Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

September 22, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 22: Existing home sales (Aug)
- September 22/23: Fed's Dudley, Bullard, George speak
- September 24
  - New home sales (Aug)
  - Fed's Evans speaks
- September 25
  - Initial jobless claims (Sep 20)
  - Durable goods orders (Jul)
- September 26
  - GDP (f, Q2)
  - UoM Consumer confidence (Sep)

EUROZONE

- September 22: ECB President Draghi speaks
- September 23: PMI (Sep)
- September 24:
  - DE: Ifo (Sep)

SEE

SERBIA

- September 22/23: Current account (Jul)
- September 23: 3Y EUR T-Bonds auction
- September 25: Real gross wages (Aug)

ROMANIA

- September 22: 2025 T-Bonds auction

BULGARIA

- September 22: National holiday
- September 23:
  - Gross external debt (Jul)
  - 2021 T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS:. The USD retained a firm tone in European trade on Monday supported by persisting market expectations that the Fed could embark on a tightening cycle earlier than currently expected. Data-wise, market focus this week is on Germany's IFO business climate index for the month of September (Wednesday), while in the US, the August durable goods orders report (Thursday) as well as a number of speeches by top Fed officials, take centre stage.

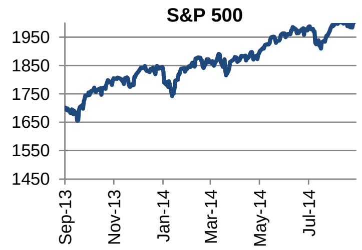
GREECE: Addressing the Athens Exchange's London Roadshow, Greece's Minister of Finance Gikas Hardouvelis was quoted as saying by local media that Greece will not need a new financing program from the official sector and IMF loan disbursements scheduled for release in the period between 2015 and Q1 2016 (i.e., after the release of the last EFSF loan installment) for the coverage of the projected financing gap in the next few years.

SOUTH EASTERN EUROPE

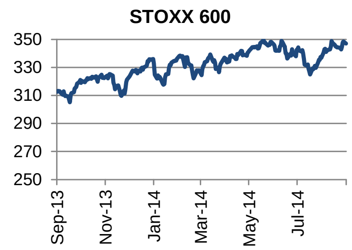
SERBIA: RSD retains a firm tone following the Prime Minister's announcement of austerity measures.

ROMANIA: The MoF holds today a primary market auction for RON 400mn of 10Y bonds, expected to produce a yield of around 4.30-40%, possibly for less than the full target amount.

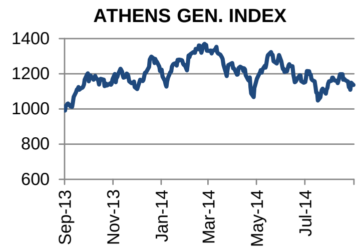
CESEE MARKETS: Most **emerging bourses** kicked off the week on a negative footing and **CESEE currencies** broadly weakened amid market anxiety ahead of key macroeconomic data releases from China later in the week. **CESEE focus this week** is on MPC meetings in Hungary and Turkey.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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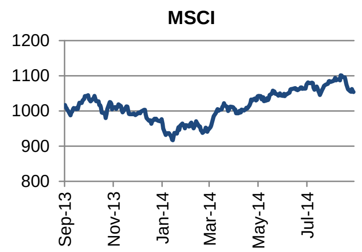

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Latest world economic & market developments

GLOBAL MARKETS

The USD retained a firm tone in European trade on Monday supported by persisting market expectations that the Fed could embark on a tightening cycle earlier than currently expected. The EUR/USD dropped to a new 14-month trough of 1.2825 earlier in Asia following a short-lived post-TLTRO bounce to levels near 1.2980 late last week. The EUR/USD is expected to remain under pressure in the coming sessions, though any further weakness is likely to prove limited taking into consideration that: (i) it will probably take some time before the Fed gives a strong signal as to the timing and the pace it will raise interest rates; and (ii) the ECB is not expected to adopt additional policy measures before those recently announced (TLTROs, ABS and covered bonds purchase programme) start taking effect. Data-wise, market focus is on Germany's IFO business climate index for the month of September (Wednesday), while in the US, the August durable goods orders report (Thursday) and a number of speeches by top Fed officials, take centre stage.

