

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 11, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 13: Initial jobless claims (Nov. 8)
- November 14
 - Retail sales (Oct)
 - UoM consumer sentiment (Nov)

EUROZONE

- November 14
 - GDP (Q3, flash)
 - HICP (Oct, f)

SEE

SERBIA

- November 11: HICP (Oct)
- November 13: MPC meeting

ROMANIA

- November 10
 - Trade balance (Sep)
 - Industrial production (Sep)
 - 2.5% 2019 T-Bonds auction
- November 11: CPI (Oct)
- November 13
 - Current account (Sep)
 - 2023 T-Bonds auction
- November 14
 - GDP (Q3, A)

BULGARIA

- November 10
 - Trade balance (Sep)
 - U/E rate (Oct)
- November 12: CPI (Oct)
- November 14 : GDP (Q3, p)

Source: Reuters, Bloomberg,
Eurobank Global Markets
Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses opened higher on Tuesday, taking their lead from the positive tone in Wall Street overnight. In FX markets, the latest bout of increased risk appetite dented the JPY's safe-haven appeal with the USD/JPY hitting a fresh seven-year high earlier today.

GREECE: Speaking to reporters y-day after his meeting with Greece's Premier Antonis Samaras, Deputy Prime Minister Evangelos Venizelos said that he expects troika heads to return to Athens soon enough so as Greece's current program review to be completed in time for the December 8th Eurogroup where the prospect of the country being granted a precautionary credit line after the expiration of the EFSF lending program, is expected to be addressed.

SOUTH EASTERN EUROPE

SERBIA: The dinar extended its recent losses on Monday to hit a new record low against the euro, amid persisting fiscal consolidation concerns and uncertainty surrounding the progress of the ongoing IMF negotiations.

ROMANIA: The Ministry of Finance sold as planned RON 1bn of 1-year T-Bills on Monday at an average accepted yield of 1.63%, below market expectations of 1.70-1.75%, while the bid-to-cover ratio stood at 2.24%.

BULGARIA: The newly appointed finance minister Vladislav Goranov said on Monday that the recently endorsed government will discuss a new budget revision, withdrawing a previous one proposed by the caretaker government.

CESEE MARKETS: CESEE stock markets were mixed in European trade on Monday, while currencies broadly weakened and government bonds recorded modest gains after low inflation data from Romania and Hungary, released earlier on the day, added to expectations for further monetary easing in the region.

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Latest world economic & market developments

GLOBAL MARKETS

Major European bourses opened higher on Tuesday, taking their lead from the positive tone in Wall Street overnight where both the Dow Jones industrial average and S&P 500 indices marked a record closing high for the fourth consecutive session mainly supported by encouraging Q3 corporate earnings results. In FX markets, the latest bout of increased risk appetite dented the JPY's safe-haven appeal with the USD/JPY hitting a fresh seven-year high of 116.00 earlier today. Against this background, data showing that Japan's current account surplus rose more than expected on an annual basis in September failed to exert a positive impact on the JPY. Elsewhere, the EUR/USD was standing close to 1.2400/05 at the time of writing, not far from a near two-week trough of 1.2360 touched a couple of sessions earlier amid persisting market talk that the ECB is likely to adopt additional unconventional measures, within its mandate, in the coming months to address the risk of the euro area's inflation remaining low for a prolonged period. Today's global calendar is light, suggesting that range-trading will likely prevail.

GREECE

According to EL.STAT. revised data that set 2010 as the new base year, the Production Index in Industry fell for the seventh straight month in September, by 5.1% YoY, mainly due to a hefty fall in electricity production. Elsewhere, Greece's HICP fell by 1.8% YoY in October, the highest annual pace of decline in the last five months remaining below the eurozone's average for the 39th straight month. Speaking to reporters y-day after his meeting with Greece's Premier Antonis Samaras, Deputy Prime Minister Evangelos Venizelos said that he expects troika heads to return to Athens soon enough so as Greece's current program review to be completed in time for the December 8th Eurogroup where the prospect of the country being granted a precautionary credit line after the expiration of the EFSF lending program, is expected to be addressed. According to local press reports, the date for the return of the troika heads has yet to be officially announced as discussions with domestic authorities via e-mails on key issues underlying the current review, continue.

