

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 28, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 25
 - GDP (Q3, 3rd)
 - CB Consumer sentiment (Nov)
- November 26
 - Durable goods (Oct)
 - Initial jobless claims (Nov. 22)
 - Chicago PMI (Nov)
 - UoM consumer confidence (Nov)
 - New home sales (Oct)
 - Pending home sales (Oct)

EUROZONE

- November 24: DE: IFO (Nov)

SEE

SERBIA

- November 24: Floating 2016 RSD 3.2bn T-bonds auction
- November 25
 - Real gross wages (Oct)
 - RSD 10bn T-bonds auction
- November 26: T-bonds auction
- November 28
 - GDP (Q3, f)
 - Industrial production (Oct)
 - Trade balance (Oct)
 - Retail sales (Oct)

ROMANIA

- November 24: 2020 T-Bonds auction

BULGARIA

- November 25: Gross external debt (Sep)
- November 28: Budget balance (Oct)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from weaker Asian bourses, European stock markets opened on the back foot on Friday as OPEC's decision to stay put in production weighed down on oil-related shares. In the FX markets, the dollar regained ground on Friday, while the euro came under renewed pressure after consumer inflation for Eurozone eased back to a 5-year low in November.

SOUTH EASTERN EUROPE

SERBIA: Speaking to journalists on Thursday, Prime Minister Aleksandar Vučić said that the 2015 Budget Draft will be presented in the Parliament on December 10th, five days before the parliamentary approval deadline.

ROMANIA: The government ran a consolidated budget surplus of RON 2bn (or 0.3% of GDP) over the first ten months of the year, well above a deficit target of 2.2%-of-GDP for the whole of the year.

BULGARIA: According to the 2015 budget draft, the government pencils in a general government deficit of 3.0% of GDP next year, and respective shortfalls of 2.5% and 2.0% of GDP in 2016 and 2017, vs. a revised deficit target of 3.7% of GDP this year.

CESEE MARKETS: Tracking losses in major European and Asian bourses on Friday, the majority of **emerging stock markets** fell, led by weaker energy shares. Separately, **CESEE indices** were little changed earlier on Friday. While in the **local rates markets**, government bonds were mixed.

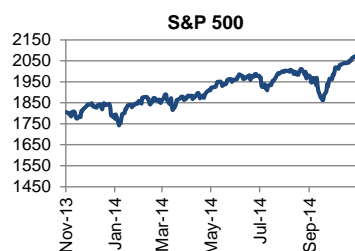
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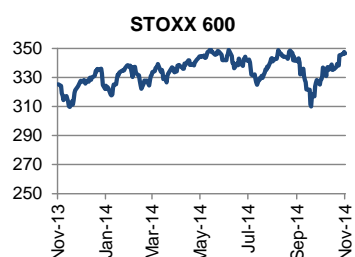
Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from weaker Asian bourses, European stock markets opened on the back foot on Friday as OPEC's decision to stay put in production, despite a drop in global oil prices, pushed Brent crude to a 4-year low of 71.12 per barrel earlier today and weighed down on oil-related shares. Against this backdrop, the dollar regained ground on Friday. Meanwhile, the euro came under renewed pressure after inflation data for Eurozone confirmed expectations for a CPI return to a 5-year low of 0.3%YoY in November from 0.4%YoY in the prior month, adding to the view that the ECB is likely to broaden further its asset purchases in the coming months, if needed, to avert the risk of a too prolonged period of low inflation. In view of the aforementioned developments, the EUR/USD slid to a multi-session low near 1.2430 in early European trade today, easing further below from this week's 1.2531 peak hit on Wednesday. Separately, the USD/JPY pulled back to a multi-session peak of 118.34 in Asia from yesterday's one-week low of 117.22. Elsewhere, lower oil prices also favored government bonds, with the corresponding 10-year German Bund yield easing to a new record low of 0.63% earlier today and the 10-year US Treasury yield falling to a 1-month low of 2.20%.



