

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 14, 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: The majority of European stock markets fell earlier on Friday, amid global growth concerns. In view of diverging monetary policies between the Fed and the ECB, the EUR/USD hovered around levels of 1.2405/08 at the time of writing, after hitting a multi-session low near 1.2400 not far from last week's 2-year trough of 1.2357. Against a similar backdrop, the Japanese yen slid to a new 7-year low of 116.82/USD earlier today, weighed further down by speculation that Prime Minister Shinzo Abe will call early general elections and delay a sales tax.

GREECE: According to Greece's statistics agency (ELSTAT.), Q3 real GDP grew by a seasonally adjusted quarter-on-quarter growth of 0.7% and increased by 1.4% relative to the same quarter a year earlier. The report, which also contained revisions to past quarterly data, revealed upward revisions to real GDP growth in the first two quarters of 2014. Overall, the real GDP grew by 0.5% in the first three quarters of the year, with the economy exiting recession (in QoQ seasonally adjusted terms) one quarter earlier (i.e., in Q1 2014) than it was believed before the past data revisions. Overall, we currently expect full-year GDP growth to reach between 0.8% and 1.0%, exceeding an official forecast of 0.6%.

SOUTH EASTERN EUROPE

ROMANIA: The National Bank of Serbia (NBS) unexpectedly cut its key policy rate by 50bps to 8.00%, confounding market and our expectations for stable interest rates.

ROMANIA: According to the Q3 flash GDP estimate, quarter-on-quarter growth came in at 1.9%, bringing the annual rate of increase to 3.2%, well above the market's median forecast of 1.0%YoY. On the political front, the second round of presidential elections is scheduled for Sunday.

BULGARIA: The interim parliamentary budget and finance committee approved on Thursday a draft budget update, proposed by the Council of Ministers earlier this week.

DISCLAIMER

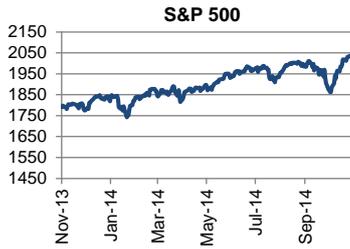
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Latest world economic & market developments

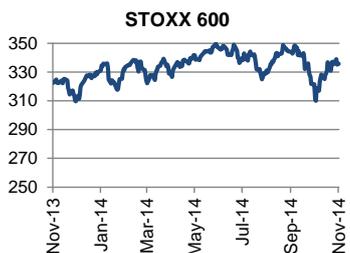
GLOBAL MARKETS

The majority of European stock markets fell earlier on Friday, amid global growth concerns. Adding to worries over the growth prospects of the world's second largest economy, China's industrial production rose by a less than expected 7.7%YoY in October, while the country's fixed-asset investment growth slid to a 13-year low of 15.9%YoY. Meanwhile, Q3 flash GDP data from Eurozone showed an increase of 0.2%QoQ, slightly above the market's consensus of 0.1%, while France and Germany recorded marginally positive quarter-on-quarter growth readings and Italy remained in recession. In view of diverging monetary policies between the Fed and the ECB, the EUR/USD hovered around levels of 1.2405/08 at the time of writing, after hitting a multi-session low near 1.2400 not far from last week's 2-year trough of 1.2357. Against a similar backdrop, the Japanese yen slid to a new 7-year low of 116.82/USD earlier today, weighed further down by speculation that Prime Minister Shinzo Abe will call early general elections in December and delay a sales tax, initially planned for October 2015.

