

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 5, 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: The majority of Asian bourses fell on Wednesday led by losses in energy shares due to falling oil prices, while new macroeconomic data from China added to global growth concerns. Elsewhere, US stock futures pointed to a higher open and the US dollar firmed after Republicans won a landslide victory in U.S. mid-term elections.

SOUTH EASTERN EUROPE

SERBIA: The much-awaited negotiations between Serbian authorities and the IMF over a new 3-year precautionary loan agreement began on Tuesday.

ROMANIA: In line with the market's median forecast, the National Bank of Romania (NBR) cut its key policy rate by 25bps to 2.75% at its MPC meeting yesterday and narrowed the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate to +/- 250bps. However, in a largely unexpected move, the Central Bank decided to cut the minimum reserve requirements ratio (MRR) on FX-denominated liabilities of credit institutions.

BULGARIA: The winner of the October 5 snap general election, GERB, nominated Boyko Borisov as Prime Minister after striking a coalition agreement with the Reformist Bloc.

CESEE MARKETS: Taking their cue from weaker Asian bourses on Wednesday, the majority of **emerging stock markets** extended this week's losses in European trade. In the **CESEE region**, most **indices** registered modest gains, while **currencies** marginally weakened in European trade as the US dollar resumed its uptrend and regional Central Banks are expected to deliver further monetary easing ahead.

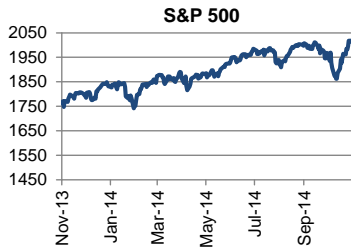
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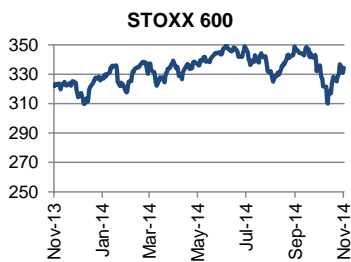
Latest world economic & market developments

GLOBAL MARKETS

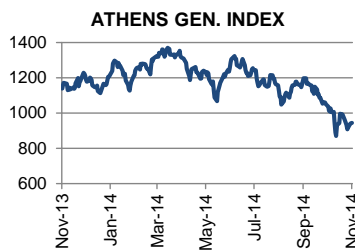
The majority of Asian bourses fell on Wednesday led by losses in energy shares due to falling oil prices, while new macroeconomic data from China added to global growth concerns. Supporting the view that the 2014 GDP official target for the world's second largest economy is likely to be missed, China's PMI services compiled by HSBC/Markit slid to a 3-month low of 52.9 in October from 53.5 in the prior month, remaining though above the 50 boom-or-bust level indicating ongoing, albeit at a slower pace, expansion in the sector. This follows official data released over the last few days revealing that PMI manufacturing and services eased respectively to five and nine-month lows last month, while a private survey showed that home prices in the country fell for the sixth month running in October. On the flipside, Japan's Nikkei extended its recent uptrend to close at a new 7-year high as the yen's recent weakening continues to favor exporters' shares. Elsewhere, US stock futures pointed to a higher open after Republicans won a landslide victory in U.S. mid-term elections, effectively securing majorities in both the U.S. Senate and the House of Representatives for the first time since 2006. Separately, European bourses moved higher at the time of writing recouping part of yesterday's losses thanks to upbeat corporate earnings results. In the FX markets, the US dollar resumed its recent uptrend on Wednesday, with the DXY index hitting a 4-year peak of 87.575 in Asian trade, receiving additional support from the US mid-term election outcome. The USD/JPY hit a new 7-year peak near 114.60 earlier today as BoJ Haruhiko Kuroda's comments indicated that the door remains open for further monetary easing to ensure the timely fulfillment of the official inflation target and support the domestic economy, weighed further on the Japanese currency. Meanwhile, the EUR/USD hovered around levels of 1.2490/92 at the time of writing, approaching anew a near 2-year low of 1.2440 ahead of tomorrow's ECB meeting. The Central Bank is broadly anticipated to stay put on its monetary policy on Thursday.



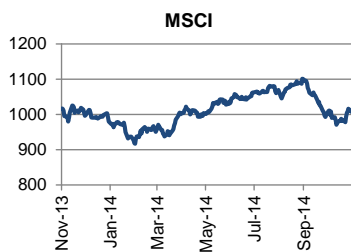
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE MARKETS

Taking their cue from weaker Asian bourses on Wednesday, the majority of **emerging stock markets** extended this week's losses in European trade, with the MSCI emerging equities index sliding by ca 0.8% at the time of writing, and marking the third session running in red. In the **CESEE region**, most **indices** registered modest gains, while **currencies** marginally weakened in European trade as the US dollar resumed its uptrend and regional Central Banks are expected to deliver further monetary easing ahead. In the wake of Romania's MPC decision to ease further its monetary policy on Tuesday, the Central Bank of Poland is expected to deliver a 25bps cut, which, if realized, will push its key 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. Against this backdrop, the EUR/PLN bounced to a multi-session peak near 4.2335 in European trade. Technically, a higher-than-anticipated interest rate cut today may pave the way for a move towards key resistance of 4.2400. In the **local rates markets**, Polish government bonds were somewhat firmer on Wednesday ahead of the conclusion of the 2-day MPC meeting, with the corresponding 2 and 10-year yields easing by 1.5% and 5.5% at the time of writing to 1.8% and 2.53% respectively.

