

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 10, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- October 7: Fed's George, Kocherlakota, Dudley speak
- October 8: Fed Sept. 16-17 FOMC meeting minutes
- October 9: Initial jobless claims (Oct. 3)
- October 9-10: G20 Finance ministers and central bankers meet in Washington
- October 10: Fed's Plosser, George and Lacker speak

### SEE

#### SERBIA

- October 3-10: GDP (f, Q2)
- October 7: PPI (Sept)

#### ROMANIA

- October 7
  - Industrial sales (Aug)
  - Net wages (Aug)
- October 8: GDP (Q2, f)
- October 10
  - CPI (Sept)
  - Trade balance (Aug)
  - Industrial output (Aug)

#### BULGARIA

- October 7-14: U/E rate (Sept)
- October 8
  - Industrial production (Aug)
  - Retail sales (Aug)
- October 10: Trade balance (Aug)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market concerns about the sustainability of the global economic recovery prevail, pushing the majority of global equity markets lower on Friday and assisting US Treasuries and German Bunds retain a firm tone in European trade.

**GREECE:** Greece's ruling coalition is reportedly expected to comfortably win the vote of confidence, scheduled for midnight today, especially after independent and former ND MP Nikitas Kaklamanis announced y-day his decision to return to the ND's parliamentary group.

### SOUTH EASTERN EUROPE

**SERBIA:** The Central Bank (NBS) intervened for the third consecutive session in the FX markets on Thursday to halt the dinar's depreciating momentum.

**ROMANIA:** CPI rose by 0.1%MoM in September, bringing the annual rate of increase to 1.5% vs. a 0.8%YoY print in the prior month and market expectations of 1.4%YoY. Despite last month's uptick, further Central Bank monetary policy easing is on the cards.

**BULGARIA:** According to final results for Sunday's snap general elections, the GERB party won the poll, acquiring 84 seats in Parliament.

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## Latest world economic & market developments

### GLOBAL MARKETS

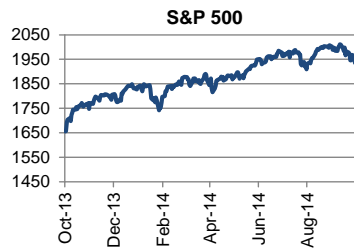
Market concerns about the sustainability of the global economic recovery prevail, pushing the majority of global equity markets lower on Friday and assisting US Treasuries and German Bunds retain a firm tone in European trade. Adding to a string of disappointing domestic data earlier this week, Germany's exports dropped by 5.8% mom in August, the biggest decline since early 2009, reinforcing worries about the growth prospects of the Eurozone's largest economy. Meanwhile, the more dovish than expected tone of the minutes from the FOMC September meeting released late on Wednesday, continued to have an impact in FX markets, helping the EUR/USD retain some of y-day's gains. After hitting a two-week peak of 1.2790 on Thursday, the EUR/USD was hovering around 1.2665/70 at the time of writing, above a multi-month trough of 1.2500 marked a few sessions ago. Yet, in view of lingering concerns about the euro area's growth outlook and the diverging monetary policy deliberations between the ECB and the Fed, there is little to suggest that the pair is poised for any further significant gains in the coming sessions. Technically, only a sustainable move above the 1.2800 area could potentially negate the pair's current negative trend.

### GREECE

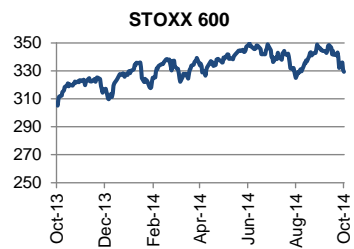
In an interview to international newswires y-day after the EU Summit in Milan, Greece's Prime Minister Antonis Samaras reiterated full confidence that Greece can cover its funding needs from wholesale funding markets in the coming years. He added that ending the current financing program earlier than scheduled, would not signify "a divorce" from official lenders, and that the government is prepared to negotiate an appropriate oversight role of the Greek economy. The above comments coincided with remarks by IMF Managing Director Christine Lagard during a press conference that, though the Fund acknowledges the desire of Greek officials for an early exit from the current financing program, the IMF is the view that some form of precautionary support should be retained. The nature of relationship between the Greek State and the troika after the European part of the present lending program expires, is expected to be a key issue of discussion between the IMF Managing Director and Greece's Minister of Finance Gikas Hardouvelis in their upcoming meeting scheduled for Sunday, October 12th on the sidelines of the IMF/World Bank Annual Meeting in Washington D.C.