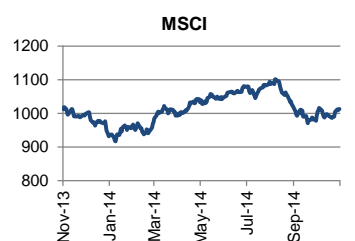
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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	BBB-	BBB-
CYPRUS	Caa3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE MARKETS

Tracking losses in major European and Asian bourses on Friday, the majority of **emerging stock markets** fell, led by weaker energy shares. Along these lines, the broad MCSI index of emerging equities slid by 0.5% at the time of writing, easing from a 2-month peak hit in the prior session. On the flipside, Turkey's BIST 100 index bucked the region's negative trend rising to a new 1-½ year high, favored by lower oil prices, as the country is heavily dependent on energy imports, which significantly augment its current account deficit and add to inflation pressures. Separately, **CESEE indices** were little changed earlier on Friday. The Turkish lira retained a firm tone in view of lower oil prices, with the USD/TRY hovering around levels of 2.2080 in European trade today, consolidating near a 1-month low of 2.2030 hit earlier in the session. The pair's technical picture suggests that a break below today's trough may pave the way towards 2.1890 (120-day moving average). On the other hand, immediate resistance lies at an intraday peak of 2.2160 ahead of 2.2245 (50% Fibonacci retracement from September's lows to October's highs). In the **local rates markets**, government bonds were mixed. Turkish paper broadly outperformed amid hopes for an improvement in the domestic inflation outlook thanks to weaker oil prices. Recall that CPI stood at 8.96%YoY in October, well above the official CBRT 5% medium-term target. Against this backdrop, the corresponding 2 and 10-year yields eased to respective 1-½ -year lows of 7.50% and 7.71%. On the flipside, Poland's government bonds lost ground after the final estimate of Q3 GDP was confirmed at 3.3%YoY, primarily driven by consumption and investments, casting doubt whether the Central Bank will further cut interest rates at its MPC meeting next week. Along these lines, 2-year yields rose by 5bps to 1.78% at the time of writing.

gphoka@eurobank.gr

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

SERBIA

(Belgrade 28/11/2014, 9:45 CET): Speaking to journalists on Thursday, Prime Minister Aleksandar Vučić said that the 2015 Budget Draft will be presented in Parliament on December 10th, five days before the parliamentary approval deadline. He added that €480mn of savings for next year are earmarked for the "Republic's" budget, while an additional €200mn would be saved in the "below the line" items on the consolidated budget. These numbers appear to have been pre-approved by the IMF last week. **Market Developments:** Despite renewed Central Bank intervention, the dinar remained under pressure on Thursday, with the EUR/RSD ending at 120.50/70 at the session's settlement after opening at 120.35/55. In more detail, the National Bank of Serbia sold around €20mn in the FX markets on Thursday to prop up the domestic currency. Looking ahead, the recent sealing of IMF precautionary deal and the apparent reluctance of the EUR/RSD breaking above the 120.50 area suggest that a reversal of the pair's move towards 120.00 as we approach year-end is likely.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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

ROMANIA

(Bucharest, 28/11/2014, 9:45 EET): **Latest Political & Macro Developments:** The government ran a consolidated budget surplus of RON 2bn (or 0.3% of GDP) over the first ten months of the year, well above a deficit target of 2.2%-of-GDP for the whole of the year. The surplus came on the back of a 13% annual drop in public investment. In political news, the Hungarian minority party announced on Thursday that they intend to leave the coalition led by the social-democrats. **Market Developments:** The EUR/RON consolidated around 4.4200 on Thursday, after Wednesday's move lower to 4.4180 at the session's close from 4.4300 at the open. Similarly, money market rates were little changed yesterday, with short term rates pinned near the deposit facility of 0.25%. Elsewhere, government bonds retained a firm tone, but market caution prevailed ahead of the December issuance calendar, due to be released today.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

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	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

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

BULGARIA

(Sofia, 27/11/2014, 17:20 EET): **Latest Political & Macro Developments:** According to the 2015 budget draft, the government pencils in a general government deficit of 3.0% of GDP next year, and respective shortfalls of 2.5% and 2.0% of GDP in 2016 and 2017, vs. a revised deficit target of 3.7% of GDP this year. The 2015 budget draft envisions an increase to 10% from 8% in the tax rate on interest earnings and an expansion of the taxable base. Public debt is forecasted to increase to BGN 24.5bn at the end of 2015, equivalent to 29.7% as GDP percent, while new government debt issuance is projected to amount to BGN 8.1bn next year. Real GDP is seen rising modestly, by 0.8%, with strengthening domestic demand dynamics expected to boost the annual growth rate to 1.5% in 2016 and 2.3% in 2017. **Market Developments:** The domestic stock market closed in a marginally negative territory on Thursday, with the main SOFIX easing by 0.15% to 519.70 points.

