

October 29, 2014

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- October 27: Pending home sales (Sep)
- October 28
  - Durable goods orders (Sep)
  - CB consumer (Sep) confidence (Oct)
- October 29: FOMC decision
- October 30
  - Initial jobless claims (Oct. 24)
  - GDP (Q3, f)
- October 31
  - Personal income/spending (Sep)
  - Chicago PMI (Oct)
  - UoM Consumer sentiment (Oct)

##### EUROZONE

- October 27: DE: Ifo business clim. (Oct)
- October 31: HICP (Oct)

##### SEE

##### SERBIA

- October 27-31: Q2 GDP (f)
- October 27: 2016 T-Bonds auction
- October 31
  - Q3 GDP (p)
  - Industrial production (Sep)
  - Trade balance (Sep)
  - Retail sales (Sep)

##### ROMANIA

- October 28: 3.25% 2018 T-Bonds auction

##### BULGARIA

- October 31: Budget balance (Sep)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Tracking gains in Wall Street overnight, the majority of Asian and European stock markets moved broadly higher earlier on Wednesday, on positive Q3 US corporate earnings results and ahead of the conclusion of the two-day FOMC monetary policy meeting later on the day (18:00 GMT).

### SOUTH EASTERN EUROPE

**SERBIA:** The IMF Belgrade representative Daehaeng Kim announced earlier this week that a Fund's mission will visit Serbia during November 4-20 to start official negotiations about a new Stand-By Arrangement.

**ROMANIA:** The Ministry of Finance sold yesterday RON 500mn of 2018 T-bonds, at an average accepted yield of 2.67%.

**BULGARIA:** According to Monday's local media reports, caretaker Prime Minister Georgi Bliznashki was quoted as saying to journalists in Parliament during the inaugural session of the 43<sup>rd</sup> National Assembly that he hopes a new government will be in place within ten days.

**CESEE MARKETS:** Taking their cue from firmer major global bourses, **emerging stock markets** broadly advanced in early European trade on Wednesday, led by gains in Chinese equity markets. Separately, **CESEE currencies** were modestly weaker on the day, with the Turkish lira and the Serbian dinar bucking the regional trend.

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## Latest world economic & market developments

### GLOBAL MARKETS

Tracking gains in Wall Street overnight, the majority of Asian and European stock markets moved broadly higher earlier on Wednesday, on positive Q3 US corporate earnings results and ahead of the conclusion of the two-day FOMC monetary policy meeting later on the day (18:00 GMT). The Fed is widely expected to end its asset purchase program and acknowledge the ongoing improvement in the domestic labor market, reiterating though that a “considerable time” is needed before monetary policy tightening begins. In the FX markets, the US dollar was little changed on the day, with the EUR/USD hovering around levels of 1.2728/31 at the time of writing within distance from a 1-week peak of 1.2764 hit in the prior session after US durable goods orders and housing data disappointed expectations. Elsewhere, the USD/JPY stood close to 108.04/08 in European trade, little changed from Tuesday’s settlement, but close to a two-week peak near 108.40 tested earlier this week.

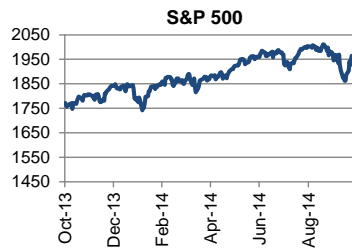
## Latest developments in the CESEE region

### CESEE MARKETS

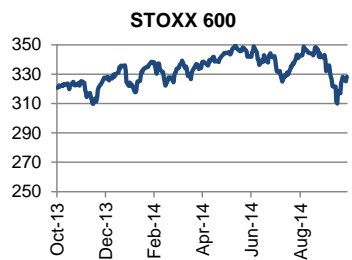
Taking their cue from firmer major global bourses, **emerging stock markets** broadly advanced in early European trade on Wednesday, led by gains in Chinese equity markets. The broad MSCI emerging equities index was standing 1.21% higher at the time of writing, having touched as far as a near 3-week peak at some point earlier in the session, thanks to improving risk sentiment in view of upbeat US Q3 corporate earnings results and optimism that the Fed will signal that it is not in a hurry to raise interest rates. In the CESEE region, indices lagged the positive momentum witnessed in their emerging market peers, with most standing in a marginally positive territory. Meanwhile, Turkish markets were closed for a national holiday and are due to reopen tomorrow.

