

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 15, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 15
 - Empire State Indec (Sep)
 - Industrial production (Aug)
- September 17
 - CPI (Aug)
 - FOMC meeting
- September 18
 - Initial jobless claims (Sep 13)
 - Housing starts (Aug)
 - Building permits (Aug)
 - Philly Fed (Sep)
 - EUROZONE

EUROZONE

- September 16
 - DE: ZEW (Sep)
- September 17: HICP (Aug)
- September 18
 - UK: Scottish referendum

SEE

ROMANIA

- September 15: 2021 T-Bonds auction
- September 18: 2019 T-Bonds auction

BULGARIA

- September 15
 - CPI (Aug)
 - CAD (Aug)
 - Bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: This week is filled with important events including: (i) the FOMC September 16-17 where the Central Bank is likely to adopt a slightly more hawkish tone following a bulk of firmer-than-expected US macro data in recent weeks; (ii) the first T-LTRO that will be conducted on Thursday, September 18; and (iii) the Scottish referendum set for Thursday, September 18. Recent polls suggested that, while the likelihood of secession seems to have somewhat declined lately, the outcome remains too close to call.

GREECE: S&P upgraded Greece's sovereign credit rating by one notch, to B with stable outlook. In the accompanying statement, the rating agency cited that the Greek government has made a substantial fiscal adjustment and is expected to maintain primary fiscal balances of about 2.0% of GDP for the next few years./ According to the latest BoG data, **credit to domestic non-MFIs residents by domestic MFIs excluding the Bank of Greece**, shrunk for the 38th consecutive month in July.

SOUTH EASTERN EUROPE

SERBIA: According to local media reports on Friday Serbia plans to raise \$750mn via the issuance of a new Eurobond by year-end.

ROMANIA: The MoF holds a primary market auction for RON 400mn of 7Y bonds (Jun 2021) later today, expected to produce an average yield of around 4.20-30%.

BULGARIA: Trade deficit shrank by 46.4%YoY in July.

CESEE MARKETS: Emerging stock markets extended last week's losses in European trade on Monday, weighed down by concerns about the prospects of the Chinese economy and market anxiety ahead of this week's FOMC meeting as well as an independence referendum in Scotland. Most **CESEE currencies** were little changed after coming under pressure last week on mounting expectations about a more aggressive than previously expected monetary policy tightening path by the Fed.

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Latest world economic & market developments

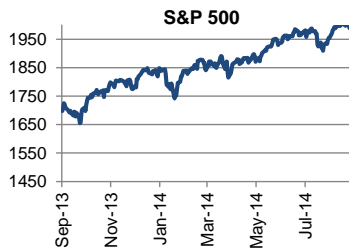
GLOBAL MARKETS

The majority of Asian bourses kicked off the week on a negative tone pressured by a string of weak macro data from China, the world's second biggest economy. The prevailing market view that the Fed is likely to embark on a tightening cycle earlier than previously expected, added to market jitters. The Fed is scheduled to convene on September 16-17 and is likely to adopt a slightly more hawkish tone following a bulk of firmer-than-expected US macro data in recent weeks. Against this background, US Treasuries remained under pressure in European trade on Monday while the USD retained a positive tone. With market participants awaiting the outcome of the first T-LTRO that will be conducted by the ECB on Thursday, September 18, the EUR/USD was hovering around 1.2925/30 at the time of writing, not much changed compared to Friday's levels, but well below last week's 1.3155 peak. Besides the Fed policy meeting and the ECB's T-LTRO, the Scottish referendum set for September 18, also lures market attention this week. Recent polls suggested that, while the likelihood of secession seems to have somewhat declined lately, the outcome remains too close to call.

