

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- October 27: Pending home sales (Sep)
- October 28
  - Durable goods orders (Sep)
  - CB consumer (Sep) confidence (Oct)
- October 29: FOMC decision
- October 30
  - Initial jobless claims (Oct. 24)
  - GDP (Q3, f)
- October 31
  - Personal income/spending (Sep)
  - Chicago PMI (Oct)
  - UoM Consumer sentiment (Oct)

##### EUROZONE

- October 27: DE: Ifo business climate (Oct)
- October 31
  - HICP (Oct)
  - U/E rate (Sep)

##### SEE

##### SERBIA

- October 27-31: Q2 GDP (f)
- October 27: 2016 T-Bonds auction
- October 31
  - Q3 GDP (p)
  - Industrial production (Sep)
  - Trade balance (Sep)
  - Retail sales (Sep)

##### ROMANIA

- October 28: 3.25% 2018 T-Bonds auction

##### BULGARIA

- October 31: Budget balance (Sep)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The EU-wide stress test results came in somewhat better than expected helping major European bourses kick off the week on a firm tone and helped the EUR gain some ground on Monday.

**GREECE:** Speaking at the press conference that followed the conclusion of the EU Summit on Friday, Greece's Prime Minister Antonis Samaras said that official discussions continued about Greece exiting the IMF program at the end of this year with a precautionary credit line.

### SOUTH EASTERN EUROPE

**SERBIA:** As was broadly expected, the National Assembly approved late on Sunday a revision in the 2014 budget, which envisions, among other, an increase in the unconsolidated budget deficit target to 5.7%-of-GDP (excluding below-the-line items) from 4.6% initially planned.

**ROMANIA:** The finance ministry holds today two primary government bond auctions for RON 500mn in 7-month and RON 800mn in 11-month T-Bills.

**CESEE MARKETS:** Regional stock markets were mixed and CESEE currencies broadly weakened in early European trade on Monday, as downbeat business sentiment data from Germany overshadowed an initially positive reaction to the EU-wide stress test results. Market caution ahead of the FOMC's meeting later in the week also prevailed.

## Latest world economic & market developments

### GLOBAL MARKETS

The EU-wide stress test results came in somewhat better than expected helping major European bourses kick off the week on a firm tone. According to the official announcement yesterday, the exercise identified capital shortfalls for 25 participating banks, totaling €24.6bn. Out of these banks, 12 have already covered their capital shortfall after taking into account other additional measures adopted since December 31<sup>st</sup> 2013 while the remaining 13 have an overall capital shortfall amounting €9.47bn cumulatively. The somewhat friendlier than some investors expected outcome of the EU-wide stress tests helped the EUR gain some ground on Monday. The EUR/USD was hovering around 1.2695/1.2700 at the time of writing in European trade after dropping to 1.2630 at some point on Friday with investors awaiting a bulk of key euro area data later this week including September's M3 money supply (Tuesday), October's Economic Sentiment Indicator (Thursday) and October's preliminary CPI (Friday). Elsewhere, the USD/JPY stood close to 107.90/95 in European trade, having retreated from a two-week peak near 108.40 tested earlier today presumably due to month end flows and position readjustment ahead of Wednesday's FOMC monetary policy announcement. The Fed is widely expected to conclude its asset purchase program and acknowledge the ongoing improvement in the domestic labor market reiterating though that a "considerable time" is needed before monetary policy tightening begins.

### GREECE

Speaking at the press conference that followed the conclusion of the EU Summit on Friday, Greece's Prime Minister Antonis Samaras said that official discussions continued about Greece exiting the IMF program at the end of this year with a precautionary credit line. According to the local press, the precautionary credit line would be in place for one year and final decisions on issue are not expected before December 18<sup>th</sup> EU Summit.

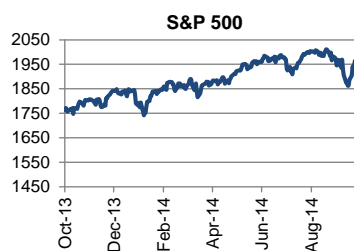
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## Latest developments in the CESEE region

