

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 1, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 29: Pending home sales (Aug)
- September 30: CB cons. confidence (Sep)
- October 1
 - ADP employment (Sep)
 - ISM manuf (Sep)
- October 2
 - Initial jobless claims (Sep 26)
- October 3
 - NFP (Aug)
 - ISM non-manuf (Sep)

EUROZONE

- September 30: HICP (flash, Sep)
- October 1: PMI manufacturing (Sep)
- October 2: ECB MPC meeting
- October 3: PMI services (Sep)

SEE

SERBIA

- September 30
 - GDP (f, Q2)
 - Industrial output (Aug)
 - Retail sales (Aug)
 - Trade Balance (Aug)
 - 2-Y T-bonds auction

ROMANIA

- September 30: MPC meeting
- October 1
 - GDP (f, Q2)
 - Intern. reserves (Sep)
- October 2: Retail sales (Aug)

BULGARIA

- September 30: Budget balance (Aug)
- October 1: Reserve assets (Sep)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Market expectations that the ECB is likely to adopt further monetary stimulus measures in the months ahead prevail, especially after y-day's data showed that Eurozone flash HICP resumed its downtrend in September hitting a new cyclical low. Focus today is on the release of the US ADP employment data as well as the US PMI manufacturing report for September which both have the potential to assist the USD extend its recent gains should they surprise positively.

GREECE: International newswires suggested today that ECB President Mario Draghi intends to propose to the Executive Board to ease existing requirements on the quality of assets accepted by banks so as the Central Bank to be allowed to buy Greek and Cypriot asset backed securities (ABS with "junk ratings").

SOUTH EASTERN EUROPE

SERBIA: Exports, industrial production fall in August.

ROMANIA: NBR cuts key policy rate by 25bps to 3.00%, in line with the market's consensus, but unexpectedly reduces minimum reserve requirements ratio on leu-denominated liabilities of credit institutions to 10% from 12%.

BULGARIA: Producer prices decreased in August.

CESEE MARKETS: Emerging stock markets broadly fell in European trade on Wednesday, with persisting social unrest in Hong-Kong, a stronger US dollar and concerns about the outlook of the world's second largest economy weighing on regional bourses. Separately, **CESEE currencies** were mixed at the time of writing, with the Turkish lira extending its recent downtrend.

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Latest world economic & market developments

GLOBAL MARKETS

Market expectations that the ECB is likely to adopt further monetary stimulus measures in the months ahead prevail, especially after y-day's data showed that Eurozone HICP resumed its downtrend in September hitting a new cyclical low of 0.3%YoY. Against this background, the EUR retained a negative tone in European trade on Wednesday with the EUR/USD hovering around 1.2600/10 at the time of writing, within distance from a two-year trough of 1.2570 recorded on Tuesday. Focus today is on the release of the US ADP employment data as well as the US PMI manufacturing report, both for the month of September, which have the potential to keep the EUR/USD in an underlying downtrend should they deliver positive surprises.

GREECE

In the context of Greece's current (5th) program review, the first high-level meeting between Greece's Minister of Finance Gikas Hardouvelis and the troika heads took place y-day where the execution of the FY-2014 budget and the draft FY-2015 budget reportedly dominated official discussions. According to press reports, the draft 2015 budget will incorporate all tax reforms the Greek Premier announced in his keynote speech at the Thessaloniki International Fair early last month while the two sides agreed that the 3.0%-of-GDP general government primary surplus target will be met without the need for additional austerity measures. In other news, international newswires suggested today that ECB President Mario Draghi intends to propose to the Executive Board to ease existing requirements on the quality of assets accepted by banks so as the Central Bank to be allowed to buy Greek and Cypriot asset backed securities (ABS with "junk ratings"). At present, the ECB only accepts ABS as collateral if they hold a minimum rating of at least triple B, the lowest investment-grade rating. Reacting to the latter, Greek government bonds recovered some of their recent losses earlier today with the 10-yr GGB yield hovering around 6.28% at the time of writing after ending at a two-month peak of 6.33% in the prior session. In the press conference that will follow tomorrow's ECB policy meeting, President Mario Draghi is expected to announce the technical modalities of the Central Bank's ABS and covered bonds purchasing programs.