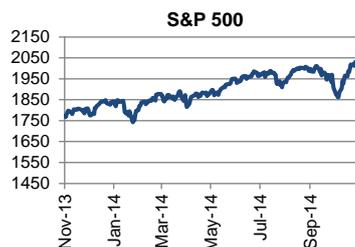
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Latest developments in the CESEE region

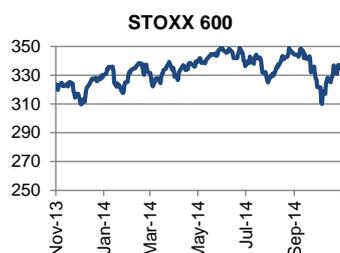
CESEE MARKETS

CESEE stock markets were mixed in European trade on Monday, while **currencies** broadly weakened and **government bonds** recorded modest gains after low inflation data from Romania and Hungary added to expectations for further monetary easing ahead in the region. In more detail, CPI in Hungary declined by 0.4% YoY in October, almost in line with a record decrease of 0.5% YoY marked a month earlier and coming in against expectations for a marginally milder 0.3% YoY drop. Meanwhile, the annual rate of increase in consumer prices in Romania stood at 1.4% over the same month, sliding marginally below the Central Bank's inflation target of 1.5-3.5% and standing not too far from a lifetime trough of 0.7% recorded in June. The market's median forecast was for an unchanged reading from September's 1.5% YoY print. Recall that, the National Bank of Romania resumed its rate-cutting cycle in August after a six month pause, having rendered 75bps of cumulative rate reductions thereafter, while the door remains open for further monetary easing in early 2015. On the other hand, Hungary's Central Bank signaled in July that it completed its 2-year monetary easing cycle following 490bps of cumulative rate cuts. However, headwinds to the region's economic growth prospects and the latest ECB monetary policy decisions as well as expectations for further action ahead, recently stirred speculation about a potential resumption of MNB's rate easing cycle early next year.

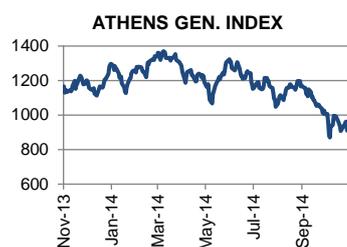
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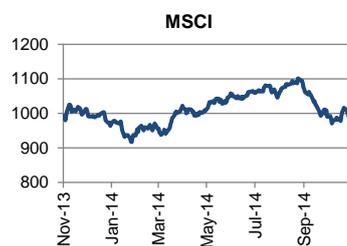
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

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
	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 10/11/2014, 17:00 CET): **Market Developments:** The dinar extended its recent losses on Monday, amid persisting fiscal consolidation concerns and uncertainty surrounding the progress of ongoing IMF negotiations. Despite renewed CB intervention (ca €20mn) at levels around 119.90/120.10, the EUR/RSD ended 0.3% higher on the day at 120.05/25, within distance from a new record peak of 120.15/35 touched intraday. Although negative annual real GDP growth readings in Q2 and Q3 2014 bode well for further monetary easing ahead, we anticipate the Central Bank to hold its fire at its MPC meeting on Thursday and maintain its key policy rate unchanged at 8.50%, due to the domestic currency's recent sharp depreciation.

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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	2014
Policy Rate (eop)	4.00	2.75	2.75

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

(Bucharest, 11/11/2014, 8:50 EET): **Latest Political & Macro Developments:** According to data adjusted by number of working days and seasonality, industrial output rose by 4.9% YoY in September after a 4.7% YoY advance in August, bringing the annual rate of increase to 8.5% YoY over the first nine months of the year. Separately, the trade deficit widened by 16.6% YoY to €485.4mn in September, pushing the year-to-date shortfall 2.6% YoY higher to €4.28bn. The breakdown of the data showed that exports increased by 7.1% YoY to €39.1bn in January-September, while imports rose by 6.6% YoY to €43.4bn over the same period. **Market Developments:** The leu recovered some of last week's losses on Monday, trailing a rally staged by the forint on the back of somewhat easing concerns about the prospects of Hungary's domestic banking sector. Along these lines, the EUR/RON closed at 4.4250/4.4270, recoiling from opening levels of 4.4340/4.4360 and moving further below from a near 2-month peak of 4.4410/30 hit late last week amid NBR Governor Mugur Isarescu's recent dovish comments. In the local rates market, interest rate swaps were little changed on Monday, with the corresponding 1, 3, 6 and 12-month mid implied yields ending at 1.1%, 1.4%, 1.6% and 1.7%, respectively. In other news, the Ministry of Finance sold as planned RON 1bn of 1-year T-Bills on Monday at an average accepted yield of 1.63%, below market expectations of 1.70-1.75%, while the bid-to-cover ratio stood at 2.24%. In the secondary market, government bonds were little changed on Monday's session, with the corresponding 3 and 10-year mid-yields ending at 2.25% and 10Y 3.8%, respectively.