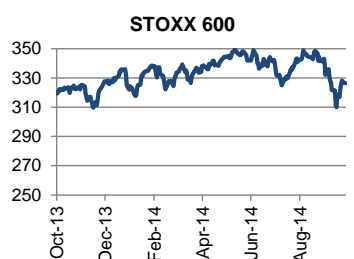
### CESEE MARKETS

**Regional stock markets** were mixed in early European trade on Monday, as downbeat business sentiment data from Germany overshadowed an initially positive reaction to the EU-wide stress test results. Meanwhile, market caution ahead of the FOMC's monetary policy meeting later in the week also prevailed. Turkey's BIST 100 index led the losses in the region ahead of a three day bank holiday, declining by ca 0.7% at the time of writing and underperforming a marginal fall of 0.1% at the broader MSCI emerging markets index. Against a similar background, **CESEE currencies** largely weakened earlier today. The Turkish lira led the losses in the region, with the USD/TRY bouncing from 2.2300 on Friday's close to a session high of 2.2420 at some point on Monday. Technically, immediate resistance for the pair lies at today's peak ahead of 2.2550 (14-day moving average), while strong resistance stands at a 1-month trough of 2.2270 hit late last week. Elsewhere, the Hungarian forint extended its recent losses in European trade today, recoiling as far as a 2-week low of 309.25/EUR as government bond yields reportedly dropped further, while an internet-tax planned by the government stirred public discontent and resulted in an anti-government rally over the weekend. Investor caution also persisted in view of tomorrow's MPC meeting, where the Central Bank is broadly anticipated to keep its key policy rate unchanged at the current record low level of 2.10% following 490bps of monetary easing since August 2012.

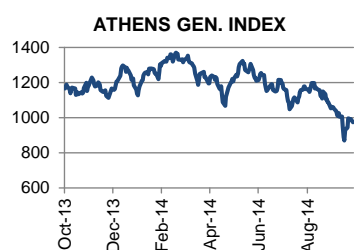
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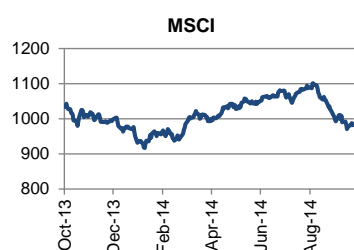
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

## 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 27/10/2014, 10:00 CET): **Latest Political & Macro Developments:** As was broadly expected, the National Assembly approved late on Sunday a revision in the 2014 budget, which envisions, among other, an increase in the unconsolidated budget deficit target to 5.7%-of-GDP from 4.6% initially planned and a rise in the primary fiscal shortfall to RSD 225bn from RSD 183bn. The aforementioned figures do not include below-the-line items, such as bank guarantees to state-owned firms, with the consolidated budget deficit expected to come in much higher, probably in excess of 8.0%-of-GDP and well above an earlier target of 7.1%. In spite of the aforementioned deterioration, the revised Law on Budget includes fiscal consolidation measures, which are seen as key for securing an IMF credit line, such as reductions in pensions and public sector wages scheduled to come into effect on November 1<sup>st</sup>. The government is expected to include additional austerity measures in the 2015 budget bill which must be endorsed by Parliament by mid-December and has expressed hope that a deal with the IMF will be reached before the end of the year. On the data front, average net salaries and wages paid in September amounted to RSD 43,975 (ca €370), marking an increase of 2.6%YoY in nominal terms and of 0.5%YoY in real terms. Cumulatively over the first nine months of the year, average net salaries and wages rose by 1.7%YoY nominally and decreased by 0.4%YoY in real terms. All in all, the data indicates rigidities in the domestic labor market, as the current adjustment in wages lags the contraction in domestic economic activity. Nonetheless, a further deterioration in wages is expected to be witnessed in the coming months as fiscal consolidation measures, such as the aforementioned reductions in pensions and public sector wages come into effect. **Market Developments:** The EUR/RSD marginally weakened to close at 119.35/55 on Friday after opening at 119.45/65, following renewed Central Bank intervention in the FX markets (€10mn) to bolster the dinar. Looking ahead, we anticipate range-trading around 119.00-119.50 to persist in the coming sessions as weakening pressures on the domestic currency due to fiscal consolidation concerns are likely to be capped by new NBS action.

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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	3.00	3.00

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

(Bucharest, 24/10/2014, 9:20 EET): **Market Developments:** The EUR/RON was little changed on Friday, remaining range-bound within 4.4190/230. Meanwhile, money market rates extended their recent downtrend, with the 1M implied RON rate from swaps decreasing by 20bps to a 2-month trough of 1.90% on Friday. Separately, government bonds with 1-2 year maturities outperformed, with the corresponding yields moving ca 5bps lower. Today, the finance ministry holds two primary government bond auctions for RON 500mn in 7-month and RON 800mn in 11-month T-Bills, which are expected to produce respective yields of 1.90-2.00% and 1.95-2.10%.

