

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 12, 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: Japan's top government spokesman Yoshihide Suga somewhat quelled market speculation earlier today that Prime Minister Shinzo Abe will call early general election in December, assisting the JPY to recover some of its recent losses against its major currency peers.

GREECE: In a meeting held earlier this week, Greece's Premier Antonis Samaras and Deputy Prime Minister Evangelos Venizelos reportedly set red lines on a number of key prior actions underlying Greece's current program review, considered as politically sensitive for the government. Comments by an unnamed European official suggested that there might be "limited flexibility" from the troika's side on some of the outstanding issues and eventually accept their fulfilment to be postponed for some time next year.

SOUTH EASTERN EUROPE

ROMANIA: The EUR/RON remained range-bound within 4.4230-4.4290 on Tuesday, having recoiled from a near 2-month peak of 4.4410/30 hit late last week amid NBR Governor Mugur Isarescu's dovish comments.

BULGARIA: The newly appointed government adopted on Tuesday a 2014 budget update, envisioning an increase in the general government fiscal deficit target to 3.7%-of-GDP, from 1.8% initially penciled in 4.0% suggested by the caretaker government, above the 3.0% Maastricht criterion.

CESEE MARKETS: Bucking the negative trend in major European stock markets, **CESEE bourses** moved broadly higher in European trade on Wednesday.

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Latest world economic & market developments

GLOBAL MARKETS

Japan's top government spokesman Yoshihide Suga somewhat quelled market speculation earlier today that Prime Minister Shinzo Abe will call early general election in December, assisting the JPY to recover some of its recent losses. As a result, the USD/JPY retreated to levels close to 115.40/45 in early European trade after hitting a fresh seven-year peak of 116.10 at some point on Tuesday. Though the prospect of some further USD/JPY weakness in the coming sessions cannot be ruled out completely in view of the pair's recent fast and hefty gains, short-to-medium term risks seem skewed to the upside in view of the diverging monetary policies between the Fed and the BoJ. Elsewhere, the EUR/USD was standing close to 1.2435/40 at the time of writing, little changed compared to Tuesday's levels. With no major US data scheduled for release today and the Eurozone's September industrial production report unlikely to exert a significant impact on the common currency, EUR/USD range trading will likely prevail.

GREECE

In a meeting held earlier this week, Greece's Premier Antonis Samaras and Deputy Prime Minister Evangelos Venizelos reportedly set red lines on a number of key prior actions underlying Greece's current program review, considered as politically sensitive for the government. In particular, the government reportedly appears to have ruled out, among other; (i) the adoption of new measures that would potentially involve lower salaries and pensions as a means of covering any projected fiscal gap in 2015; (ii) amendments on the existing scheme protecting primary residences from foreclosures; (iii) relaxation on existing restrictions for collective dismissals; (iv) certain pension system reforms that could potentially result to an increase in the retirement age for the minimum pension; and (v) abolishment of reduced VAT rates in all islands and product categories, currently applied. Comments by an unnamed European official suggested that there might be "limited flexibility" from the troika's side on some of the outstanding issues and eventually accept their fulfilment to be postponed for some time next year.

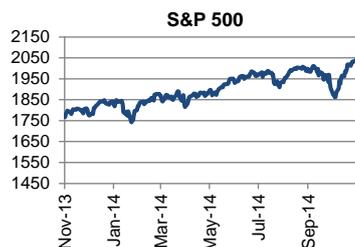
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Latest developments in the CESEE region

CESEE MARKETS

Bucking the negative trend in major European stock markets, **CESEE bourses** moved broadly higher in European trade on Wednesday. On the other hand, Ukraine's PFTS index was sliding by 1.9% at the time of writing, adding to yesterday's 5.4% drop, amid increased worries that a ceasefire agreed around two months ago may breakdown. Meanwhile, Serbia's BELEX 15 fell by 0.67% at the time of writing, after being closed y-day for holiday. In the FX markets, the majority of **CESEE currencies** eased earlier today, with Ukraine's hryvnia plummeting to a new record low of 15.80/USD amid mounting geopolitical jitters. In the **local rates markets**, government bonds broadly firmed amid expectations for further Central Bank monetary easing ahead in the region. But, caution prevailed ahead of key data releases (inflation, GDP, industrial production) later in the week. In the external debt markets, Ukraine's **5-year CDS** spiked by 43bps from Tuesday's close to a 5-year high of 1,392bps, earlier today.