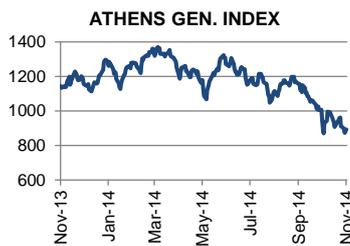
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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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GREECE

According to Greece's statistics agency (EL.STAT.), Q3 real GDP grew by a seasonally adjusted quarter-on-quarter growth of 0.7% and increased by 1.4% relative to the same quarter a year earlier. The report, which also contained revisions to past quarterly data, revealed upward revisions to real GDP growth in the first two quarters of 2014. Overall, the real GDP grew by 0.5% in the first three quarters of the year, with the economy exiting recession (in QoQ seasonally adjusted terms) one quarter earlier (i.e., in Q1 2014) than it was believed before the past data revisions. Overall, we currently expect full-year GDP growth to reach between 0.8% and 1.0%, exceeding an official forecast of 0.6%. Aiming to deal with private sector indebtedness, the Hellenic Parliament approved earlier today an out-of-court restructuring scheme for corporate non-performing loans that entails, among others, certain haircuts. Furthermore, the parliament approved an amendment to a recently adopted bill incorporating the implementation framework of a new installment scheme for tax payments and social security payments. Following the troika's objection that the said scheme is deemed "as too generous" and would increase the projected fiscal gap in FY-2015 by ca €1bn to ca €2.5bn, today's endorsed amendment excludes from the payment scheme all debts of those categories that were declared overdue after the October 1st 2014. Meanwhile, IMF spokesman William Murray was quoted as saying to the local press that discussions between the troika and the Greek authorities on the outstanding issues underlying the current program review continue adding that the date of the troika heads' return to Athens has yet to be finalized. On the data front, the seasonally adjusted unemployment rate for August 2014 dropped from 26.1% in the prior to a two-year low of 25.9%.

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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	8.00	8.00

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

(Belgrade 13/10/2014, 16:25 CET): Latest Political & Macro Developments: The National Bank of Serbia (NBS) unexpectedly cut its key policy rate by 50bps to 8.00%, confounding market and our expectations for stable interest rates. Despite negative annual real GDP growth readings in Q2 and Q3 2014 as well as weak inflation pressures, we had anticipated the Central Bank to hold its fire yesterday in view of the domestic currency's recent sharp depreciation and persisting fiscal consolidation concerns. Notwithstanding the aforementioned, the NBS cited subdued inflation pressures behind its decision, highlighting that annual inflation has remained below the lower bound of the 4.0 +/- 1.5% target tolerance band since March (HICP stood at 1.8% in October), expressing belief that it will likely remain around these levels in the period ahead. Looking ahead, another rate cut at the upcoming MPC meeting in December, this year's last, can not be ruled out entirely, especially if there is positive progress from the ongoing IMF negotiations over a new credit line. Market Developments: The EUR/RSD closed marginally lower at 120.40/60 on Thursday, after the Central Bank intervened anew in the FX markets selling €80mn to support the domestic currency which hit a new lifetime trough at 120.65/85 after the Central Bank rate-cut announcement.

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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, 14/11/2014, 10:10 EET): Latest Political & Macro Developments: According to the Q3 flash GDP estimate, quarter-on-quarter growth came in at 1.9%, bringing the annual rate of increase to 3.2%, well above the market's median forecast of 1.0%YoY. On the political front, the second round of presidential elections is scheduled for Sunday, where the winner of the first round and incumbent Prime Minister Victor Ponta will face ethnic German mayor of the Transylvanian city of Sibiu Klaus Iohannis. The Prime Minister, who led his opponent in the November-2 first round of the polls, is broadly anticipated to win Sunday's run-off. Market Developments: The EUR/RON was little changed on Thursday remaining bound within a tight trading range of 4.4260/320. In a similar vein, short term RON rates closed near the 0.25% deposit facility, while the 1M implied rate from swaps inched slightly higher from 1.00% to 1.10%. In other news, the MoF issued on Thursday the planned RON 300mn in 10-year government bonds (Apr 2023) at an average accepted yield of 3.74%. The bid-to-cover ratio stood at 1.8. Against this backdrop, RON-denominated government bonds rallied, with the corresponding 5-10-year yields easing some 5bps mainly on the back of off-shore buying.