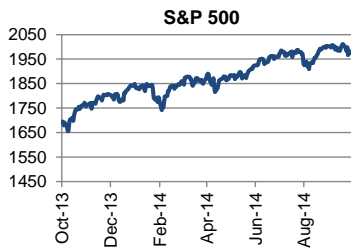
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Latest developments in the CESEE region

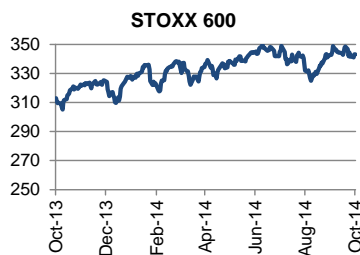
CESEE MARKETS

Emerging stock markets broadly fell in European trade on Wednesday, with persisting social unrest in Hong-Kong, a stronger US dollar and concerns about the outlook of the world's second largest economy weighing on regional bourses. With the prospect of an aggressive FOMC rate tightening cycle as of 2015 continuing to dent risky assets' carry allure, the MSCI index of emerging equities extended a 4-session streak of declines, touching a new 5-month low earlier in the session. CESEE stock markets were mixed, despite PMI data releases for September which showed improvement in the manufacturing sector compared to the prior month in several economies in the region. Separately, **CESEE currencies** were mixed at the time of writing, with the Turkish lira extending its recent downtrend, weakening to a new 8-month intraday low of 2.2930/USD. The USD/TRY's technical picture suggests that a sustainable break above today's peak may pave the way towards 2.3170 (January 29, 2014 high), ahead of the more crucial 2.3900 (lifetime peak hit on January 27, 2014).

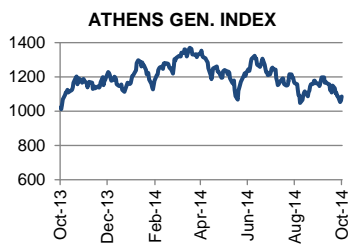
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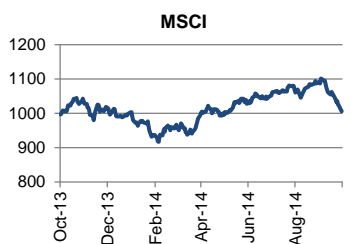
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

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
	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, 30/9/2014, 16:10 CET): **Latest Political & Macro Developments:** Industrial production fell for the fourth month running in August, marking its steepest pace of annual declines in five years with a 13.1%YoY drop. The highest falls were observed in energy and mining production caused by adverse weather conditions earlier this year. Separately, trade balance data for August showed a decline of 13%YoY in euro terms in exports, reflecting saturation of export-oriented firms' production and declining demand from the EU. Nonetheless, exports increased by 11.8%YoY over the first eight months of the year, while imports rose modestly, by 1.5%YoY, over the same period after a 5.0%YoY drop in August. According to preliminary data, retail trade turnover inched up by 3.0%YoY in real terms in August after a 5.3%YoY rise in July, bringing the annual rate of increase for the first eight months of the year to 2.5%. In other news, Serbia's Public Debt Administration sold on Tuesday RSD 4.3bn in 2-Y T-Bonds, less than half of the RSD 10bn planned. The issue bore an 8% coupon and the auction produced a yield of 9.00%, largely unchanged compared to a prior tender of similar maturity paper in early summer. Yet, the success rate was significantly lower to that of June's, when the entire RSD 10bn planned amount was sold. This indicates investor caution towards Serbian assets despite the recently announced austerity measures by the government.

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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	3.25	3.00

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

ROMANIA

(Bucharest, 1/10/2014, 9:30 EET): **Latest Political & Macro Developments:** In line with market expectations, the National Bank of Romania cut its key policy rate by 25bps to a new record low of 3.00% at its MPC meeting on Tuesday. However, in a more dovish than anticipated note, the NBR reduced the minimum reserve requirements ratio on leu-denominated liabilities of credit institutions to 10% from 12%, a measure that is estimated to inject ca RON 2.5-3.0bn of additional liquidity into the domestic banking system. The NBR also decided to narrow the symmetrical corridor of interest rates on NBR's standing facilities around the policy rate to ± 2.75 ppts from ± 3 ppts, with the deposit facility rate remaining unchanged at 0.25% and the Lombard rate lowered to 5.75% from 6.25%. **Market Developments:** The EUR/RON largely shrugged off the NBR's monetary policy decision remaining range-bound within 4.4060/4.4120. Yet, in the money markets, the 1-month implied rate dropped to 2.90% from 3.50% on Monday, while the corresponding 3-12 month rates decreased some 20bps. Government bonds rallied in reaction to the NBR decision, with yields decreasing around 10bps across 2-10 years maturities.