GREECE

Addressing the Athens Exchange's London Roadshow, Greece's Minister of Finance Gikas Hardouvelis was quoted as saying by local media that Greece will not need a new financing program from the official sector and IMF loan disbursements scheduled for release in the period between 2015 and Q1 2016 (i.e., after the release of the last EFSF loan installment) for the coverage of the projected financing gap in the next few years. On the latter, a number of press reports suggested over the weekend that, for the coverage of the projected financing shortfall over the period 2015-2016, the government could utilize the additional official funding Greece is expected to receive upon completion of the next (5th) programme review amounting to €7.2bn cumulatively. In addition, the same reports suggested that Greece could utilize a number of funding sources, including; (i) issuance of 18-month T-bills in October 2014 for an amount up to ca €1.5bn and follow up with a 7-yr bond issuance a month later for ca €2-3bn; (ii) intra-government borrowing through short-term repo operations (up to €6bn); and (iii) new bond issuance over the respective period.

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Latest developments in the CESEE region

CESEE MARKETS

Most **emerging bourses** kicked off the week on a negative footing amid market anxiety ahead of key macroeconomic data releases from China later in the week. The MSCI emerging equities index slid close to a 1-½ month low of 1,047.32 earlier today, with the prospect of a more aggressive than currently expected monetary policy tightening path by the Fed, having dented risky assets' carry allure. In a similar vein, most **CESEE currencies** weakened. The Hungarian forint erased part of its recent gains on profit taking after Standard & Poor's affirmed its foreign-currency long-term debt on Hungary at 'BB' with stable outlook, confounding market expectations for a potential upward revision. The EUR/HUF bounced to an intraday peak of 312.02 from Friday's 1-½-month low of 310.10. Technically, a break above today's peak could pave the way for a move towards 313.60 (30-day moving average) ahead of 315.70 (September 15 peak). On the flipside, the Ukrainian hryvnia bucked the region's trend, jumping by 10% on the day from a lifetime peak of 14.30/USD hit late last week amid persisting geopolitical tensions. **CESEE focus this week** is on MPC meetings in Hungary and Turkey, where both Central Banks are expected to stay put on interest rates.

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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, 19/9/2014, 17:00 CET*): **Latest Political & Macro Developments:** According to local media reports, citing sources close to the Ministry of Economy, 1,732 interested parties have sent "letters of intent" for the privatization of about 400 public firms in restructuring (out of the 502 in total). The privatization of these companies is considered of high significance as it will reduce state spending and, thus, assist in containing the budget shortfall. **Market Developments:** The EUR/RSD eased further on Friday, to close at 118.22/42 from 118.35/55 at the session's open after Prime Minister Aleksandar Vucic presented late on Thursday the government's fiscal consolidation plan, including, among other, cuts in pensions and public sector wages.

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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	3.25	3.00

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

(*Bucharest, 22/9/2014, 9:25 EET*): **Market Developments**: The EUR/RON continued to head lower on Friday, closing ca 0.3% lower near 4.4000, within distance from a recent low of 4.3930 hit earlier this month. Technically, strong support stands at 4.3900. Elsewhere, money market rates were little changed on Friday, with short term rates pinned around the monetary policy rate of 3.25% after the 1W repo auction held by NBR earlier last week. Buying interest in Romanian government bonds was evidenced mostly at longer-term maturities, with the corresponding yield of 7-10 year paper moving some 5bps lower. On the flipside, the short and mid part of the curve (with tenures up to 5-years), remained under pressure amid relatively expensive funding rates. Today, the MoF holds a primary market auction for RON 400mn of 10Y bonds, expected to produce a yield of around 4.30-40%, possibly for less than the full target amount.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD	FOREX	Last	ΔD	ΔYTD	Government Bonds (yields)	Last	ΔDbps	ΔYTD bps	Commodities	Last	ΔD	ΔYTD
S&P 500	2010.40	0.0%	8.8%	EUR/USD	1.2855	0.2%	-6.5%	UST - 10yr	2.56	-1	-46	GOLD	1215	0.0%	0.8%
Nikkei 225	16205.90	-0.7%	-0.5%	GBP/USD	1.6347	0.4%	-1.3%	Bund-10yr	1.03	-2	-90	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	346.99	-0.4%	5.7%	USD/JPY	108.88	0.1%	-3.3%	JGB - 10yr	0.54	-2	-20	LMEX	3165	-0.1%	0.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.72	-1	-129
1-week	6.95	1	-133
1-month	7.30	3	-128
3-month	7.81	3	-107
6-month	8.11	1	-104

