

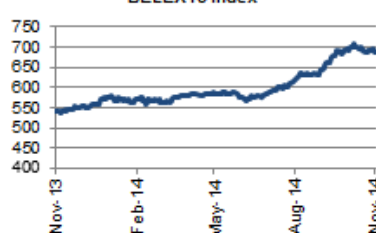
STOCKS

	Last	ΔD	ΔYTD
BELEX15	689.3	0.30%	23.53%

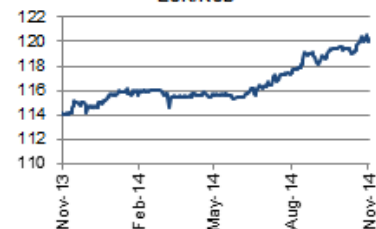
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.32	-0.01%	-4.77%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	-2	-128
1-month	1.1	0	-78
3-month	1.81	0	-63
6-month	2.14	-1	-85
12-month	2.15	-1	-100

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.93	0	-202
5Y RON	2.49	-2	-216
10Y RON	3.67	-7	-163

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.92	-1	-193
USD Aug-23	3.70	1	-110

CDS

	Last	ΔDbps	ΔYTD bps
5-year	145	-7	-35
10-year	190	-7	-42

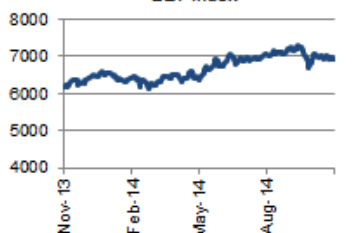
STOCKS

	Last	ΔD	ΔYTD
BET	6940.2	0.37%	6.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4401	0.05%	0.74%

BET Index



EUR/RON



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	1	33
5Y BGN	1.89	-4	4
10Y BGN	3.11	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-0.07	-16	-66
EUR Jul-17	1.27	0	-54

CDS

	Last	ΔDbps	ΔYTD bps
5-year	158	1	25
10-year	214	1	40

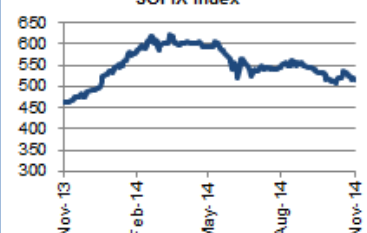
STOCKS

	Last	ΔD	ΔYTD
SOFIX	515.2	-0.89%	4.81%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5729	-0.83%	-9.52%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:20 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank and Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

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

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