

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 21, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 21: Existing home sales (Sep)
- October 22: CPI (Sep)
- October 23: Initial jobless claims (Oct. 18)
- October 24: New home sales (Oct)

EUROZONE

- October 20: ECB's Coeuré speaks
- October 23: PMI (Oct)
- October 23-24: EU leader summit in Brussels
- October 24: ECB's Praet speaks

CHINA

- October 21: Q3 GDP

SEE

SERBIA

- October 20-24: Q2 GDP (f)
- October 21
 - 10-year T-bond auction
 - Current account balance (Aug)

ROMANIA

- October 20: 2019 T-Bonds auction
- October 21: 2025 T-Bonds auction

BULGARIA

- October 20: 2024 T-Bonds auction
- October 23: Gross external debt (Aug)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking gains in Wall Street overnight amid market optimism about upcoming US Q3 corporate earnings results, major European bourses opened lower on Tuesday on the back of heightened global growth concerns. Data released earlier today from China revealed that Q3 GDP grew by 7.3%YoY, the slowest pace since Q1 2009, from 7.5%YoY in the prior quarter, reinforcing market worries that the Chinese authorities' official growth target of 7.5%YoY for this year will likely be missed.

GREECE: Local press reports suggested today that the date for the return to Athens of the troika mission heads has yet to be finalised as they are still expecting domestic authorities' proposals on a number of core issues underlying the current (5th) program review that are still pending.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD traded water on Monday, ending at 119.50/70.

ROMANIA: Yesterday's 5Y government bond auction attracted good demand amid improving funding conditions, with RON 300mn having been placed at an average accepted yield of 3.09%, marginally below market expectations.

BULGARIA: The Ministry of Finance placed BGN 55mn in 10-year Government securities on Monday, at an average accepted yield of 3.50% and a bid/cover ratio of 1.43.

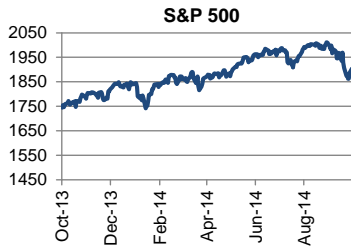
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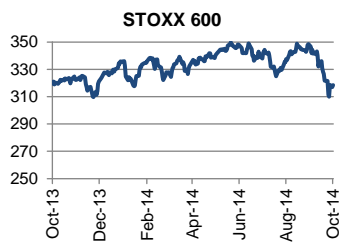
Latest world economic & market developments

GLOBAL MARKETS

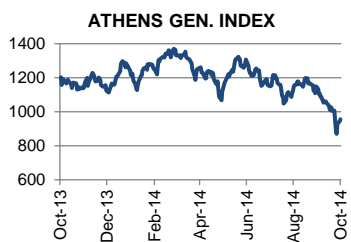
Bucking gains in Wall Street overnight amid market optimism about upcoming US Q3 corporate earnings results, major European bourses opened lower on Tuesday on the back of heightened global growth concerns. Data released earlier today from China revealed that Q3 GDP grew by 7.3%YoY, the slowest pace since Q1 2009, from 7.5%YoY in the prior quarter, reinforcing market worries that the Chinese authorities' official growth target of 7.5%YoY for this year will likely be missed. Market uncertainty ahead of the release of the upcoming EU-wide stress test results, scheduled for October 26, also had an impact. The negative tone in major European bourses favored German government bonds with the 10-yr Bund hovering around 0.837% at the time of writing, 1.2bp lower compared to the settlement in the prior session. In a similar note, the 10-yr US Treasury was standing close to 2.15%, not far from last week's 17-month low of 2.13% after closing at 2.19% on Monday. Lower US bond yields weighed on the USD with the USD/JPY hovering around 106.45/50 in European trade after hitting multi-session highs of 107.40 at some point on Monday. Though some further modest USD/JPY weakness in the coming sessions cannot be ruled out, especially if global equity markets move lower, on a medium-term basis risks seem to the upside on the back of diverging Fed and BoJ monetary policies. Technically, strong support stands at 105.20/40 while on the upside, resistance lies at 107.40 (Oct. 20 peak). On the data front, focus today is on US existing home sales for September as well as public finance data in the UK.



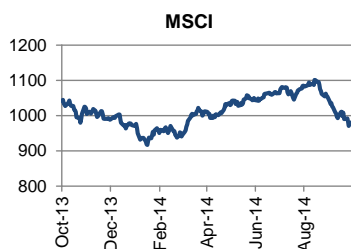
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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GREECE

According to comments by ESM head Klaus Regling, the results of the upcoming EU-wide stress test results, due for release on October 26, are expected to clarify Greece's funding needs for next year adding that the prospect of Greece exiting from the IMF lending program earlier than scheduled creates some market "uncertainty". The ESM head also said that official discussions on the issue will continue in the upcoming November 6th Eurogroup while final decisions are expected to be reached in December. Meanwhile, local press reports suggested today that the date for the return to Athens of the troika mission heads has yet to be finalised as they are still expecting domestic authorities' proposals on a number of core issues underlying the current (5th) program review that are still pending, including, inter alia, the identification of necessary legal changes in the regulatory framework dictating labor unions' operation.