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: 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

SERBIA

(Belgrade 5/10/2014, 1:25 CET): **Latest Political & Macro Developments:** The much-awaited negotiations between Serbian authorities and the IMF over a new 3-year precautionary loan agreement began on Tuesday. Talks primarily focused, among others, on heavily subsidized state owned companies and potential privatizations of the two largest public companies, Telekom and EPS (Elektroprivreda Srbije). Several government officials have recently expressed hope that a deal will be sealed by year-end and the state will successfully raise € 1.25bn in a fresh Eurobond issue within the same period. **Market Developments:** The EUR/RSD closed marginally higher at 119.20/40 on Tuesday, albeit off a 1-week peak of 119.30/50 hit at some point in the session following renewed Central Bank intervention. The dinar came under pressure on Tuesday, weighed down by weak demand in the 53W T-bonds auction. On the latter, the finance ministry sold just RSD 2.4bn (€20mn) of the planned RSD 10bn in 1Y T-Bills, at a yield of 8.20%, in line with that achieved at a prior auction of similar maturity paper a few months ago. The progress on negotiations about an IMF deal is likely to set the tone for the dinar's direction in the coming weeks.

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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	2014
Policy Rate (eop)	4.00	2.75	2.75

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

ROMANIA

(Bucharest, 5/11/2014, 9:00 EET): **Latest Political & Macro Developments:** In line with the market's median forecast, the National Bank of Romania (NBR) cut its key policy rate by 25bps to 2.75% at this year's last MPC meeting yesterday. Additionally, the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate was narrowed to +/- 250bps, as the deposit facility remained at 0.25% and the lombard rate was reduced to 5.25% from 5.75%. However, in a largely unexpected move, the Central Bank decided to cut the minimum reserve requirements ratio (MRR) on FX-denominated liabilities of credit institutions to 14% from 16%, estimated to release around €400mn of reserves. The corresponding ratio for RON-denominated liabilities was left unchanged. In the press conference that followed the announcement of the committee's decision, Governor Mugur Isarescu noted that the MRRs will ease towards 2%, in line with those of major central banks of EU Member States, over the next couple of years. Supporting the view that the door remains open for further monetary easing in the months ahead, the NBR revised lower its year-end CPI forecasts for 2014 and 2015 to 1.5%YoY (from 2.2%YoY) and to 2.2%YoY (from 3.0%), respectively, with Governor Isarescu highlighting that the main risks on inflation lie in the face of external uncertainties, namely capital flow volatility. **Market Developments:** With the Central Bank's monetary policy decision appearing to have a rather limited impact on the leu, the EUR/RON was little changed on Tuesday, hovering around levels of 4.4130/220. Similarly, short term RON rates for tenors up to 1W remained near the deposit facility rate of 0.25%, however, the 1M implied rate from swaps dropped 50bps to 1% and government bond yields moved around 5bps lower across the curve in the wake of the MPC announcement.

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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:** The winner of the October 5 snap general election, GERB, nominated Boyko Borisov as Prime Minister after striking a coalition agreement with the Reformist Bloc. The composition of the new cabinet will be revealed later this week and is pending parliamentary approval.

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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	2012.10	-0.3%	8.9%	EUR/USD	1.2483	-0.5%	-9.2%	UST - 10yr	2.35	2	-68	GOLD	1142	-2.2%	-5.3%
Nikkei 225	16937.32	0.4%	4.0%	GBP/USD	1.5891	-0.7%	-4.0%	Bund-10yr	0.83	2	-110	BRENT CRUDE	177	0.0%	6.1%
STOXX 600	334.39	1.1%	1.9%	USD/JPY	114.49	-0.8%	-8.0%	JGB - 10yr	0.47	3	-27	LMEX	3098	-1.2%	-1.9%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	6.82	0	-119	O/N	0.58	-8	-116	1-month	0.22	0	-9	1-month	0.22	0	-9
1-week	7.05	0	-123	1-month	1.17	-12	-71	3-month	0.43	0	-22	3-month	0.43	0	-22
1-month	7.34	-2	-124	3-month	1.83	-5	-61	6-month	0.80	0	-36	6-month	0.80	0	-36
3-month	7.80	-1	-108	6-month	2.29	-3	-70	12-month	1.55	0	-64	12-month	1.55	0	-64
6-month	8.14	0	-101	12-month	2.3	-4	-85	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	9.36	#N/A N/A	-60	3Y RON	1.96	-5	-199	3Y BGN	1.34	7	24	3Y BGN	1.94	1	10
5Y RSD	10.22	0	-260	5Y RON	2.53	-4	-212	5Y BGN	1.94	1	10	5Y BGN	1.94	1	10
7Y RSD	11.23	0	-257	10Y RON	3.59	-4	-171	10Y BGN	3.12	0	-37	10Y BGN	3.12	0	-37
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.89	-1	-112	EUR Sep-20	2.12	1	-173	USD Jan-15	0.59	-21	1	USD Jan-15	0.59	-21	1
USD Nov-24	3.10	-341	-381	USD Aug-23	3.85	2	-96	EUR Jul-17	1.28	0	-52	EUR Jul-17	1.28	0	-52
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	266	3	-143	5-year	154	5	-31	5-year	152	3	24	5-year	152	3	24
10-year	323	4	-123	10-year	200	5	-32	10-year	201	3	27	10-year	201	3	27
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	698.2	0.03%	25.13%	BET	7012.4	0.26%	7.99%	SOFIX	518.4	0.15%	5.47%	SOFIX	518.4	0.15%	5.47%
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.37	-0.06%	-4.01%	EUR/RON	4.4188	-0.08%	1.22%	USD/BGN	1.5667	-0.49%	-9.17%	USD/BGN	1.5667	-0.49%	-9.17%

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:30 EET

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