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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, 13/11/2014, 17:45 EET): Latest Political & Macro Developments: The interim parliamentary budget and finance committee approved on Thursday a draft budget update, proposed by the Council of Ministers earlier this week. Among the changes, were a rise in this year's general government deficit target to 3.7% of GDP and a BGN 4.5bn rise in public debt till the end of the year. Market Developments: In line with the negative trend in emerging stock markets, the main SOFIX index closed 0.35% lower at 525.42 points.

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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	2039.33	0.1%	10.3%	EUR/USD	1.2413	-0.5%	-9.7%	UST - 10yr	2.37	3	-66	GOLD	1150	-1.1%	-4.6%
Nikkei 225	17490.83	0.6%	7.4%	GBP/USD	1.5627	-0.5%	-5.6%	Bund-10yr	0.80	0	-113	BRENT CRUDE	177	0.0%	6.0%
STOXX 600	335.63	-0.1%	2.2%	USD/JPY	116.73	-0.8%	-9.8%	JGB - 10yr	0.48	-2	-26	LMEX	3095	-0.9%	-2.0%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.47	-29	-154
1-week	6.80	-22	-148
1-month	7.14	-21	-144
3-month	7.65	-16	-123
6-month	8.01	-13	-114

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.34	0	-171
5Y RSD	10.22	0	-260
7Y RSD	11.24	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.59	-6	-142
USD Nov-24	2.53	-396	-437

CDS

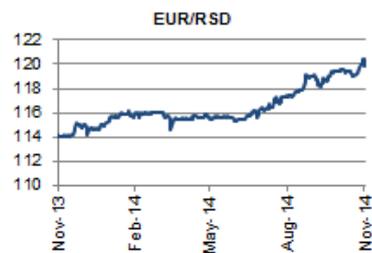
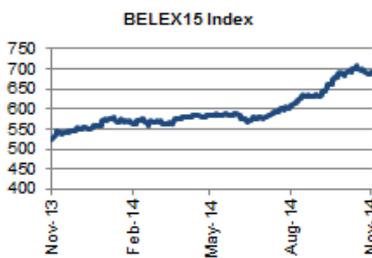
	Last	ΔDbps	ΔYTD bps
5-year	284	-4	-125
10-year	349	5	-98

STOCKS

	Last	ΔD	ΔYTD
BELEX15	690.3	-0.35%	23.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.77	0.59%	-4.33%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	-2	-120
1-month	1.07	0	-81
3-month	1.81	1	-53
6-month	2.14	2	-85
12-month	2.14	1	-101

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	0	-203
5Y RON	2.52	-1	-213
10Y RON	3.70	-1	-160

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.00	1	-184
USD Aug-23	3.85	3	-96

CDS

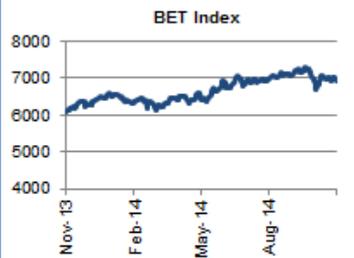
	Last	ΔDbps	ΔYTD bps
5-year	152	1	-33
10-year	197	2	-35

STOCKS

	Last	ΔD	ΔYTD
BET	6960.8	0.27%	7.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4292	-0.02%	0.99%



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	0	-36
12-month	1.54	0	-65

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.47	0	37
5Y BGN	2.06	0	22
10Y BGN	3.23	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.26	0	-32
EUR Jul-17	1.20	-1	-61

CDS

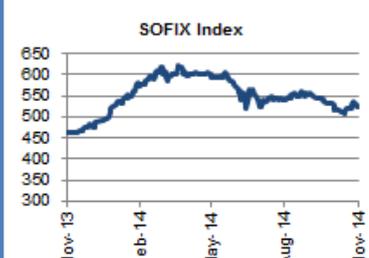
	Last	ΔDbps	ΔYTD bps
5-year	140	2	18
10-year	196	3	21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	525.4	0.00%	6.89%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5758	-0.53%	-9.69%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 15:40 EET

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