

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 15, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- December 15
 - Empire state index (Dec)
 - Industrial production (Nov)
 - NAHB index (Dec)
- December 16
 - Housing starts & permits (Nov)
- December 17
 - CPI (Nov)
 - FOMC meeting
- December 18
 - Initial jobless claims (Dec. 13)
 - Philly Fed (Dec)

EUROZONE

- December 16
 - DE: ZEW index (Dec)
 - PMI manufacturing & services (Dec)
- December 17: HICP (Nov, f)
- December 18: DE: Ifo business climate (Dec)

SEE

SERBIA

- December 16: 2016 8% T-Bonds auction

ROMANIA

- December 15
 - Current account (Oct)
 - RON 1bn 364 day T-bills auction
- December 18: RON 500mn 4.75% 2019 T-Bonds auction

BULGARIA

- December 15
 - Current account (Oct)
 - CPI (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking the negative trend in Asian bourses, European equity markets moved broadly higher in early trade on Monday as a halt in the decline of oil prices earlier in the session provided some support to energy shares. In FX markets, the Japanese yen firmed against its major currency peers, shrugging off a largely expected landslide victory for Japanese Prime Minister Shinzo Abe's coalition in Sunday's general elections. The upcoming FOMC meeting on December 16-17 takes centre stage this week.

SOUTH EASTERN EUROPE

SERBIA: HICP was flat on a monthly basis in November, with the annual rate of increase coming in at 2.4% and remaining below the Central Bank's target of 4 +/-1.5% for the ninth month running.

ROMANIA: The leu came under pressure on Friday, with the EUR/RON breaking above key technical levels and hitting a 9-month peak of 4.4900 in late after-hours trading after the government announced its decision to extend taxes on energy firms.

BULGARIA: Standard & Poor's revised downwards on Friday its long and short-term sovereign credit ratings on Bulgaria from BBB-/A-3 to below investment grade of BB+/B, with stable outlook, citing this year's banking sector turmoil and ensuing deterioration in the country's fiscal position.

CESEE: Taking their cue from losses in Asia, the majority of **emerging stock markets** kicked off the week on a negative footing. Meanwhile, **CESEE bourses and currencies** were mixed. **Focus this week** is on Hungary's MPC meeting decision, as well as on CPI and current account data for November and October, respectively, from Bulgaria and Poland.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

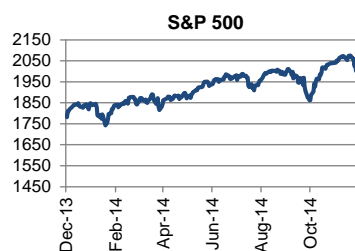
Latest world economic & market developments

GLOBAL MARKETS

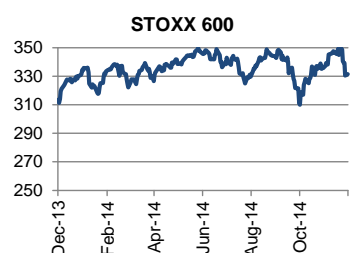
Bucking the negative trend in Asian bourses, European equity markets moved broadly higher in early trade on Monday as a halt in the decline of oil prices earlier in the session provided some support to energy shares. In FX markets, the Japanese yen firmed against its major currency peers, largely shrugging off a widely expected landslide victory for Japanese Prime Minister Shinzo Abe's coalition in Sunday's snap general elections, which strengthened the new government's mandate for further stimulus measures ahead. Meanwhile, the euro came under pressure as the recent decline in oil prices added to expectations 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. Against this backdrop, the USD/JPY hovered around levels of 118.60/68 at the time of writing, remaining within distance from a multi-session low near 117.75 hit in Asia and well below from a 7-½-high close to 121.85 recorded in early December. Separately, the EUR/USD traded at 1.2424/25 in Europe vs. 1.2460 on Friday's settlement. The upcoming FOMC meeting on December 16-17 takes centre stage this week.

