

October 8, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 7: Fed's George, Kocherlakota, Dudley speak
- October 8: Fed Sept. 16-17 FOMC meeting minutes
- October 9: Initial jobless claims (Oct. 3)
- October 9-10: G20 Finance ministers and central bankers meet in Washington
- October 10: Fed's Plosser, George and Lacker speak

SEE

SERBIA

- October 3-10: GDP (f, Q2)
- October 7: PPI (Sept)

ROMANIA

- October 7
 - Industrial sales (Aug)
 - Net wages (Aug)
- October 8: GDP (Q2, f)
- October 10
 - CPI (Sept)
 - Trade balance (Aug)
 - Industrial output (Aug)

BULGARIA

- October 7-14: U/E rate (Sept)
- October 8
 - Industrial production (Aug)
 - Retail sales (Aug)
- October 10: Trade balance (Aug)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets weakened on Wednesday and the JPY was among the main outperformers in FX markets on the back of heightened concerns about the prospects of the global economy. Focus today is on the minutes from the FOMC September meeting, which may shed more light on the timing of the first Fed rate hike.

GREECE: The first round of official talks between domestic authorities and official lenders in the context of the 5th program review was reportedly concluded late y-day. As per the same sources, the troika mission heads will depart from Athens today to attend the IMF/World Annual Meeting in Washington D.C. and are expected to return in early November. On the data front, the retail trade volume index, including automotive fuel, advanced by 4.8%YoY in July, recording the fifth annual improvement in the last nine months.

SOUTH EASTERN EUROPE

SERBIA: The Central Bank intervened anew in the FX markets on Tuesday to support the dinar which hit a new all-time low against the euro amid persisting fiscal consolidation concerns.

ROMANIA: Local rate markets on a consolidation mode on Tuesday.

BULGARIA: According to party officials, the winner of Sunday's snap general elections, GERB, will hold a first round of negotiations on Monday, October 13, for the formation of a new government.

CESEE MARKETS: Emerging stock markets, CESEE currencies broadly fell in European trade on Wednesday amid global growth concerns; caution also prevailed ahead of the release of the FOMC's September 16-17 meeting minutes later on the day.

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Latest world economic & market developments

GLOBAL MARKETS

The majority of global equity markets weakened on Wednesday pressured by heightened concerns about the prospects of the global economy. Following a bulk of disappointing macro data from Germany earlier this week, in its updated World Economic Outlook released y-day, the IMF revised lower its global GDP growth forecast for this year to 3.3%YoY from 3.4%YoY previously, and 3.8%YoY in 2015 from 4.0%YoY, warning of stagnant euro area growth, weaker growth in Japan, weaker economic activity in Russia and the Commonwealth and Independent States as well as slower growth in Latin America, particularly in Brazil. Yet, the IMF adopted a more optimistic stance for the prospects of the US economy revising upward its GDP growth forecast for this year by 0.5ppts to 2.2%, whilst leaving its projection for next year unchanged at 3.8%. The latest bout of risk aversion enhanced the JPY's safe-haven allure with the USD/JPY hovering around 108.20/40 at the time of writing after hitting a six-year high slightly above 110.00 earlier this month. Elsewhere, the EUR/USD continued to consolidate around 1.2580-1.2680 with investors awaiting the minutes from the FOMC September meeting, due later in day, which may shed more light on the timing of the first Fed rate hike.

GREECE

The first round of official talks between domestic authorities and official lenders in the context of the 5th program review was reportedly concluded late y-day. As per the same sources, the troika mission heads will depart from Athens today to attend the IMF/World Annual Meeting in Washington D.C and are expected to return in early November to resume official discussions, after the new European Commissioner has been sworn in and the EU-wide stress test results are released, due on October 26. As things stand at this point, the two sides have reportedly reached an agreement in principal on a new scheme addressing non-performing corporate loans. Yet, the troika heads have reportedly asked for a comprehensive scheme that would also deal with non-performing loans attributed to the consumer and the housing sector. On the data front, the retail trade volume index, including automotive fuel, advanced by 4.8%YoY in July, recording the fifth annual improvement in the last nine months.

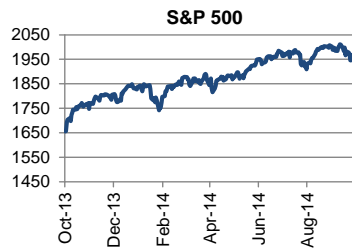
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Latest developments in the CESEE region

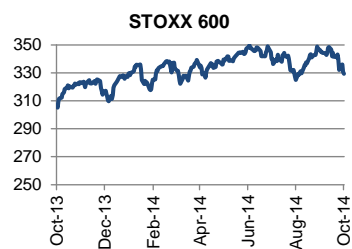
CESEE MARKETS

Emerging stock markets broadly fell in European trade on Wednesday amid global growth concerns. Caution also prevailed ahead of the upcoming release of the FOMC's September 16-17 meeting minutes, expected to be closely scrutinized by market participants for any hints about the Fed's monetary policy deliberations ahead. Turkey's BIST 100 index led the losses in the region falling by 0.95% at the time of writing and underperforming a 0.75% decline in the MSCI index of emerging equities, in the first trading session after remaining closed since Friday on holiday. Along similar lines, **CESEE currencies** broadly weakened in European trade. In the CESEE space, today's focus is on Poland's Central Bank monetary policy decision. The market's median forecast is for a 25bps cut which, if delivered, will bring the main policy rate to a new record low of 2.25%. That said, a higher rate reduction can not be ruled out either as domestic economic activity appears to be slowing, while annual headline CPI stood in a negative territory in July and August, well below the Central Bank's 2.5% +/-1% target. Final Q2 GDP readings in Romania and Serbia as well as Turkey's Medium-Term Programme for 2015-17 also lure market attention.