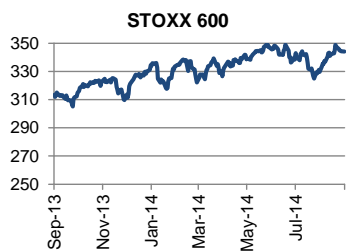
GREECE

S&P upgraded Greece's sovereign credit rating by one notch, to B with stable outlook. In the accompanying statement, the rating agency cited that the Greek government has made a substantial fiscal adjustment and is expected to maintain primary fiscal balances of about 2.0% of GDP for the next few years. S&P added that the decision for an upgrade in Greece's sovereign credit rating reflects the view that risks to the fiscal consolidation front have abated adding that the Greek economy is expected to switch into positive year-on-year real GDP growth next year after seven consecutive years of contraction. S&P's sovereign credit rating is now in line with that of Fitch (B) and two notches above Moody's (Caa3). According to the latest BoG data, **credit to domestic non-MFIs residents by domestic MFIs excluding the Bank of Greece**, shrunk for the 38th consecutive month in July, by 3.9%YoY, coming in at ca €213.5bn and posting a cumulative annual decline of €17.9% from a June 2010 peak.

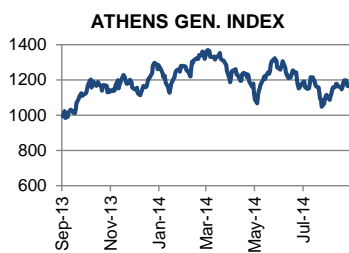
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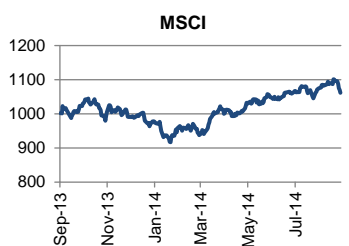
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE MARKETS

Emerging stock markets extended last week's losses in European trade on Monday, weighed down by concerns about the prospects of the Chinese economy and market anxiety ahead of this week's FOMC meeting as well as an independence referendum in Scotland. Against this background, the MSCI index of emerging equities fell by 0.6% at the time of writing, marking the 8th consecutive session of declines. Elsewhere, most **CESEE currencies** were little changed after coming under pressure last week on mounting expectations about a more aggressive than previously expected monetary policy tightening path by the Fed. The Turkish lira recovered some ground to stand ca 0.2% firmer on the day, with the USD/TRY hovering around levels of 2.1264 at the time of writing, after hitting a new 5- 1/2-month peak at 2.2227 in Asia. A spike to a 3-month high of 9.1% in the unemployment rate in June, appeared to be largely shrugged off. Technically, a sustainable move above today's USD/TRY high may pave the way for a retest of 2.24 (March 25 high). Separately, the majority of **CESEE government bonds** also lost ground earlier today, in view of deteriorating risk sentiment.

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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
	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, 12/9/2014, 17:25 CET): **Latest Political & Macro Developments:** According to local media reports on Friday Serbia plans to raise \$750mn via the issuance of a new Eurobond by year-end. If so, this will be the fifth eurobonds auction in the international markets since 2011. The last such issue was held in November 2013, where the government sold \$1bn in 5-year paper at an average accepted yield of 6.125%. It appears most likely that the government will wait until it secures an IMF deal first, before it proceeds with the new auction, in an effort to possibly achieve more favorable terms. **Market Developments:** The EUR/RSD was little changed on Friday, hovering around levels of 118.95/15, not far from a 2-year trough of 119.20 reached earlier in the week amid fiscal consolidation concerns and delays in securing financial aid from the IMF. In view of the aforementioned, we renewed Central Bank intervention in the FX markets in order to support the dinar if the cross resumes its recent uptrend. Therefore, range-bound trading around 118.50-119.00 is likely to persist in the coming sessions.

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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, 15/9/2014, 9:10 EET): **Latest Political & Macro Developments:** Romania's current account ran a €781mn deficit in January-July, having fully reversed a surplus of €92mn over the same period a year earlier. The said deterioration came on the back of a 109%YoY widening to €1,998mn in the primary income shortfall. Meanwhile, foreign direct investment fell by 13.8%YoY to €1.3bn. **Market Developments:** The EUR/RON remained range-bound on Friday, trading between 4.4150/250 and standing within distance from a 3-week peak of 4.4322 hit in the wake of weaker than anticipated inflation for August which strengthened the case for further monetary easing by the Central Bank as soon as this month. In view of subdued inflation pressures over recent months and lingering risks to the domestic growth outlook, we expect a further 50bps of cumulative rate cuts by Q1-2015, in line with the market's median forecast. If delivered, the key policy rate will be reduced to a new record low of 2.75%. Elsewhere, volatility prevailed over Friday's session in money markets in view of waning risk appetite, with the 1-week implied rate from swaps moving higher to close at 3.75% vs. last week's low of 3.25%. Meanwhile, the corresponding 1-month rate touched a 4-month peak of 3.00% at the session's settlement. Government bonds also came under pressure with selling mostly evidenced at paper of 7-year maturities, with the entire yield curve moving around 10bps higher. The MoF holds a primary market auction for 7Y bonds later today, but demand may prove limited given persisting global jitters. The tender is expected to produce an average accepted yield of 4.20-30%.