CESEE MARKETS

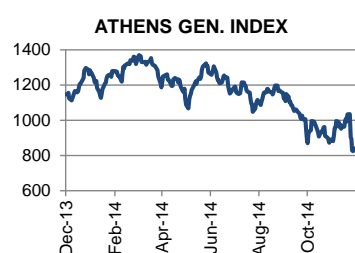
Taking their cue from losses in Asia, the majority of **emerging stock markets** kicked off the week on a negative footing, with the broad MSCI index of emerging equities falling for the seventh session running to hit a 10-½-month trough of 931.43 earlier on Monday. CESEE bourses were mixed with Bulgaria's SOFIX leading the losses in the region, registering a 1.21% decline at the time of writing, in the wake of Friday's sovereign credit rating downgrade by S&P. Meanwhile, main indices in Romania, Poland and Hungary bucked the trend to stand modestly firmer on the day. In the FX markets, **CESEE currencies** were mixed. The Turkish lira broadly underperformed its regional peers, with the USD/TRY bouncing as far as a 11-month high of 2.3230 in European trade, weighed down by expectations that the Fed will embark on a rate-hiking cycle sometime in 2015 and worries over escalating domestic political tensions following news that police arrested several individuals linked to US-based cleric Fethullah Gulen, seen as a key opponent to President Tayyip Erdogan. Elsewhere, the Romanian leu led the winner's pack in the wake of Sunday's cabinet reshuffling where the finance and energy ministers were replaced in a move expected to strengthen the coalition government's mandate. Along these lines, the EUR/RON eased as far as a session low of 4.4695, recoiling from a 9-month peak just above 4.4940 hit in early European trade as Friday's government decision to extend taxes on energy firms continued to have a negative impact. Technically, immediate support for the pair lies at today's low ahead of 4.4380 (14-day moving average). On the flipside, strong resistance stands at today's peak. Separately, the Polish zloty firmed by ca 0.3% to 4.17/EUR ahead of key macroeconomic releases due later on the day. In **the local rates markets**, government bonds were mixed with Polish paper leading the gains. In more detail, the corresponding Polish 2 and 10-year yields eased ca 6bps and 5bps, respectively, to 1.85% and 2.6% in Europe today. Focus this week is on Hungary's MPC meeting decision, where the Central Bank is broadly anticipated to stay put on interest rates and hold its key policy rate at the current record low of 2.10% after 490bps of monetary easing since August 2012. CPI data for November and current account data for October from Bulgaria and Poland also lure market attention.



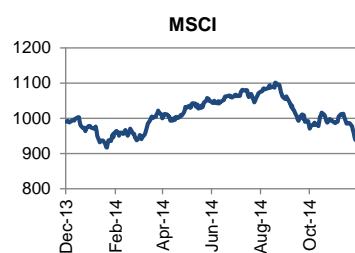
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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 | BB+ | BBB- |
| CYPRUS | B3 | B+ | B- |

Source: Reuters, Bloomberg, Eurobank Global Markets Research

gphoka@eurobank.gr

| SERBIA: Indicators | 2013 | 2014f | 2015f |
|---------------------|----------------|--------------|--------------|
| Real GDP growth % | -1.5 | -2.0 | 0.0 |
| CPI (pa, yoy %) | 7.8 | 2.0 | 3.5 |
| Budget Balance/GDP | -5.8 | -7.2 | -5.7 |
| Current Account/GDP | -5.0 | -6.1 | -4.7 |
| EUR/RSD (eop) | 114.57 | 120.50 | 124.50 |
| | current | 2014f | 2015f |
| Policy Rate (eop) | 8.00 | 8.00 | 7.00 |

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

SERBIA

(Belgrade 12/12/2014, 17:00 CET): **Latest Political & Macro Developments:** According to the latest inflation data released by the Statistical Office of the Republic of Serbia on Friday, HICP was flat on a monthly basis in November, as an increase in fresh food prices was broadly offset by a drop in petroleum and tobacco prices. On an annual basis, HICP stood at 2.4%, following October's 1.8% print, standing below the Central Bank's target of 4 +/-1.5% for the ninth month running and expected to remain below the said targeted band until mid-2015. **Market Developments:** The EUR//RSD closed relatively flat at 122.10/30 on Friday, having recoiled from a daily high of 122.15/35 hit earlier in the session after new Central Bank intervention in the FX markets, with sales of ca €20mn, aimed at halting the dinar's ongoing depreciation momentum.

