

November 3, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 3: ISM manuf (Oct)
- November 4
 - Trade balance (Sep)
 - Industrial orders (Sep)
- November 5
 - ADP payrolls (Oct)
 - ISM non-manuf (Oct)
- November 6: Initial jobless claims (Nov. 1)
- November 7
 - NFP (Oct)
 - U/E (Oct)

EUROZONE

- November 3: PMI manufacturing (Oct)
- November 5: PMI services (Oct)
- November 6: ECB MPC meeting

SEE

ROMANIA

- November 3
 - Retail sales (Sep)
 - Intern. Reserves (Sep)
 - 4.75% 2025 T-Bond auction
- November 4 : MPC meeting
- November 6
 - Net wages (Sep)
 - 2019 T-bonds auction

BULGARIA

- November 3: 2016 T-Bond auction
- November 7
 - Industrial production (Sep)
 - Retail sales (Sep)
 - Int. reserves (Oct)
 - U/E rate (Oct)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from largely weaker Asian bourses on Monday, major European equity markets recorded modest losses in early trade today on profit taking and renewed global growth concerns. In FX markets, the Japanese yen remained under pressure on Monday, continuing to be weighed down by the BoJ's unexpected decision to ease further its monetary policy last week. The euro also lost ground amid speculation that the ECB may eventually adopt further stimulus measures to support the Eurozone's economy. The ECB monetary policy meeting and US NFP report take centre stage this week.

SOUTH EASTERN EUROPE

SERBIA: According to flash estimate data released on Friday, real GDP growth marked a 3.7%YoY contraction in Q3 2014 after a 1.1%YoY decline in the prior quarter.

ROMANIA: With 91.33% of the vote of Sunday's first round of Presidential elections having been counted, incumbent Prime Minister Victor Ponta came in first with a share of 40.01%. The poll's run-off will be held on November 16.

BULGARIA: Bulgaria's budget ran a consolidated government deficit of BGN 1,483.2mn at the end of September, surpassing by 0.7% the full-year 2014 official target.

CESEE MARKETS: Tracking losses in major European and Asian bourses on Monday, the majority of **emerging stock markets** kicked off the week on a negative footing amid global growth concerns. Separately, **CESEE currencies** were little changed earlier today, as October's upbeat PMI data for the region somewhat provided support. Focus this week is on Central Bank monetary policy meetings in Romania and Poland.

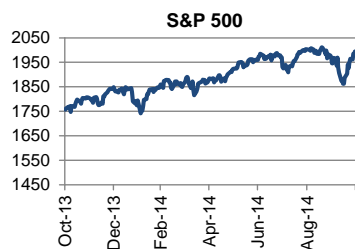
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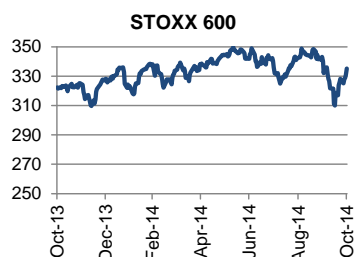
Latest world economic & market developments

GLOBAL MARKETS

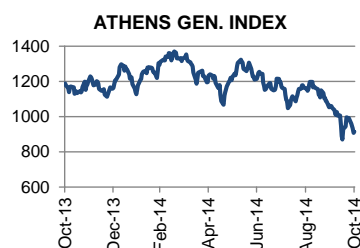
Taking their cue from largely weaker Asian bourses on Monday, major European equity markets recorded modest losses in early trade today on profit taking and renewed global growth concerns. On the latter, China's official PMI manufacturing and services eased to five and nine-month lows, of 50.8 and 53.8, respectively in October, while a private survey showed that home prices in the country fell for the sixth month running over the same month. The Japanese yen remained under pressure on Monday, continuing to be weighed down by the BoJ's unexpected decision to ease further its monetary policy last week. Against this background, the USD/JPY bounced as far as a 7-year high near 113.45 in Europe today. Separately, the euro also lost ground as the BoJ's recent action stirred speculation that the ECB, which holds its monthly monetary policy meeting this Thursday, may eventually adopt further stimulus measures to support the Eurozone's economy. Along these lines, the EUR/USD hovered around levels of 1.2493/96 at the time of writing, within distance from a 2-year trough of 1.2440 hit in Asian trade. The ECB monetary policy meeting and US NFP report take centre stage this week.