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October 27, 2014

## 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	1964.58	0.7%	6.3%	EUR/USD	1.2678	0.1%	-7.7%	UST - 10yr	2.27	0	-76	GOLD	1231	0.0%	2.1%
Nikkei 225	15388.72	0.6%	-5.5%	GBP/USD	1.6102	0.1%	-2.7%	Bund-10yr	0.88	-1	-105	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	326.45	-0.2%	-0.6%	USD/JPY	107.86	0.2%	-2.4%	JGB - 10yr	0.47	0	-27	LMEX	3071	-0.4%	-2.8%

## SEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.79	1	-122
1-week	6.99	1	-129
1-month	7.31	1	-127
3-month	7.80	1	-108
6-month	8.09	1	-106

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	1	-62
5Y RSD	10.22	0	-260
7Y RSD	11.23	0	-257

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.94	-3	-107
USD Nov-24	3.80	-275	-311

#### CDS

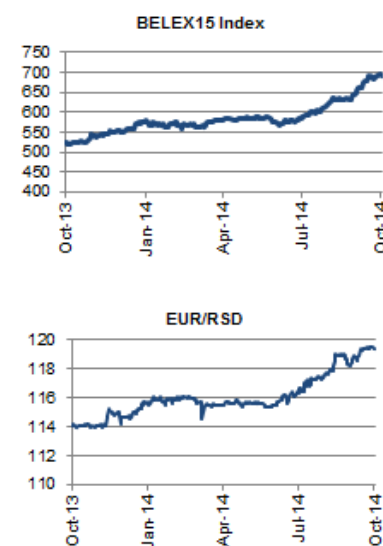
	Last	ΔDbps	ΔYTD bps
5-year	268	-17	-142
10-year	326	-17	-121

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	692.4	-0.80%	24.09%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.39	-0.04%	-4.03%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.64	-2	-110
1-month	2.31	-6	43
3-month	2.5	-1	6
6-month	2.78	-3	-21
12-month	2.78	-5	-37

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.37	-1	-158
5Y RON	2.94	1	-171
10Y RON	3.86	-2	-144

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.04	-1	-180
USD Aug-23	3.79	0	-102

#### CDS

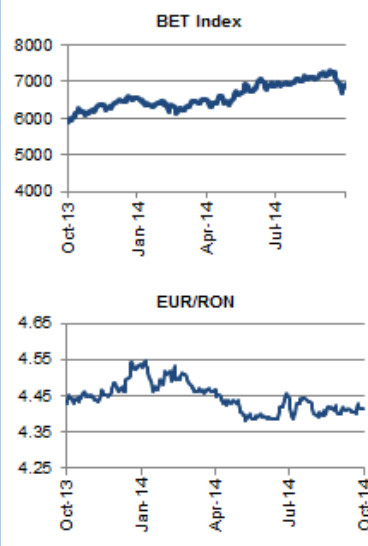
	Last	ΔDbps	ΔYTD bps
5-year	155	-1	-32
10-year	202	-2	-30

#### STOCKS

	Last	ΔD	ΔYTD
BET	6984.7	0.81%	7.56%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4165	0.00%	1.28%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.46	0	-19
6-month	0.83	0	-33
12-month	1.59	0	-60

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.23	2	14
5Y BGN	1.88	2	3
10Y BGN	3.13	0	-36

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.53	-28	-6
EUR Jul-17	1.25	-1	-55

#### CDS

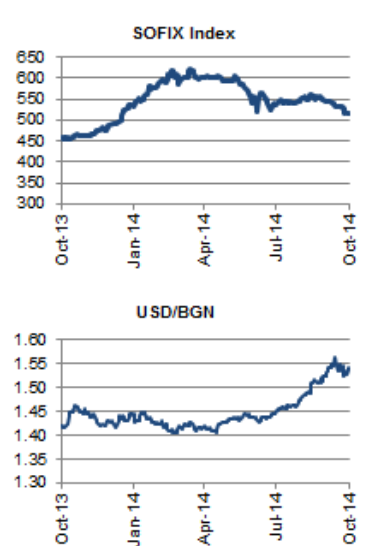
	Last	ΔDbps	ΔYTD bps
5-year	150	5	21
10-year	205	4	31

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	513.7	-0.05%	4.51%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5412	-0.21%	-7.66%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:30 EET

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