Zoran.Korac@eurobank.rs

Djordje.Lucic@eurobank.rs

Ivan.Radovic@eurobank.rs

gphoka@eurobank.gr

| ROMANIA: Indicators | 2013 | 2014f | 2015f |
|---------------------|----------------|--------------|--------------|
| Real GDP growth % | 3.5 | 2.5 | 3.0 |
| CPI (pa, yoy %) | 4.0 | 1.3 | 2.6 |
| Budget Balance/GDP | -2.3 | -2.2 | -2.2 |
| Current Account/GDP | -1.1 | -1.2 | -1.5 |
| EUR/RON (eop) | 4.46 | 4.40 | |
| | current | 2014f | 2015f |
| Policy Rate (eop) | 2.75 | 2.75 | 2.50 |

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

ROMANIA

(Bucharest, 15/12/2014, 9:40 EET): **Market Developments:** The leu came under significant pressure on Friday, with the EUR/RON breaking above key technical levels and hitting a 9-month peak of 4.4900 in late after-hours trading after the government announced its decision to extend taxes on energy firms. In the money market, rates up to one week remained close to 0.25% on Friday. On the other hand, longer rates continued to move modestly higher, with the 1M implied rate from swaps rising by 5bps to 1.05%. Elsewhere, longer-term government bonds firmed on Friday, with 5-10Y yields retreating some 3-4 bps. Today the MoF holds a primary market auction for RON 1bn in 12M T-Bills. T-Bills auctions were very well received during the past couple of months as locals are looking to place excess RON liquidity, with most clearing at yields below equivalent implied swap rates in October and November. It is unclear if this downtrend will continue today, especially as swaps have been moving higher. The market's median forecast for today is for an average accepted yield of 1.55-1.75%.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

| BULGARIA: Indicators | 2013 | 2014f | 2015f |
|----------------------|----------------|--------------|--------------|
| Real GDP growth % | 1.1 | 1.5 | 0.8 |
| CPI (pa, yoy %) | 0.4 | -1.5 | 0.1 |
| Budget Balance/GDP | -1.8 | -3.7 | -3.0 |
| Current Account/GDP | 2.1 | 2.2 | 1.8 |
| EUR/BGN (eop) | | 1.9558 | |
| | current | 2014f | 2015f |
| Policy Rate (eop) | N/A | N/A | N/A |

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

BULGARIA

(Sofia, 15/12/2014, 10:00 EET): **Latest Political & Macro Developments:** Standard & Poor's revised downwards on Friday its long and short-term sovereign credit ratings on Bulgaria from BBB-/A-3 to below investment grade BB+/B, with stable outlook. The ratings agency cited this year's banking sector turmoil and ensuing deterioration in the country's fiscal position as the main reasons behind its decision. **Market Developments:** Domestic stock indices closed largely unchanged on Friday, with the main SOFIX ending in a marginally positive territory of 0.09% at 544.07 points.

VBoteva@postbank.bg

gphoka@eurobank.gr

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 | 2002.33 | -1.6% | 8.3% | EUR/USD | 1.243 | -0.3% | -9.6% | UST - 10yr | 2.13 | 4 | -90 | GOLD | 1213 | -0.8% | 0.6% |
| Nikkei 225 | 17099.40 | -1.6% | 5.0% | GBP/USD | 1.5663 | -0.3% | -5.4% | Bund-10yr | 0.64 | 2 | -129 | BRENT CRUDE | 175 | 0.0% | 4.8% |
| STOXX 600 | 331.51 | 0.3% | 1.0% | USD/JPY | 118.77 | 0.0% | -11.3% | JGB - 10yr | 0.38 | -2 | -36 | LMEX | 3028 | 0.3% | -4.1% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔD | ΔYTD |
|---------|------|----|------|
| T/N | on | -1 | -152 |
| 1-week | 6.88 | -1 | -140 |
| 1-month | 7.21 | 0 | -137 |
| 3-month | 7.74 | -2 | -114 |
| 6-month | 8.07 | -2 | -108 |

RS Local Bonds

| | Last | ΔD | ΔYTD |
|--------|-------|----|------|
| 3Y RSD | 9.15 | 4 | -191 |
| 5Y RSD | 10.18 | 0 | -264 |
| 7Y RSD | 11.23 | 0 | -257 |