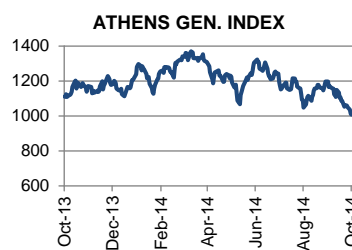
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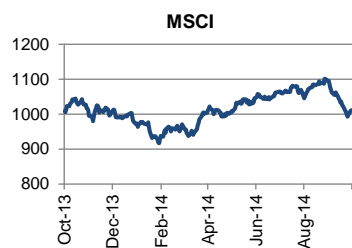
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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: 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

SERBIA

(Belgrade 6/10/2014, 17:00 CET): **Latest Political & Macro Developments:** During a visit to Moscow this week, Serbia's Minister of Foreign Affairs offered to swap USD 180mn (EUR 143mn) of Serbia's debt to Russia for unpaid gas from last year with part of equity in state-owned "Petrohemija", the country's largest petrochemical producer. The offer appears to be an attempt by the government to reduce the substantial public debt burden. **Market Developments:** The EUR/RSD closed marginally higher at 119.30/50 on Tuesday, with a spike to a new record high of 119.45/65 proving short-lived after the Central Bank intervened anew in the FX markets selling ca €20mn in order to support the domestic currency.

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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

ROMANIA

(Bucharest, 8/10/2014, 9:15 EET): **Market Developments:** The EUR/RON temporarily broke below the lower bound of its recent 4.4060/180 trading range on Tuesday to hit an intraday low of 4.4020, before closing little changed at 4.4080. In the money markets, rates of shorter tenures were pushed higher as some investors presumably saw the recent easing in rates an opportunity to load up on funding. As a result, the implied 1-week rate moved 20bps higher to 3.00%. On the flipside, longer term rates from 1-month onwards were little changed amid expectations that their recent downtrend will resume. Separately, RON government bonds modestly extended this week's gains on Tuesday, with paper of 5-7 years maturity inching down by 5bps. In more detail, the new 2025 10Y bond closed at 4.20% from just under 4.20% in the prior session's settlement.

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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

BULGARIA

(Sofia, 7/10/2014, 17:25 EET): **Latest Political & Macro Developments:** According to party officials, the winner of Sunday's snap general elections, GERB, will hold a first round of negotiations on Monday, October 13 for the formation of a new government. Earlier in the week, party members had highlighted that talks would be held with all parties that passed the 4% threshold to enter Parliament, having however ruled out the prospect of a coalition government with either the BSP or DPS. **Market Developments:** The Ministry of Finance re-tapped a 5-year Government Bond, originally issued on 22 January 2014, selling BGN 55mn at Tuesday's auction. The average accepted yield stood at 2.42%, while the bid/cover ratio came in at a multi-year low of 1.26. Most of the issue was acquired by banks (89.09%), while the rest of the volume was allotted to insurance companies (10.91%). In other news, the domestic stock market staged a mixed performance on Tuesday, with the main SOFIX index advancing by 0.62% to 533.49 points.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	6.76	0	-125
1-week	6.97	0	-131
1-month	7.31	1	-127
3-month	7.75	-4	-113
6-month	8.02	-4	-113

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.41	0	-55
5Y RSD	10.24	0	-258
7Y RSD	11.25	1	-255

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.35	0	-65
USD Nov-24	4.51	-208	-240

CDS

	Last	ΔDbps	ΔYTD bps
5-year	270	0	-139
10-year	323	0	-124

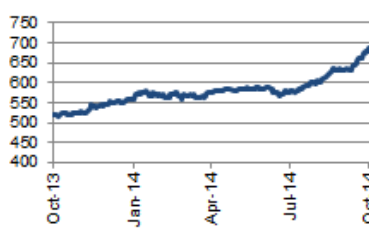
STOCKS

BELEX15	Last	ΔD	ΔYTD
	686.9	-0.34%	23.10%

FOREX

EUR/RSD	Last	ΔD	ΔYTD
	119.44	-0.04%	-4.07%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
0/N	3	11	126
1-month	2.98	3	110
3-month	2.94	1	50
6-month	2.94	0	-5
12-month	2.95	1	-20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.64	-3	-131
5Y RON	3.12	-2	-153
10Y RON	4.01	-2	-129

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.12	1	-173
USD Aug-23	3.98	2	-83

CDS

	Last	ΔDbps	ΔYTD bps
5-year	148	0	-40
10-year	194	0	-39

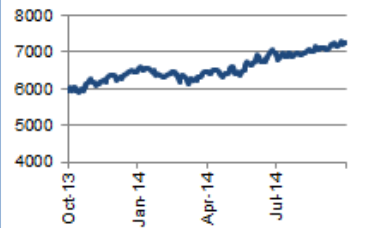
STOCKS

BET	Last	ΔD	ΔYTD
	7198.9	-0.46%	10.86%

FOREX

EUR/RON	Last	ΔD	ΔYTD
	4.4099	-0.06%	1.43%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.18	-2	9
5Y BGN	1.89	1	4
10Y BGN	3.07	0	-42

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.50	-18	-9
EUR Jul-17	1.21	0	-60

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	12
10-year	179	0	4

STOCKS

SOFIX	Last	ΔD	ΔYTD
	533.1	-0.07%	8.47%

FOREX

USD/BGN	Last	ΔD	ΔYTD
	1.5467	-0.18%	-7.99%

SOFIX Index



USD/BGN



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