YKoseva@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	2072.83	0.3%	12.1%	EUR/USD	1.2484	0.1%	-9.2%	UST - 10yr	2.21	-4	-82	GOLD	1181	-0.9%	-2.1%
Nikkei 225	17459.85	1.2%	7.2%	GBP/USD	1.569	-0.3%	-5.2%	Bund-10yr	0.70	0	-123	BRENT CRUDE	175	0.0%	#VALUE!
STOXX 600	346.47	-0.3%	5.5%	USD/JPY	118.4	-0.6%	-11.1%	JGB - 10yr	0.42	-1	-32	LMEX	3095	-0.3%	-2.0%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	2	-133
1-week	6.92	2	-136
1-month	7.20	1	-138
3-month	7.74	0	-114
6-month	8.05	0	-110

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	-4	-67
5Y RSD	10.22	0	-260
7Y RSD	11.23	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.64	2	-136
USD Nov-24	2.48	-403	-443

CDS

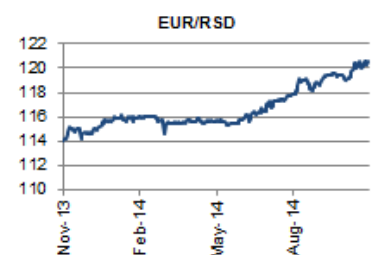
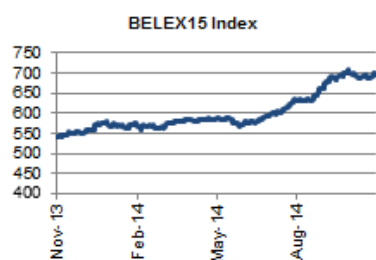
	Last	ΔDbps	ΔYTD bps
5-year	248	-2	-161
10-year	312	-1	-134

STOCKS

	Last	ΔD	ΔYTD
BELEX15	696.9	-0.69%	24.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.62	-0.11%	-5.01%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.65	-9	-109
1-month	0.86	-8	-102
3-month	1.73	-3	-71
6-month	2.09	-3	-90
12-month	2.1	-3	-105

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.89	-1	-206
5Y RON	2.44	-1	-221
10Y RON	3.57	-2	-173

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.83	0	-201
USD Aug-23	3.65	-3	-115

CDS

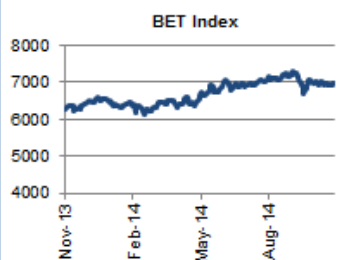
	Last	ΔDbps	ΔYTD bps
5-year	142	0	-44
10-year	186	0	-46

STOCKS

	Last	ΔD	ΔYTD
BET	6939.3	-0.36%	6.86%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4288	-0.19%	1.00%



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	1.23	-5	14
5Y BGN	1.73	1	-12
10Y BGN	2.92	0	-57

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-0.32	1	-90
EUR Jul-17	1.26	0	-56

CDS

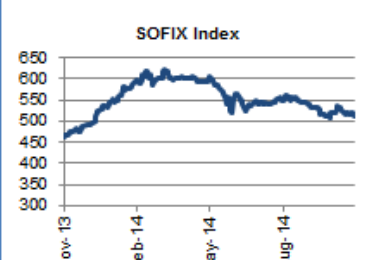
	Last	ΔDbps	ΔYTD bps
5-year	144	-3	19
10-year	195	-10	20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	512.8	-1.34%	4.32%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5665	0.14%	-9.15%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 16:20 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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