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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	
	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, 11/11/2014, 10:00 EET): **Latest Political & Macro Developments:** The newly appointed finance minister Vladislav Goranov said on Monday that the recently endorsed government will discuss an updated 2014 budget, withdrawing a previous one proposed by the caretaker government. The new general government deficit target for 2014 will be set at 3.7% of GDP instead of 4.0% suggested by the caretaker government, above the 3.0% Maastricht criterion. According to preliminary data, the general government fiscal shortfall stood at 2.2% of GDP over the first ten months of the year, already in excess of an initial deficit target of 1.8%. In order to finance the higher deficit, the government plans to raise the debt level by BGN4.5bn. The government is anticipated to agree on the proposed budget changes today and subsequently submit them to parliament for approval. In other news, the Ministry of Finance reopened on Monday a 5-year government bond selling BGN 55mn at a bid/cover ratio of 2.11 and an average accepted yield of 2.61%, below 2.42% achieved last 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	2038.26	0.3%	10.3%	EUR/USD	1.2408	-0.1%	-9.7%	UST - 10yr	2.36	0	-67	GOLD	1151	0.0%	-4.5%
Nikkei 225	17124.11	2.0%	5.1%	GBP/USD	1.585	0.1%	-4.3%	Bund-10yr	0.84	1	-109	BRENT CRUDE	177	0.0%	6.1%
STOXX 600	338.99	0.4%	3.3%	USD/JPY	115.94	-0.9%	-9.2%	JGB - 10yr	0.49	4	-25	LMEX	3098	-0.8%	-1.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.79	4	-122
1-week	7.02	1	-126
1-month	7.34	1	-124
3-month	7.81	1	-107
6-month	8.14	1	-101

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	1	-173
5Y RSD	10.22	0	-260
7Y RSD	11.23	0	-258

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.87	-6	-114
USD Nov-24	2.93	-357	-397

CDS

	Last	ΔDbps	ΔYTD bps
5-year	288	22	-122
10-year	346	22	-101

STOCKS

	Last	ΔD	ΔYTD
BELEX15	688.2	-0.60%	23.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.01	0.04%	-4.52%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	0	-116
1-month	1.09	-5	-79
3-month	1.84	0	-60
6-month	2.15	-7	-84
12-month	2.15	-9	-100

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	-5	-201
5Y RON	2.51	0	-214
10Y RON	3.66	-1	-164

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.04	-3	-181
USD Aug-23	3.81	2	-99

CDS

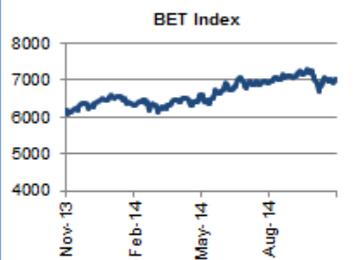
	Last	ΔDbps	ΔYTD bps
5-year	152	2	-32
10-year	198	2	-34

STOCKS

	Last	ΔD	ΔYTD
BET	7002.4	0.01%	7.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4273	-0.01%	1.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.23	0	-9
3-month	0.43	0	-22
6-month	0.79	-1	-36
12-month	1.54	-1	-65

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.50	7	41
5Y BGN	2.05	5	20
10Y BGN	3.25	0	-25

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.62	0	3
EUR Jul-17	1.21	-1	-60

CDS

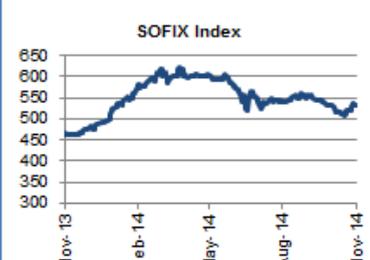
	Last	ΔDbps	ΔYTD bps
5-year	138	-17	17
10-year	186	-18	11

STOCKS

	Last	ΔD	ΔYTD
SOFIX	531.0	-0.22%	8.03%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5763	-0.10%	-9.72%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:20 EET

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