

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 26, 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 Friday supported by a new string of positive US economic data released in the prior session.

GREECE: Bank of Greece data showed that euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) improved in August for the sixth month in a row coming in at the highest level since April 2012.

SOUTH EASTERN EUROPE

SERBIA: Average monthly net salaries and wages increased by 0.4%YoY in real terms in August amounting to RSD 45,610 (or ca €384).

ROMANIA: The MoF issued the planned RON 500mn amount in 6M T-Bills at an average accepted yield of 2.55%, which came broadly in line with expectations.

BULGARIA: The European Banking Authority said yesterday that it opened an investigation on whether Bulgarian regulators breached European Union law in relation to the measures taken for CorpBank's rescue.

CESEE MARKETS: Taking their cue from losses in major global bourses on Friday, the majority of **emerging stock markets** moved broadly lower, weighed down by the US dollar's ongoing appreciation. On the other hand, **CESEE currencies** modestly firmed earlier today, recouping part of losses recorded in the prior session.

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Latest developments in the CESEE region

GLOBAL MARKETS

The USD retained a firm tone in European trade on Friday supported by a new string of positive US economic data released in the prior session. Reflecting the USD's positive momentum, the DXY index was hovering around 85.202 at the time of writing, within distance from y-day's fresh multi-year peak of 85.485. Meanwhile, comments by ECB President Mario Draghi earlier this week that the Central Bank's monetary policy will remain accommodative for a long period and that the Governing Council has unanimously committed itself in using all tools at its disposal to bring euro area inflation back to just under the medium-term price stability target of 2.0%, continued to weigh on the common currency. Against this background, the EUR/USD was hovering around 1.2740/45 at the time of writing, after hitting a new multi-month trough of 1.2726 in early European trade. On the data front, focus today is on US UM consumer confidence for September and the final reading for Q2 GDP growth while next week's euro area inflation data, the outcome of the ECB monetary policy meeting and September's US non-farm payrolls report may provide a potential catalyst for the pair's short to medium term outlook.

GREECE

According to the local press, Greece's next adjustment program review will evolve in two phases. The first one will commence on September 30th when the first high-level meeting between the troika heads and Greece's Minister of Finance Gikas Hardouvelis is scheduled to take place. As per the same sources, official discussions will focus on fiscal developments with an emphasis on the draft Budget FY-2015 which is scheduled to be submitted to Parliament on October 6th. The troika heads will reportedly depart from Athens on October 8th to attend the IMF/World Bank 2014 Annual Summit and are expected to return for the second phase of the review which will focus on structural reform, on October 15th. On the data front, Bank of Greece data showed that euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) improved in August for the sixth month in a row marking a €1.0bn increase compared to July's level and coming in at €164.2bn, the highest level since April 2012.

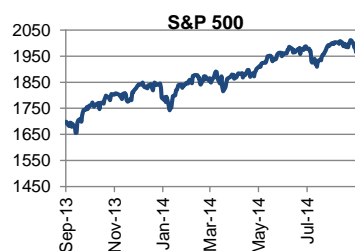
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Latest developments in the CESEE region

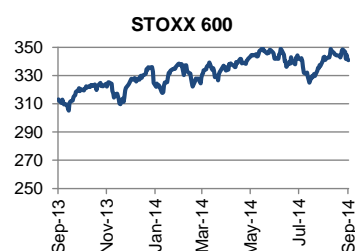
CESEE MARKETS

Taking their cue from losses in major global bourses on Friday, the majority of **emerging stock markets** moved broadly lower, weighed down by the US dollar's ongoing appreciation. Yet, main indices in Turkey and Bulgaria bucked the trend, standing in the black at the time of writing and outperforming a 0.4% drop in the MSCI emerging equities index. The latter, eased to a 4-1/2-month low near 1,020 points earlier in the session, as the prospect of a more aggressive than currently expected monetary policy tightening path by the Fed, continues to dent risky assets' carry allure. On the other hand, **CESEE currencies** modestly firmed earlier today recouping part of losses recorded in the prior session. The Turkish lira regained some ground after coming under heavy selling pressure on Thursday in view of the US dollar's appreciation and news about escalating geopolitical tensions in its border with Syria. The Central Bank's monetary policy decision yesterday to stay put on interest rates (1-week repo at 8.25%, o/n borrowing and lending rates at 7.50% and 11.25% respectively) was largely expected. Against this backdrop, the USD/TRY eased to levels around 2.2580 in European trade from yesterday's 8-month peak of 2.2670. Technically, a break below 2.2515 (today's intraday low) may pave the way towards 2.2240 (14-day moving average).