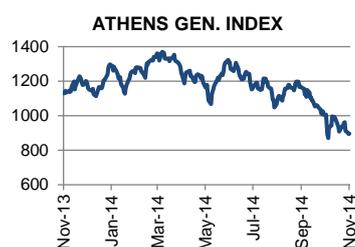
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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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

ROMANIA

(Bucharest, 12/11/2014, 9:05 EET): **Market Developments:** The EUR/RON remained range-bound within 4.4230-4.4290 on Tuesday, having recoiled from a near 2-month peak of 4.4410/30 hit late last week amid NBR Governor Mugur Isarescu's dovish comments. In the local rates market, 1 and 3 month mid implied interest rates from swaps ended 10bps lower each at 1.0% and 1.3%, respectively. On the other hand, 6, 9 and 12-month swaps were little changed, with the former closing on Tuesday at 1.6% and the other two at 1.7%, each. In a similar vein, government bonds were little changed in the secondary market, with 3, 5 and 10-year yields ending the session at 2.25%, 2.75% and 3.8%, respectively.

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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

BULGARIA

(Sofia, 12/11/2014, 10:00 EET): **Latest Political & Macro Developments:** The newly appointed government adopted on Tuesday a 2014 budget update, envisioning an increase in the general government fiscal deficit target to 3.7%-of-GDP, from 1.8% initially penciled in 4.0% suggested by the caretaker government, above the 3.0% Maastricht criterion. The government also agreed on a rise in the public debt ceiling to BGN 22.5bn, in line with the increase proposed by the caretaker government but above BGN 18.0bn initially adopted by Parliament in the 2014 Budget Law. The proposed amendments are pending parliamentary approval. **Market Developments:** Blue chips weighted on the domestic stock market on Tuesday, pushing the main SOFIX 0.45% lower to 529.76 points.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tr> <td>S&P 500</td> <td>2039.68</td> <td>0.1%</td> <td>10.4%</td> </tr> <tr> <td>Nikkei 225</td> <td>17197.05</td> <td>0.4%</td> <td>5.6%</td> </tr> <tr> <td>STOXX 600</td> <td>337.63</td> <td>-0.4%</td> <td>2.9%</td> </tr> </table>		Last	ΔD	ΔYTD	S&P 500	2039.68	0.1%	10.4%	Nikkei 225	17197.05	0.4%	5.6%	STOXX 600	337.63	-0.4%	2.9%
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 | | Last | ΔD | ΔYTD | |---------|--------|-------|-------| | EUR/USD | 1.2464 | -0.1% | -9.3% | | GBP/USD | 1.5877 | -0.3% | -4.1% | | USD/JPY | 115.27 | 0.4% | -8.6% | | | (yields) | Last | ΔDbps | ΔYTD bps | |------------|------|-------|----------| | UST - 10yr | 2.33 | -3 | -70 | | Bund-10yr | 0.80 | -2 | -113 | | JGB - 10yr | 0.53 | 4 | -21 | | | | Last | ΔD | ΔYTD | |-------------|------|-------|-------| | GOLD | 1164 | 0.0% | -3.5% | | BRENT CRUDE | 177 | -0.1% | 6.0% | | LMEX | 3117 | 0.6% | -1.3% | |