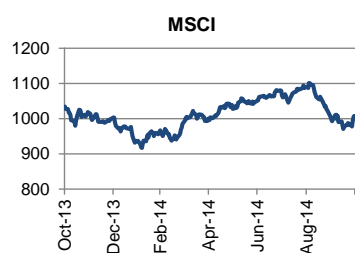
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE MARKETS

Tracking losses in major European and Asian bourses on Monday, the majority of **emerging stock markets** kicked off the week on a negative footing amid global growth concerns. Against this backdrop, the MSCI emerging equities index was sliding by ca 0.4% at the time of writing from a 5-week peak hit on Friday. In a similar mode, most **CESEE indices** recoiled in morning trade today, largely shrugging off upbeat PMI manufacturing data for October which indicated the region's resilience to recent EU sanctions against Russia and a broad slowdown in main trade partner economies. In more detail, Poland's PMI manufacturing spiked to a 6-month high of 51.2, moving above the 50 boom-or-bust level for the first time in three months in an indication of expansion in the sector, confounding market expectations for another month in contraction. Elsewhere, corresponding data for Hungary showed that manufacturing activity picked up pace in October, remaining above the 50-threshold for the 15-month running, while Turkey's PMI manufacturing expanded at the fastest pace in seven months. Separately, **CESEE currencies** were little changed earlier today, as October's upbeat PMI data for the region somewhat overshadowed global growth concerns. The EUR/RON hovered around levels of 4.4120 at the time of writing, remaining within distance from a 2-week low of 4.4065 hit in the prior session, with further gains for the Romanian leu likely limited by expectations that the Central Bank will deliver a 25bps cut in its record low 3.00% key policy rate on Tuesday. Similarly, expectations for additional monetary easing by the National Bank of Poland, contained a more significant appreciation for the Polish zloty in the wake of the better-than-anticipated PMI data. The market's median forecast is for a 25bps cut which, if delivered, will bring the main policy rate to a new record low of 1.75%. That said, a higher rate reduction can not be ruled out either as domestic economic activity appears to be slowing, while annual headline CPI remained in September in a negative territory, well below the Central Bank's 2.5% +/-1% target.

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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	2013	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	8.50	8.00

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

(Belgrade 31/10/2014, 17:15 CET): **Latest Political & Macro Developments:** According to flash estimate data released on Friday, real GDP growth marked a 3.7%YoY contraction in Q3 2014 after a 1.1%YoY decline in the prior quarter. The drop was largely expected, as ongoing austerity measures, low investment, weak industrial production activity and unfavorable base effects took a toll on the domestic economy last quarter. In separate reports, industrial production dropped for the 5th month running in September, marking a 16.0%YoY fall, its steepest pace of decline in more than five years. Meanwhile, the trade deficit narrowed by 1.9%YoY to € 3,138.2mn over the first nine months of the year. Although exports increased by 3.1%YoY outpacing growth of 1.7%YoY in imports over that period, a 9.1%YoY decline was recorded in the former in September alone and a 1.8%YoY gain in the latter. **Market Developments:** The EUR/RSD extended its recent modest downtrend on Friday, amid hopes about a looming agreement over an IMF credit line, ending at 119.00/20 after hitting a 1-month low of 118.70/90 an intraday. Ahead of Tuesday's T-bond auction, a re-test of Friday's trough can not be ruled out. On the upside, strong resistance lies at 119.50, where renewed Central Bank intervention in the FX markets is likely.

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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	2014f
Policy Rate (eop)	4.00	3.00	3.00

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

ROMANIA

(Bucharest, 3/11/2014, 10:50 EET): **Latest Political & Macro Developments:** With 91.33% of the vote of Sunday's first round of Presidential elections having been counted, incumbent Prime Minister Victor Ponta came in first scoring 40.01%. The runner-up was Klaus Iohannis, who is backed by two centre-right parties, achieving a share of 30.54%. As no candidate collected the required 50% score, a run-off vote will be held on November 16. **Market Developments:** In line with the broad-based recovery in regional currency markets on Friday, the EUR/RON closed near 4.4155 having retreated from Thursday's 2-month high of 4.4320. Meanwhile, short term RON rates continued to head lower amid increasing market liquidity. Today, the MoF holds a primary market auction for RON 300mn of 5Y bonds (Jun 2019), which is expected to be placed at an average yield of 3.10-3.20%.