Separately, **CESEE currencies** were modestly weaker on the day, with the Turkish lira and the Serbian dinar bucking the trend. The former bounced as far as a 7-week peak of 2.1960/USD intraday ahead of the Fed. Technically, immediate support for the USD/TRY lies at today’s low ahead of 2.1820 (90-day moving average), while strong resistance stands at 2.2450 (12-day moving average). Meanwhile, the EUR/RSD hit a multi-session trough near 119.05 after the parliamentary endorsement of the 2014 budget revision late last week and news that a Fund’s mission would visit Belgrade next month for negotiations over a new Stand-By Arrangement to the country. Recall that the dinar has come under significant pressure since mid-June, having hit a record low close to 119.70 against the euro earlier this month, amid mounting fiscal consolidation concerns and delays over a new IMF credit line agreement. Nonetheless, we anticipate EUR/RSD range-trading around 119.00-119.50 to persist in the coming sessions as investors await any developments from the IMF visit, while renewed weakening pressures on the domestic currency are likely to be offset by new Central Bank (NBS) intervention in the FX markets.

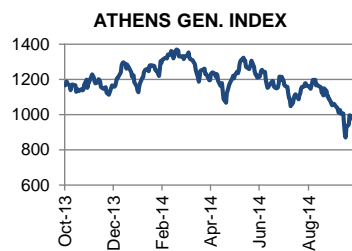
In other news, in line with market expectations **Hungary’s Central Bank** kept its key policy rate unchanged at the current record low level of 2.10% at its MPC meeting on Tuesday, following 490bps of monetary easing since August 2012.



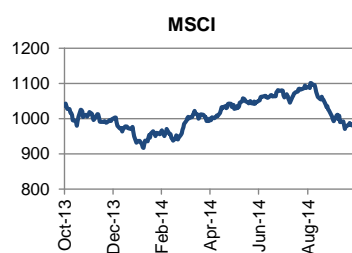
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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## SERBIA

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
	<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

(Belgrade 27/10/2014, 16:00 CET): **Latest Political & Macro Developments:** The IMF Belgrade representative Daehaeng Kim announced earlier this week that a Fund's mission will visit Serbia during November 4-20 to start official negotiations about a new Stand-By Arrangement to the country. The news comes in the wake of last week's parliamentary adoption of the 2014 budget revision, seen as an important first step towards fiscal consolidation. Recall that, the general government consolidated budget is expected to run a deficit in excess of 8.0%-of-GDP this year, well above last year's 5.8%-of-GDP shortfall, weighed down, among other, by sizable bank guarantees and subsidies to unprofitable state-owned companies as well as by the contraction in economic activity. The government is seeking to secure a new credit line with the IMF in an effort to reinstate credibility towards the county's assets, reduce its borrowing costs and relieve persisting depreciating pressures on the dinar. **Market Developments:** The EUR/RSD treaded water on Tuesday, ending little changed at 119.35/55. A consolidation period around these levels is likely to follow in the coming sessions, as investors await any developments from the upcoming IMF visit. Meanwhile, the Public Debt Administration re-tapped on Tuesday a 2Y EUR nominated T-Bond, selling €18.2mn of the €24m offered at an average yield of 3.80%, 20bps lower than that achieved the issue's previous sale in July.

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## ROMANIA

ROMANIA: Indicators	2012	2013	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

(Bucharest, 29/10/2014, 9:00 EET): **Market Developments:** The EUR/RON remained range-bound on Tuesday within 4.4180-4.4290. Similarly, money market rates stood approximately at Monday's closing levels, with the 1, 3 and 6-month implied swap rates ending at 1.80%, 1.75% and 1.75%, respectively. On the other hand, domestic government bonds broadly firmed on Tuesday, with the entire yield curve shifting 5bps lower and bringing the 3, 5 and 10-year yields at 2.40%, 2.90% and 3.85% respectively. The FinMin sold yesterday RON 500mn in a new 2018 T-bond, at an average accepted yield of 2.67%.

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## BULGARIA

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	
	<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

(Sofia, 28/10/2014, 17:40 EET): **Latest Political & Macro Developments:** According to Monday's local media reports, caretaker Prime Minister Georgi Bliznashki was quoted as saying to journalists in Parliament during the inaugural session of the 43<sup>rd</sup> National Assembly that he hopes a new government will be in place within ten days. According to separate press reports, the leader of the winner of the October 5 general snap elections center-right GERB noted on Tuesday that the only possible scenario for a new government is a minority alliance between his party and the Reformist Bloc. On the macroeconomic data front, the total business sentiment indicator declined for the fifth month running in October, marking a 0.5ppts decrease on the back of more unfavorable business climate in industry (-1.1ppts) and retail trade (-2.9ppts). On the flipside, the construction sub-index inched up by 2.1ppts, while business climate in the service sector was little changed compared to its levels in the prior month.