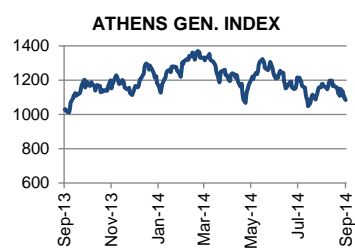
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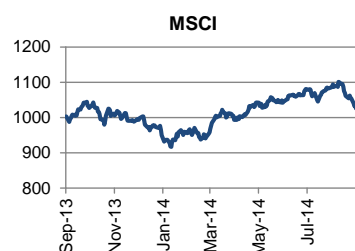
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 25/9/2014, 16:00 CET): **Latest Political & Macro Developments:** Average monthly net salaries and wages increased by 0.4%YoY in real terms in August amounting to RSD 45,610 (or ca €384). According to the breakdown of the data, public sector salaries were approximately 16% higher than those in the private sector. **Market Developments:** The EUR/RSD remained bound within its recent range of 118.50/70-118.70/90 on Thursday, with a consolidation bias to likely persist in the days ahead.

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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, 26/9/2014, 9:35 EET): **Market Developments:** The EUR/RON continued to trade within a very tight range around 4.4000 on Thursday, as has been the case for nearly a week. Meanwhile, money market rates eased on Thursday after the National Bank of Romania (NBR) conducted a one week repo auction, selling RON 2bn at the key policy rate of 3.25%, in order to push rates lower after spiking in the wake of the inception of the new reserve period earlier in the week. As a result, the 1-week implied rate from swaps dropped to 3.50% from 4.00%, while the 1-month rate decreased to 3.20% from 3.40%. In other news, the MoF issued the planned RON 500mn amount in 6M T-Bills at an average accepted yield of 2.55%, which came in at the low end of expectations. After the NBR repo and the better than expected auction results, yields in the secondary market fell around 5bps for all maturities across 2-10 years.

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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, 25/9/2014, 17:40 EET): **Latest Political & Macro Developments:** In a press statement published at its website on Thursday, the European Banking Authority (EBA) announced that it opened an investigation on whether Bulgarian regulators breached European Union law in relation to the measures taken for CorpBank's rescue. EBA referred to the requirements in the EU Deposit Guarantee Scheme Directive, according to which "depositors should be compensated no later than 25 working days after the unavailability of deposits". **Market Developments:** The domestic stock market closed in a marginally negative territory on Thursday, with the main SOFIX index posting a 0.18% decline.

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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	1965.99	-1.6%	6.4%	EUR/USD	1.2745	0.0%	-7.3%	UST - 10yr	2.49	-1	-54	GOLD	1224	0.2%	1.5%
Nikkei 225	16229.86	-0.9%	-0.4%	GBP/USD	1.6316	0.0%	-1.4%	Bund-10yr	0.95	-2	-98	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	340.78	-0.2%	3.8%	USD/JPY	109.02	-0.2%	-3.4%	JGB - 10yr	0.52	0	-22	LMEX	3110	-0.9%	-1.6%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.76	3	-125
1-week	6.99	4	-129
1-month	7.32	3	-126
3-month	7.80	1	-108
6-month	8.10	-2	-105

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	0	-177
5Y RSD	10.21	0	-261
7Y RSD	11.26	0	-255

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.02	10	-99
USD Nov-24	-7.19	-1377	-1409

CDS

	Last	ΔDbps	ΔYTD bps
5-year	250	0	-159
10-year	302	0	-145

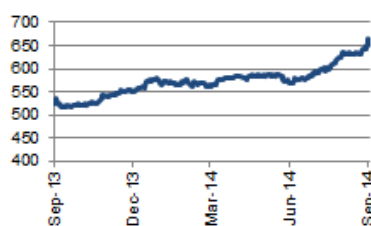
STOCKS

	Last	ΔD	ΔYTD
BELEX15	661.2	-0.27%	18.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.67	0.02%	-3.45%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.58	-14	184
1-month	3.25	0	137
3-month	3.09	0	65
6-month	3.04	0	5
12-month	3	0	-15

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.81	-2	-114
5Y RON	3.34	0	-131
10Y RON	4.19	-1	-111

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.20	4	-164
EUR Aug-23	3.95	4	-85

CDS

	Last	ΔDbps	ΔYTD bps
5-year	143	0	-41
10-year	190	0	-42

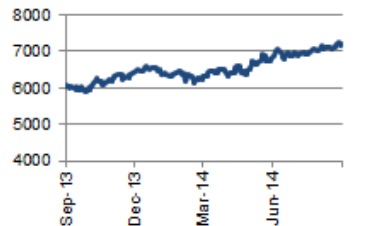
STOCKS

	Last	ΔD	ΔYTD
BET	7156.8	-0.61%	10.21%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4016	0.15%	1.62%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-9
3-month	0.46	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.09	-1	0
5Y BGN	1.70	8	-15
10Y BGN	2.97	0	-53

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.48	1	-10
EUR Jul-17	1.21	-15	-60

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	10
10-year	178	0	4

STOCKS

	Last	ΔD	ΔYTD
SOFIX	544.4	0.17%	10.76%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5345	-0.03%	-7.26%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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