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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: 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

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

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

SERBIA

(Belgrade 20/10/2014, 16:15 CET): **Market Developments:** The EUR/RSD traded water on Monday, ending at 119.50/70 after opening at 119.45/65. We reiterate that the pair's technical picture suggests that key resistance lies at 119.70, a level that has repeatedly triggered NBS intervention, while strong support stands at 119.00.

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ROMANIA

(Bucharest, 21/10/2014, 9:10 EET): **Market Developments:** The EUR/RON started the week in a consolidation mode, trading around a tight range of 4.4150/200. Short term RON rates continued to ease, with the 1M dropping 20 bps to 2.05% from 2.25% in the prior session's settlement, while 3-12M rates decreased some 10bps across the board, bringing the 1Y rate to 2.10%. Yesterday's 5Y government bond auction attracted good demand amid improving funding conditions, with RON 300mn having been placed at an average accepted yield of 3.09%, marginally below market expectations. Hefty local demand for 1-2Y paper pushed bond yields for those maturities some 15bps lower, while 3-10Y yields eased ca 5bps.

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BULGARIA

(Sofia, 21/10/2014, 09:40 EET): **Market Developments:** Bucking the positive trend in emerging stock markets on Monday, domestic bourses closed slightly weaker amid persisting domestic political uncertainty following the October 5 snap general election inconclusive outcome. In other news, the Ministry of Finance placed another BGN 55mn in 10-year Government securities on Monday at an average accepted yield of 3.50% and a bid/cover ratio of 1.43. Banks remained the major buyers on the primary market acquiring 61.91% of the full amount, while pension funds received 23.64%, followed by insurance companies with 12.00% and guarantee state funds with 2.45%.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.78	0	-123
1-week	6.97	0	-131
1-month	7.30	0	-128
3-month	7.79	0	-109
6-month	8.08	0	-107

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.38	0	-58
5Y RSD	10.23	0	-259
7Y RSD	11.26	0	-254

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.02	-1	-99
USD Nov-24	3.92	-263	-298

CDS

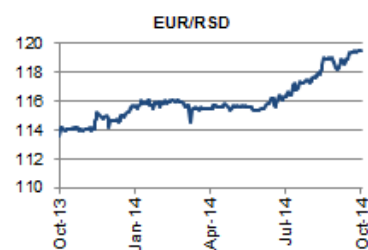
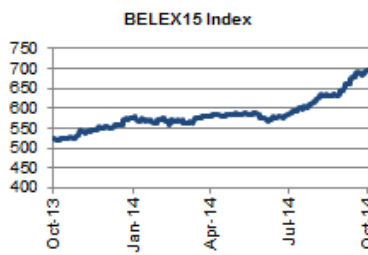
	Last	ΔDbps	ΔYTD bps
5-year	284	12	-125
10-year	342	12	-104

STOCKS

	Last	ΔD	ΔYTD
BELEX15	694.2	-0.16%	24.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.40	0.04%	-4.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.66	-62	-108
1-month	2.37	-11	49
3-month	2.51	-11	7
6-month	2.81	-4	-18
12-month	2.83	-2	-32

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.36	-10	-159
5Y RON	2.94	-7	-171
10Y RON	3.88	-2	-142

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.11	4	-173
USD Aug-23	3.80	2	-101

CDS

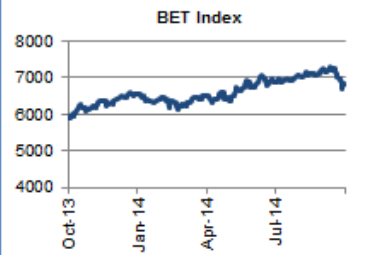
	Last	ΔDbps	ΔYTD bps
5-year	156	1	-31
10-year	204	1	-28

STOCKS

	Last	ΔD	ΔYTD
BET	6895.5	0.87%	6.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4177	-0.06%	1.25%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.46	0	-19
6-month	0.83	0	-33
12-month	1.59	0	-60

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.22	-3	13
5Y BGN	1.86	0	3
10Y BGN	3.12	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.62	5	4
EUR Jul-17	1.25	-23	-55

CDS

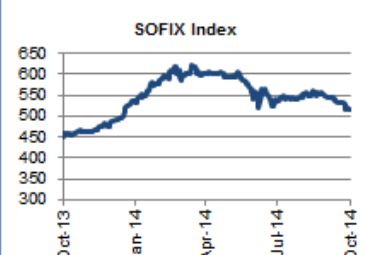
	Last	ΔDbps	ΔYTD bps
5-year	145	7	20
10-year	201	8	26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	514.5	-0.39%	4.67%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5263	0.13%	-6.76%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:30 EET

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