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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

BULGARIA

(Sofia, 31/10/2014, 18:15 EET): **Latest Political & Macro Developments:** Bulgaria's budget ran a consolidated government deficit of BGN 1,483.2mn at the end of September, surpassing by 0.7% the full-year 2014 official target and increasing by 310% from a shortfall recorded over the same period a year earlier. The said deterioration came on the back of delays in tax revenue collection, higher expenditure and social and health insurance payments. Separately, the fiscal reserve stood at BGN 8.8bn, including BGN 8.1bn in deposits held in BNB and commercial banks and BGN 0.7bn of receivables under the EU Funds for certified expenditure and advance payments. In other news, Parliament rejected on Friday amendments to existing legislation, which would have allowed the rescue of Corporate Commercial Bank (Corpbank). Instead, it approved amendments to repay guaranteed deposits for up to EUR 100k.

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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	2018.05	1.2%	9.2%	EUR/USD	1.25	-0.2%	-9.0%	UST - 10yr	2.32	-1	-71	GOLD	1171	-0.2%	-2.9%
Nikkei 225	16413.76	4.8%	0.8%	GBP/USD	1.6002	0.0%	-3.3%	Bund-10yr	0.84	-1	-109	BRENT CRUDE	177	0.0%	6.1%
STOXX 600	335.28	-0.5%	2.1%	USD/JPY	113.74	-1.2%	-7.4%	JGB - 10yr	0.46	0	-28	LME X	3123	-0.3%	-1.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.81	-2	-120
1-week	7.04	1	-124
1-month	7.34	1	-124
3-month	7.81	-1	-107
6-month	8.10	-1	-105

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	-8	-67
5Y RSD	10.20	-3	-262
7Y RSD	11.22	-4	-258

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.89	-1	-112
USD Nov-24	3.26	-326	-365

CDS

	Last	ΔDbps	ΔYTD bps
5-year	268	2	-141
10-year	307	-9	-140

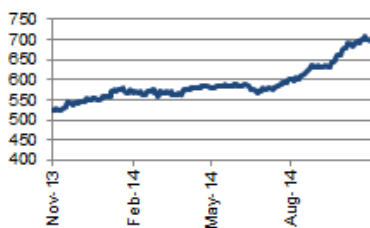
STOCKS

	Last	ΔD	ΔYTD
BELEX15	696.8	-0.77%	24.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.06	-0.05%	-3.77%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.76	-26	-98
1-month	1.41	-12	-47
3-month	1.94	-13	-50
6-month	2.37	-8	-62
12-month	2.39	-7	-76

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.10	-2	-185
5Y RON	2.64	-2	-201
10Y RON	3.67	-1	-163

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.08	1	-176
USD Aug-23	3.77	-1	-103

CDS

	Last	ΔDbps	ΔYTD bps
5-year	147	-3	-33
10-year	193	-4	-39

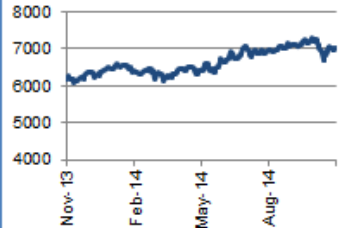
STOCKS

	Last	ΔD	ΔYTD
BET	7024.4	-0.15%	8.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.415	-0.04%	1.31%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.43	0	-22
6-month	0.80	0	-35
12-month	1.55	0	-64

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.34	9	24
5Y BGN	1.91	-2	6
10Y BGN	3.16	0	-34

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.79	42	20
EUR Jul-17	1.24	-4	-56

CDS

	Last	ΔDbps	ΔYTD bps
5-year	143	-5	20
10-year	192	-6	17

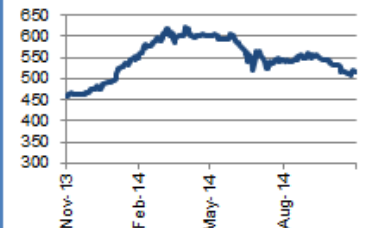
STOCKS

	Last	ΔD	ΔYTD
SOFIX	515.9	-0.84%	4.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5649	-0.20%	-9.06%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 15:30 EET

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