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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

BULGARIA

(Sofia, 12/9/2014, 17:55 EET): **Latest Political & Macro Developments:** Bulgaria's foreign trade deficit narrowed by 46.4%YoY to BGN 363.3mn in July, as imports declined by 6.8%YoY to BGN 4 351.5mn and exports remained nearly flat at BGN 3 988.2mn.

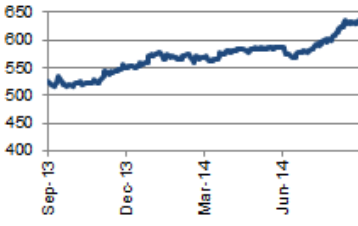
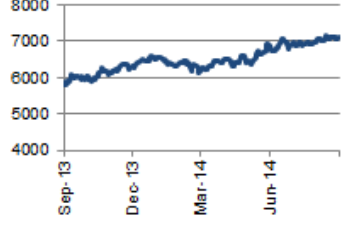
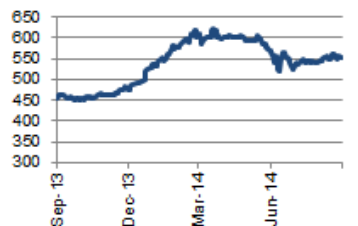



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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1985.54	-0.6%	7.4%	EUR/USD	1.2924	-0.3%	-6.0%	UST - 10yr	2.61	0	-42	GOLD	1235	0.5%	2.5%
Nikkei 225	15948.29	0.2%	-2.1%	GBP/USD	1.626	0.0%	-1.8%	Bund-10yr	1.08	0	-85	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	344.08	-0.1%	4.8%	USD/JPY	107.26	0.1%	-1.8%	JGB - 10yr	0.58	0	-16	LME X	3194	0.0%	1.1%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
7/N	6.75	0	-126	O/N	3.67	14	193	LEONIA	0.02	0	-5
1-week	6.98	0	-130	1-month	3	6	112	1-month	0.22	0	-10
1-month	7.31	-1	-127	3-month	2.86	3	42	3-month	0.47	0	-18
3-month	7.78	-1	-110	6-month	2.94	0	-5	6-month	0.86	0	-30
6-month	8.08	-1	-107	12-month	2.91	2	-24	12-month	1.64	0	-55
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.27	0	-69	3Y RON	2.78	1	-117	3Y BGN	1.16	9	6
5Y RSD	10.20	2	-262	5Y RON	3.37	1	-128	5Y BGN	1.76	-1	-8
7Y RSD	11.29	0	-251	10Y RON	4.31	5	-99	10Y BGN	2.99	0	-51
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.88	1	-112	EUR Sep-20	2.19	10	-165	USD Jan-15	0.51	-3	-7
USD Nov-24	-3.90	-1047	-1080	USD Aug-23	3.96	2	-85	EUR Jul-17	1.20	2	-60
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	250	-9	-159	5-year	139	1	-47	5-year	130	-1	6
10-year	300	-9	-147	10-year	185	1	-48	10-year	177	-1	3
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	632.1	-0.64%	13.28%	BET	7107.1	0.30%	9.44%	SOFIX	551.0	-0.16%	12.11%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-3.71%	EUR/RON	4.4236	-0.10%	1.11%	USD/BGN	1.5134	-0.31%	-5.97%

BELEX15 Index		BET Index		SOFIX Index	
					
EUR/RSD		EUR/RON		USD/BGN	
					

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:05 EET

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