RS Eurobonds

| | Last | ΔD | ΔYTD |
|------------|------|------|------|
| USD Nov-17 | 5.01 | 74 | 0 |
| USD Nov-24 | 4.49 | -208 | -241 |

CDS

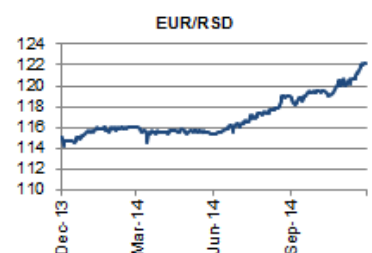
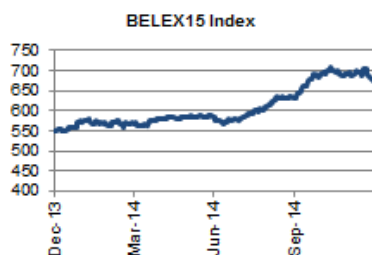
| | Last | ΔD | ΔYTD |
|---------|------|----|------|
| 5-year | 292 | 19 | -117 |
| 10-year | 361 | 20 | -85 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 673.1 | -1.20% | 20.63% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RSD | 122.21 | 0.06% | -6.25% |



ROMANIA

Money Market

| ROBOR | Last | ΔD | ΔYTD |
|----------|------|----|------|
| O/N | 0.5 | 1 | -124 |
| 1-month | 0.78 | 5 | -110 |
| 3-month | 1.65 | 1 | -79 |
| 6-month | 1.95 | 0 | -104 |
| 12-month | 1.98 | 1 | -117 |

RO Local Bonds

| | Last | ΔD | ΔYTD |
|---------|------|----|------|
| 3Y RON | 1.88 | 6 | -207 |
| 5Y RON | 2.33 | -1 | -232 |
| 10Y RON | 3.41 | 1 | -189 |

RO Eurobonds

| | Last | ΔD | ΔYTD |
|------------|------|----|------|
| EUR Sep-20 | 1.79 | 5 | -206 |
| USD Aug-23 | 3.59 | -3 | -122 |

CDS

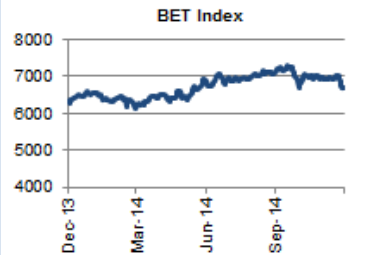
| | Last | ΔD | ΔYTD |
|---------|------|----|------|
| 5-year | 139 | 5 | -40 |
| 10-year | 185 | 5 | -47 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|-------|
| BET | 6682.7 | 0.09% | 2.91% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RON | 4.4787 | 0.34% | -0.13% |



BULGARIA

Money Market

| SOFIBOR | Last | ΔD | ΔYTD |
|----------|------|----|------|
| LEONIA | 0.01 | 0 | -6 |
| 1-month | 0.23 | 0 | -9 |
| 3-month | 0.43 | 0 | -21 |
| 6-month | 0.79 | 0 | -36 |
| 12-month | 1.50 | 0 | -69 |

BG Local Bonds

| (yields) | Last | ΔD | ΔYTD |
|----------|------|----|------|
| 3Y BGN | 1.01 | 11 | -9 |
| 5Y BGN | 1.87 | 38 | 2 |
| 10Y BGN | 2.64 | 0 | -85 |

BG Eurobonds

| | Last | ΔD | ΔYTD |
|------------|------|-----|------|
| USD Jan-15 | 0.53 | -23 | -30 |
| EUR Jul-17 | 1.29 | -58 | -51 |

CDS

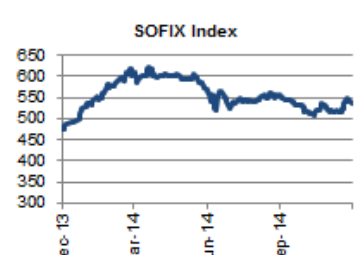
| | Last | ΔD | ΔYTD |
|---------|------|----|------|
| 5-year | 187 | 10 | 48 |
| 10-year | 237 | 10 | 62 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|-------|
| SOFIX | 537.2 | -1.26% | 9.29% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.5735 | -0.26% | -9.56% |



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:15 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank and Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team**Dr. Platon Monokroussos:**

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>