

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 22, 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: European peripheral debt markets gained and the EUR moved lower on market talk that the ECB is considering purchasing non-financial corporate bonds as of early 2015. Elsewhere, major European bourses erased early gains to stand in negative territory at the time of writing on market worries over potential failures in the EU-wide stress test results, expected to be publicly released on Sunday, October 26 at 12:00 Frankfurt time.

GREECE: Including revisions due to the implementation of the new accounting standards (ESA 2010) and the incorporation of other statistical adjustments, Eurostat data released y-day showed that, after subtracting a €19.0bn (or 10.4%-of-GDP) one-off State support to the domestic financing institutions, Greece's general government deficit narrowed from 5.9%-of-GDP in 2012 (vs. 6.2%-of-GDP previously) to 1.8%-of-GDP in 2013 (vs. 2.1%-of-GDP previously).

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold on Tuesday 93% of the planned RSD 10bn (€84mn) 10-year local-currency denominated bond.

ROMANIA: The Ministry of Finance sold on Tuesday €1.5bln of a new 10-year Eurobond, priced at mid swaps +185bps (15bps lower than the initial guidance).

BULGARIA: Domestic bourses closed in the red on Tuesday extending this week's losses amid persisting domestic political uncertainty in the wake of the October 5 snap general election.

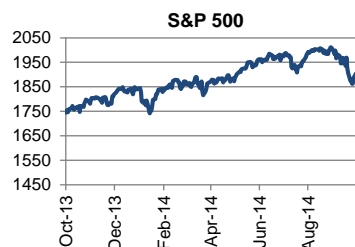
CESEE MARKETS: Taking their cue from gains in Wall Street overnight and rising Asian bourses earlier on Wednesday, the majority of **emerging stock markets** extended their recent rebound in morning European trade amid upbeat corporate earnings results and hopes for further ECB stimulus ahead. On the other hand, **CESEE currencies** treaded water as sentiment remains fragile.

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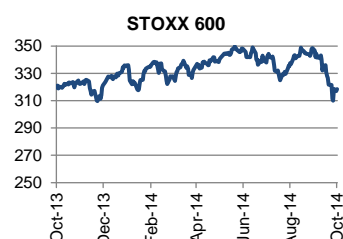
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Latest world economic & market developments

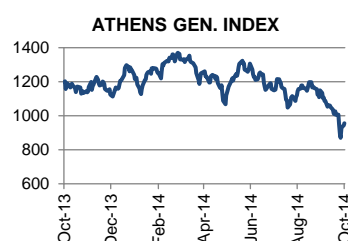
GLOBAL MARKETS



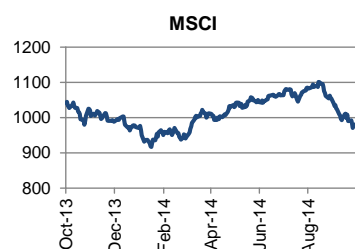
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

Taking their cue from the positive tone in Wall Street overnight, Asian bourses firmed today supported by a bulk of encouraging US Q3 corporate earnings results and higher-than-expected US September's existing home sales. Market talk that the ECB is considering purchasing corporate bond purchases, also had an impact. According to the said rumours, the ECB is likely to reach such a decision as soon as December, with purchases beginning in early 2015. On the flipside, major European bourses erased early gains to stand in negative territory at the time of writing on market worries over potential failures in the EU-wide stress test results, expected to be published on October 26. Such worries were raised after international newswires circulated that at least 11 banks from six European countries are set to fail. Reacting to the aforementioned ECB-related rumour European peripheral debt markets gained while the EUR moved lower with the EUR/USD hovering around multi-session lows of 1.2680 in European trade at the time of writing after hitting temporarily levels near 1.2840 on Tuesday. Technically, a sustainable move below today's low could potentially open the way for further weakness towards 1.2500 (Oct. 3 low), especially if upcoming euro area data reinforce expectations for further ECB monetary policy stimulus ahead. On the data front, US CPI data for September, take centre stage today.

GREECE

Including revisions due to the implementation of the new accounting standards ESA 2010 as well as the incorporation of other statistical adjustments, Eurostat data released y-day showed that, after subtracting a €19.0bn (or 10.4%-of-GDP) one-off State support to the domestic financing institutions, Greece's general government deficit narrowed from 5.9%-of-GDP in 2012 (vs. 6.2%-of-GDP previously) to 1.8%-of-GDP in 2013 (vs. 2.1%-of-GDP previously). In other news, the latest data released by the Secretariat General for Public Revenues revealed that total overdue taxes and social security contributions stood at €70.2bn in September 2014, out of which €9.7bn were generated in the first nine months of this year. As per the same data, just €2.69bn in arrears was collected in the January-September period.