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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	1985.05	1.2%	7.4%	EUR/USD	1.2738	0.0%	-7.3%	UST - 10yr	2.29	-1	-74	GOLD	1230	0.1%	2.0%
Nikkei 225	15553.91	1.5%	-4.5%	GBP/USD	1.614	0.1%	-2.5%	Bund-10yr	0.88	1	-105	BRENT CRUDE	177	-1.1%	6.1%
STOXX 600	328.25	1.0%	0.0%	USD/JPY	108.08	0.1%	-2.6%	JGB - 10yr	0.47	1	-28	LME X	3122	1.2%	-1.2%

**SEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.83	0	-118
1-week	7.02	-1	-126
1-month	7.33	-1	-125
3-month	7.81	-3	-107
6-month	8.10	-2	-105

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.34	-1	-62
5Y RSD	10.23	0	-260
7Y RSD	11.23	0	-257

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.92	0	-108
USD Nov-24	3.27	-325	-364

**CDS**

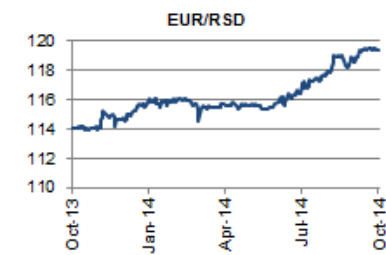
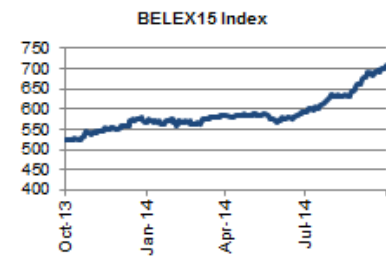
	Last	ΔDbps	ΔYTD bps
5-year	265	0	-144
10-year	321	0	-126

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	706.6	1.04%	26.63%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.50	-0.08%	-4.12%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.63	0	-11
1-month	1.86	0	-2
3-month	2.2	0	-24
6-month	2.54	0	-45
12-month	2.56	0	-59

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	2.21	2	-174
5Y RON	2.74	-1	-191
10Y RON	3.69	-1	-161

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.09	0	-176
USD Aug-23	3.81	-1	-100

**CDS**

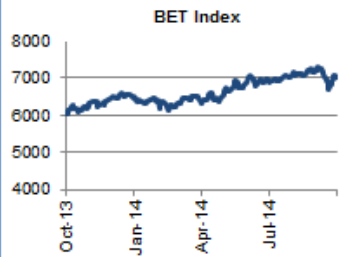
	Last	ΔDbps	ΔYTD bps
5-year	151	-2	-34
10-year	197	-2	-35

**STOCKS**

	Last	ΔD	ΔYTD
BET	7028.8	-0.11%	8.24%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.422	-0.02%	1.15%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.43	0	-21
6-month	0.80	0	-35
12-month	1.55	0	-64

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.21	-2	11
5Y BGN	1.88	-3	3
10Y BGN	3.14	0	-35

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.45	-30	-14
EUR Jul-17	1.23	-5	-57

**CDS**

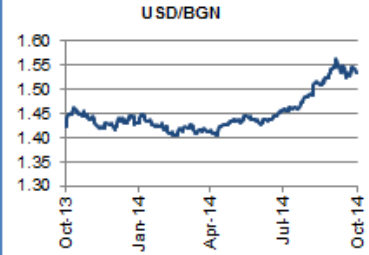
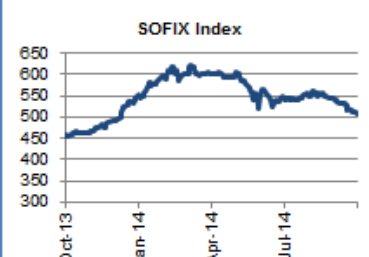
	Last	ΔDbps	ΔYTD bps
5-year	150	0	23
10-year	197	-6	23

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	508.0	-0.42%	3.36%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.5355	0.03%	-7.32%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 09:30 EET

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