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BULGARIA

(Sofia, 30/9/2014, 17:30 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the Producer Price Index on Domestic Market decreased on an annual basis for the fourteenth month running in August, marking a 1.0% drop after a 0.6% fall in July. The breakdown of the data showed broad-based declines in all sectors, with producer prices in mining, utilities sector and manufacturing recording respective declines of 4.8%YoY, 1.9%YoY and 0.3%YoY. **Market Developments:** The domestic stock market underperformed its CESEE peers on Tuesday, weighed down by losses in blue chips. Against this backdrop, the main SOFIX index slid by 0.67% to end at 539.96 points.

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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

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	1972.29	-0.3%	6.7%	EUR/USD	1.2609	-0.2%	-8.3%	UST - 10yr	2.48	-1	-55	GOLD	1209	0.1%	0.3%
Nikkei 225	16082.25	-0.6%	-1.3%	GBP/USD	1.6192	-0.1%	-2.2%	Bund-10yr	0.93	-2	-100	BRENT CRUDE	179	-0.7%	7.3%
STOXX 600	343.12	0.0%	4.5%	USD/JPY	109.75	-0.1%	-4.0%	JGB - 10yr	0.53	0	-21	LMEX	3092	-0.8%	-2.1%

SEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.74	0	-127
1-week	6.97	0	-131
1-month	7.29	-1	-129
3-month	7.78	0	-110
6-month	8.06	0	-109

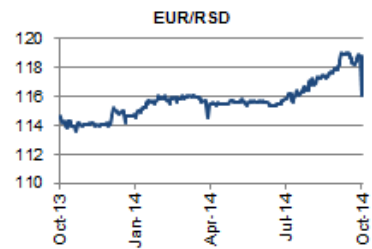
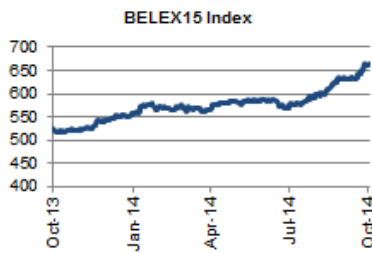
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	0	-66
5Y RSD	10.26	0	-256
7Y RSD	11.26	-1	-255

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.26	2	-75
USD Nov-24	-9.26	-1585	-1617

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	265	0	-144
10-year	318	0	-129

STOCKS			
	Last	ΔD	ΔYTD
BELX15	664.6	0.48%	19.11%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	118.83	-2.25%	-3.58%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.38	-11	164
1-month	3.13	-9	125
3-month	3.01	-9	57
6-month	2.97	-6	-2
12-month	2.97	-4	-18

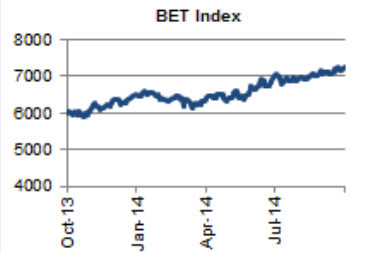
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	2.70	-4	-125
5Y RON	3.20	-5	-145
10Y RON	4.09	-4	-121

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.18	-1	-167
USD Aug-23	4.04	-1	-77

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	148	-1	-40
10-year	192	-6	-40

STOCKS			
	Last	ΔD	ΔYTD
BET	7291.5	0.39%	12.28%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4119	0.01%	1.38%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-9
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.63	0	-57

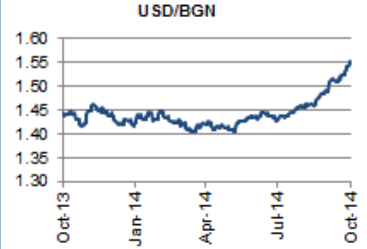
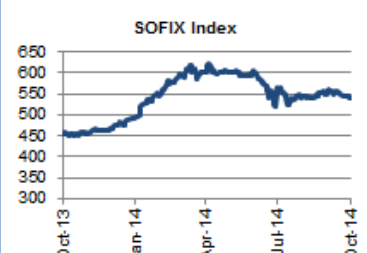
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.18	6	9
5Y BGN	1.86	7	2
10Y BGN	3.14	0	-35

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.74	-18	16
EUR Jul-17	1.20	-3	-60

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	140	-4	17
10-year	190	-5	15

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	539.8	-0.04%	9.81%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.5513	-0.18%	-8.26%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:450 EET

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