Meanwhile, Greece's ruling coalition is reportedly expected to comfortably win the vote of confidence, scheduled for midnight today, especially after independent and former ND MP Nikitas Kaklamanis announced y-day his decision to return to the ND's parliamentary group. Nikitas Kaklamanis was expelled from the ND's parliamentary group earlier this year when he broke the party line and voted against a multi-bill. The coalition government now controls 155 parliamentary seats, including 127 from the main coalition partner ND and 28 from PASOK. According to the Constitution of Greece (Article 84, paragraphs 6) the confidence vote requires an absolute majority of the Members of Parliament attending the vote, which cannot be less than 120 MPs (i.e. 2/5 of the total number of parliamentary deputies). As things stand at this point and under the assumption that all lawmakers attend the voting procedure, the coalition government needs at least 146 in favor votes as nine Golden Dawn MPs are currently in pretrial custody on allegations about the formation of a criminal organization.

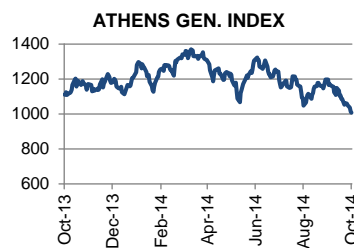
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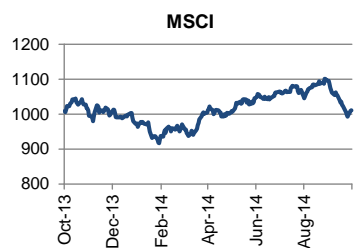
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Credit Ratings		
	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	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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.50	8.00

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

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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.00	3.00

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

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

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

## SERBIA

(Belgrade 9/10/2014, 17:00 CET): **Market Developments:** The Central Bank (NBS) intervened for the third consecutive session in the FX markets on Thursday to halt the dinar's depreciating momentum. Cumulatively, the NBS sold € 100mn, with the biggest amount offered on Wednesday (€ 70mn). Against this backdrop, the dinar eventually received some support, with the EUR/RSD easing from a new record peak of 119.70/90 hit on Wednesday to 119.25/45 on Thursday's settlement. Looking ahead, we see limited room for further dinar depreciation over the next couple of sessions as renewed Central Bank action is likely to cap a resumption of the EUR/RSD's upside momentum. The expected inception of a new round of negotiations with IMF and the submission to parliament of the revised 2014 Budget, both anticipated at the end of October, will likely set the tone for the dinar's direction for the remainder of the year.

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## ROMANIA

(Bucharest, 10/10/2014, 9:10 EET): **Latest Political & Macro Developments:** CPI rose by 0.1%MoM in September, bringing the annual rate of increase to 1.5% vs. a 0.8%YoY print in the prior month and market expectations of 1.4%YoY. Despite last month's uptick, further Central Bank monetary policy easing is on the cards. In support of the aforementioned, the domestic economy slid into a technical recession in Q2 2014, while inflation pressures remain subdued. On the latter, September's reading is not far off a record low of 0.7%YoY hit in June, while CPI remained below the Central Bank's 2.5% +/- 1% inflation target in the first eight months of the year, before hitting its lower bound in September. Yet, taking into account recent comments by Central Bank Governor Mugur Isarescu suggesting great caution at next month's MPC meeting decision we would assign a higher than even probability of a stable policy rate at the current record low of 3.00%, with further cuts likely to be delivered early next year. Even so, a 25bps cut in the main policy rate as soon as next month, can not be ruled out entirely. **Market Developments:** The EUR/RON closed slightly lower at 4.4035 on Thursday. Money market rates were little changed on Thursday as banks are seeking to assess the liquidity impact from yesterday's Central Bank rollover of a maturing 1-week repo operation. In more detail, the NBR placed RON 1bn at the 3.00% monetary policy rate, significantly less than RON 4bn placed last week. Government bonds rallied yesterday in line with regional markets, with 3-10 year yields easing some 10bps across the curve, favoured by the more dovish than anticipated tone in the Fed's meeting minutes released earlier in the week. At the primary market auction for the old (Apr 2023) 10Y bonds, the MoF found strong demand, allotting RON 300mn (more than the announced RON 200mn) at an average accepted yield of 3.92%, slightly below market expectations.