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.36	0	-60
5Y RSD	10.22	2	-260
7Y RSD	11.28	0	-252

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.84	-2	-117
USD Nov-24	-6.27	-1284	-1318

CDS

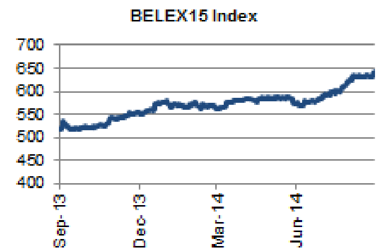
	Last	ΔDbps	ΔYTD bps
5-year	252	2	-157
10-year	301	2	-145

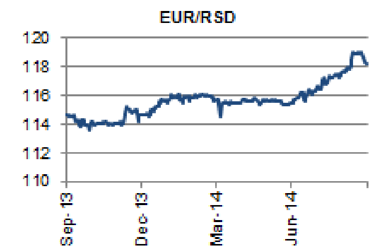
STOCKS

	Last	ΔD	ΔYTD
BELEX15	644.2	1.17%	15.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.18	0.12%	-3.05%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.14	-5	140
1-month	3.03	2	115
3-month	2.91	2	47
6-month	2.96	0	-3
12-month	2.93	0	-22

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.79	-3	-116
5Y RON	3.35	-1	-130
10Y RON	4.23	-2	-107

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.18	0	-166
USD Aug-23	4.01	2	-80

CDS

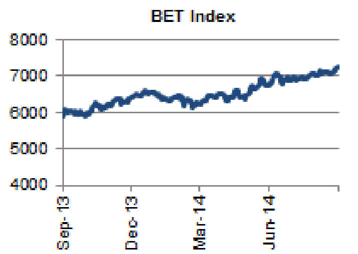
	Last	ΔDbps	ΔYTD bps
5-year	139	-2	-44
10-year	185	-3	-48

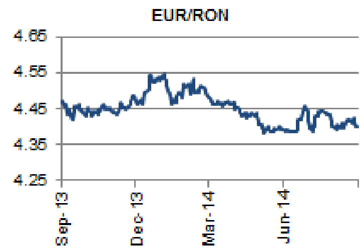
STOCKS

	Last	ΔD	ΔYTD
BET	7244.2	0.56%	11.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4033	-0.07%	1.58%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-6
1-month	0.22	0	-10
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	-1	-1
5Y BGN	1.75	-1	-10
10Y BGN	2.98	0	-52

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.42	-7	-16
EUR Jul-17	1.17	0	-63

CDS

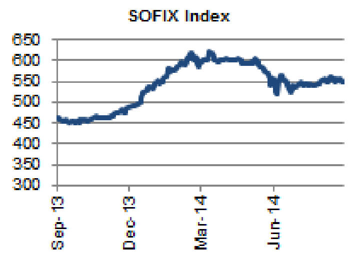
	Last	ΔDbps	ΔYTD bps
5-year	120	0	12
10-year	183	6	8

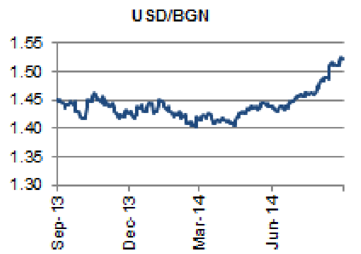
STOCKS

	Last	ΔD	ΔYTD
SOFIX	547.3	0.19%	11.34%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5215	0.21%	-6.47%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:15 EET

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