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Latest developments in the CESEE region

CESEE MARKETS

Taking their cue from gains in Wall Street overnight and rising Asian bourses earlier on Wednesday, the majority of **emerging stock markets** extended their recent rebound in morning trade amid upbeat US corporate earnings results and hopes for further ECB stimulus. Hungary's BUX index bucked the trend, falling by ca 0.7% at the time of writing on news about a government internet tax plan which weighed on the telecommunications sector. **CESEE currencies** treaded water in Europe today as sentiment remains fragile. The Serbian dinar recovered further ground in the wake of yesterday's Central Bank intervention in the FX markets and new 10-year benchmark T-bond auction. The unit received additional support earlier today from news that the government adopted the revised 2014 draft budget that is expected to envision, among other fiscal consolidation measures, reductions in pensions and public sector wages. Along these lines, the EUR/RSD hit a multi-session low of 118.90 at some point on Wednesday, moving further below a lifetime peak near 119.70 touched earlier this month. 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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SERBIA

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

(Belgrade 21/10/2014, 17:05 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold on Tuesday 93% of the planned RSD 10bn (€84mn) 10-year local-currency denominated bond. This was the first ever RSD issue of such maturity and is thus established as the new 10-year benchmark. The bond bears an annual 10% coupon and the average achieved yield stood at 12.99%. **Market Developments:** The dinar regained some ground on Tuesday, with the EUR/RSD closing at 119.10/30 vs. opening levels of 119.45/65, after the Central Bank intervened anew in the FX markets selling approximately €10mn in order to support the domestic currency. The successful 10-year dinar denominated T-bond auction also exerted a negative impact on the pair, which slid to a multi-session trough of 119.00/20 at some point in the session.

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ROMANIA

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

(Bucharest, 22/10/2014, 9:05 EET): **Market Developments:** The Ministry of Finance sold on Tuesday €1.5bn of a new 10-year Eurobond. The issue was heavily oversubscribed, with bids reportedly in excess of €4bn, and was priced at mid swaps +185bps (15bps lower than the initial guidance). In other news, the EUR/RON remained bound within a tight range of 4.4150/190 on Tuesday. Meanwhile, short term RON rates extended their recent downtrend, with the 1-month implied rate from swaps decreasing by 10bps on the day to 1.95%. RON-denominated government bonds were little changed throughout the day as the Eurobond auction took centre stage.

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BULGARIA

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

(Sofia, 21/10/2014, 18:00 EET): **Market Developments:** Domestic bourses closed in the red on Tuesday extending this week's losses and broadly underperforming CESEE peers amid persisting domestic political uncertainty following the October 5 snap general election inconclusive outcome.

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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	1941.28	2.0%	5.0%	EUR/USD	1.2691	-0.2%	-7.7%	UST - 10yr	2.19	-3	-84	GOLD	1246	-0.2%	3.4%
Nikkei 225	15195.77	2.6%	-6.7%	GBP/USD	1.6038	-0.5%	-3.1%	Bund-10yr	0.86	-2	-107	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	323.59	0.0%	-1.4%	USD/JPY	106.95	0.0%	-1.5%	JGB - 10yr	0.49	0	-26	LMEX	3071	1.1%	-2.8%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.79	1	-122
1-week	6.99	1	-129
1-month	7.31	1	-127
3-month	7.80	1	-108
6-month	8.09	1	-106

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	1	-62
5Y RSD	10.22	0	-260
7Y RSD	11.23	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.94	-3	-107
USD Nov-24	3.80	-275	-311

CDS

	Last	ΔDbps	ΔYTD bps
5-year	268	-17	-142
10-year	326	-17	-121

STOCKS

	Last	ΔD	ΔYTD
BELEX15	692.4	-0.80%	24.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.39	-0.04%	-4.03%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.64	-2	-110
1-month	2.31	-6	43
3-month	2.5	-1	6
6-month	2.78	-3	-21
12-month	2.78	-5	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.37	-1	-158
5Y RON	2.94	1	-171
10Y RON	3.86	-2	-144

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.04	-1	-180
USD Aug-23	3.79	0	-102

CDS

	Last	ΔDbps	ΔYTD bps
5-year	155	-1	-32
10-year	202	-2	-30

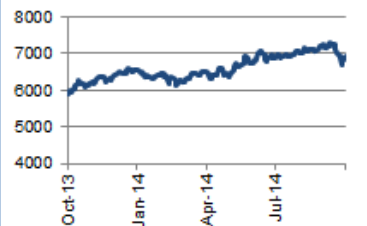
STOCKS

	Last	ΔD	ΔYTD
BET	6984.7	0.81%	7.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4165	0.00%	1.28%

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	0.46	0	-19
6-month	0.83	0	-33
12-month	1.59	0	-60

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.23	2	14
5Y BGN	1.88	2	3
10Y BGN	3.13	0	-36

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.53	-28	-6
EUR Jul-17	1.25	-1	-55

CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	5	21
10-year	205	4	31

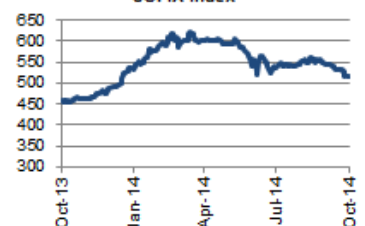
STOCKS

	Last	ΔD	ΔYTD
SOFIX	513.7	-0.05%	4.51%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5412	-0.21%	-7.66%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

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