SEE MARKETS

SERBIA	ROMANIA	BULGARIA																						
<p>Money Market</p> <table border="1"> <thead> <tr> <th>BELIBOR</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tr> <td>T/N</td> <td>6.75</td> <td>-4</td> <td>-126</td> </tr> <tr> <td>1-week</td> <td>7.01</td> <td>-1</td> <td>-127</td> </tr> <tr> <td>1-month</td> <td>7.34</td> <td>0</td> <td>-124</td> </tr> <tr> <td>3-month</td> <td>7.80</td> <td>-1</td> <td>-108</td> </tr> <tr> <td>6-month</td> <td>8.13</td> <td>-1</td> <td>-102</td> </tr> </table>	BELIBOR	Last	ΔDbps	ΔYTD bps	T/N	6.75	-4	-126	1-week	7.01	-1	-127	1-month	7.34	0	-124	3-month	7.80	-1	-108	6-month	8.13	-1	-102
BELIBOR	Last	ΔDbps	ΔYTD bps																					
T/N	6.75	-4	-126																					
1-week	7.01	-1	-127																					
1-month	7.34	0	-124																					
3-month	7.80	-1	-108																					
6-month	8.13	-1	-102																					

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.32	0	-173
5Y RSD	10.22	0	-260
7Y RSD	11.24	1	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.85	-3	-116
USD Nov-24	2.85	-366	-405

CDS

	Last	ΔDbps	ΔYTD bps
5-year	288	0	-122
10-year	344	-2	-103

STOCKS

BELEX15	Last	ΔD	ΔYTD
	682.5	-0.82%	22.32%

FOREX

EUR/RSD	Last	ΔD	ΔYTD
	120.28	-0.29%	-4.74%

 Money Market | ROBOR | Last | ΔDbps | ΔYTD bps | |----------|------|-------|----------| | O/N | 0.58 | 0 | -116 | | 1-month | 1.07 | -2 | -81 | | 3-month | 1.81 | -3 | -63 | | 6-month | 2.14 | -1 | -85 | | 12-month | 2.15 | 0 | -100 | **RO Local Bonds** | | Last | ΔDbps | ΔYTD bps | |---------|------|-------|----------| | 3Y RON | 1.90 | -4 | -205 | | 5Y RON | 2.52 | 0 | -213 | | 10Y RON | 3.69 | 2 | -161 | **RO Eurobonds** | | Last | ΔDbps | ΔYTD bps | |------------|------|-------|----------| | EUR Sep-20 | 2.01 | -1 | -184 | | USD Aug-23 | 3.81 | -3 | -99 | **CDS** | | Last | ΔDbps | ΔYTD bps | |---------|------|-------|----------| | 5-year | 153 | 1 | -31 | | 10-year | 199 | 1 | -33 | **STOCKS** | BET | Last | ΔD | ΔYTD | |-----|--------|-------|-------| | | 6989.4 | 0.38% | 7.63% | **FOREX** | EUR/RON | Last | ΔD | ΔYTD | |---------|--------|--------|-------| | | 4.4327 | -0.11% | 0.91% | | **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 | 0 | -36 | | 12-month | 1.54 | 0 | -65 | **BG Local Bonds** | (yields) | Last | ΔDbps | ΔYTD bps | |----------|------|-------|----------| | 3Y BGN | 1.49 | 3 | 40 | | 5Y BGN | 2.02 | -4 | 18 | | 10Y BGN | 3.24 | 0 | -25 | **BG Eurobonds** | | Last | ΔDbps | ΔYTD bps | |------------|------|-------|----------| | USD Jan-15 | 0.30 | -32 | -29 | | EUR Jul-17 | 1.20 | 0 | -61 | **CDS** | | Last | ΔDbps | ΔYTD bps | |---------|------|-------|----------| | 5-year | 137 | -1 | 17 | | 10-year | 191 | 5 | 16 | **STOCKS** | SOFIX | Last | ΔD | ΔYTD | |-------|-------|-------|-------| | | 531.1 | 0.25% | 8.05% | **FOREX** | USD/BGN | Last | ΔD | ΔYTD | |---------|--------|--------|--------| | | 1.5692 | -0.09% | -9.31% | || **BELEX15 Index** | **BET Index** | **SOFIX Index** |
| **EUR/RSD** | **EUR/RON** | **USD/BGN** |

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:50 EET

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