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## BULGARIA

(Sofia, 9/10/2014, 16:45 EET): **Latest Political & Macro Developments:** According to final results for Sunday's snap general elections, the GERB party won the poll, acquiring 84 seats in Parliament. The Bulgarian Socialist Party (BSP) came in second with 39 seats while the Movement for Rights and Freedoms (DPS) amassed 38 seats. Five more parties passed the 4% threshold to enter the National Assembly. Namely, the Reformist Bloc (23 seats), the Patriotic Front (19 seats), Bulgaria Without Censorship (15 seats), the nationalist Ataka (11 seats) and the party of former Bulgarian President Georgi Parvanov, ABV, (11 seats).

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## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## SEE MARKETS

### SERBIA

Money Market	Last	ΔDbps	ΔYTD bps
BELIBOR	6.76	0	-125
T/N	6.76	0	-125
1-week	6.97	0	-131
1-month	7.30	1	-128
3-month	7.79	1	-109
6-month	8.06	0	-109

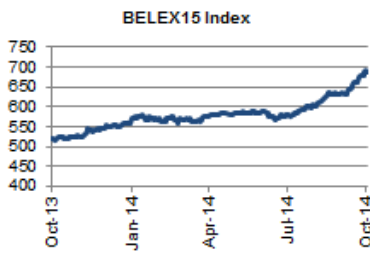
RS Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RSD	9.40	#N/A	-56
5Y RSD	10.24	0	-258
7Y RSD	11.26	0	-254

RS Eurobonds	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.27	0	-74
USD Nov-24	4.09	-246	-281

CDS	Last	ΔDbps	ΔYTD bps
5-year	265	-8	-144
10-year	317	-9	-129

STOCKS	Last	ΔD	ΔYTD
BELEX15	688.9	0.25%	23.47%

FOREX	Last	ΔD	ΔYTD
EUR/RSD	119.42	-0.27%	-4.06%



### ROMANIA

Money Market	Last	ΔDbps	ΔYTD bps
ROBOR	3.12	3	138
O/N	2.98	0	110
1-month	2.98	0	110
3-month	2.94	1	50
6-month	2.95	0	-4
12-month	2.93	-2	-22

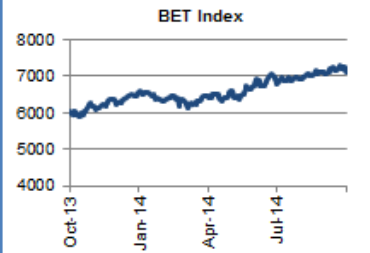
RO Local Bonds	Last	ΔDbps	ΔYTD bps
3Y RON	2.59	2	-136
5Y RON	3.07	1	-158
10Y RON	3.95	1	-135

RO Eurobonds	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.06	-1	-178
USD Aug-23	3.89	0	-92

CDS	Last	ΔDbps	ΔYTD bps
5-year	146	2	-40
10-year	192	2	-40

STOCKS	Last	ΔD	ΔYTD
BET	7028.3	-1.44%	8.23%

FOREX	Last	ΔD	ΔYTD
EUR/RON	4.404	-0.01%	1.56%



### BULGARIA

Money Market	Last	ΔDbps	ΔYTD bps
SOFIBOR	0.02	0	-5
LEONIA	0.23	0	-9
1-month	0.23	0	-9
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

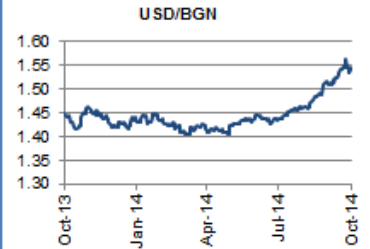
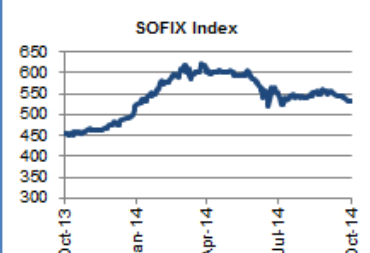
BG Local Bonds	Last	ΔDbps	ΔYTD bps
3Y BGN	1.20	3	11
5Y BGN	1.87	-1	3
10Y BGN	3.07	0	-43

BG Eurobonds	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.81	-4	22
EUR Jul-17	1.15	-2	-65

CDS	Last	ΔDbps	ΔYTD bps
5-year	135	4	13
10-year	184	4	10

STOCKS	Last	ΔD	ΔYTD
SOFIX	532.9	0.20%	8.42%

FOREX	Last	ΔD	ΔYTD
USD/BGN	1.5438	-0.17%	-7.82%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:30 EET

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