

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 16, 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:** Taking their cue from losses in Wall Street overnight, Asian bourses closed broadly lower and European stock markets stood in a negative territory earlier on Tuesday, as oil prices resumed their downtrend on oversupply concerns. Mounting global growth worries and a short-lived impact from an emergency rate hike by the Central Bank of Russia to support the rouble, also weighed on investor sentiment. Meanwhile, market anxiety also prevailed ahead of the conclusion of the 2-day FOMC meeting due on Wednesday. In FX markets, the safe haven yen firmed on the back of mounting risk aversion.

**GREECE:** Upon the completion of his two-day visit to Athens, European economic affairs Commissioner Pierre Moscovici said on Tuesday that "Greece's place in the euro zone is no longer in question" adding that the efforts of the Greek people are starting to pay off and highlighting that Greece is needed in the Eurozone. His comments come ahead of the first round of presidential elections in the 300-seat parliament scheduled to be held tomorrow, where a 2/3rd majority of the number of seats is required for the election of the new President i.e., 200 in-favor votes.

### SOUTH EASTERN EUROPE

**SERBIA:** The China-Central and Eastern Europe Summit, led by Chinese Prime Minister Li Keqiang, is scheduled to begin today in Belgrade, where leaders from more than 15 SEE countries are expected to attend.

**ROMANIA:** Parliament approved on Monday Prime Minister Viktor Ponta's cabinet reshuffle, which was announced on Sunday.

**BULGARIA:** According to preliminary NSI data, CPI decreased by 0.6%YoY in November, after a 0.4%YoY decline a month earlier.

**CESEE:** The majority of **emerging stock markets** extended Monday's losses in European trade on Tuesday, in view of deteriorating risk sentiment. In the FX markets, **CESEE currencies** broadly weakened.

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## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from losses in Wall Street overnight, Asian bourses closed broadly lower and European stock markets stood in a negative territory earlier on Tuesday, as oil prices resumed their downtrend on oversupply concerns. Mounting global growth worries and a short-lived impact from an emergency 650bps hike in the key policy rate to 17% by the Central Bank of Russia to support the rouble, also weighed on investor sentiment. On the former, China's preliminary PMI manufacturing compiled by HSBC/Markit declined more than anticipated to 49.5 in December from 50.0 in November, sliding below the boom-or-bust level for the first time in seven months and indicating contraction in the sector. Market anxiety also prevailed ahead of the conclusion of the 2-day FOMC meeting due on Wednesday. In FX markets, the safe haven yen firmed on the back of mounting risk aversion, with the USD/JPY sliding as far as a 1-month trough near 115.55 and easing further below from a 7-1/2- high close to 121.85 recorded in early December. In the wake of Eurozone slightly better-than-anticipated PMI data for December, the euro gained some ground against the US dollar in European trade today, with the EUR/USD hovering around levels of 1.2539/40 at the time of writing, close to a 1-month peak near 1.2570 hit earlier in the session.

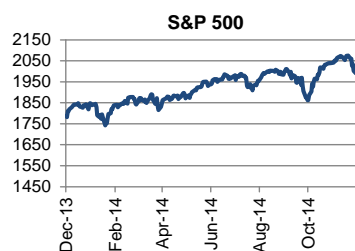
### GREECE

Upon the completion of his two-day visit to Athens, European economic affairs Commissioner Pierre Moscovici said on Tuesday that "Greece's place in the euro zone is no longer in question" adding that the efforts of the Greek people are starting to pay off and highlighting that Greece is needed in the Eurozone. He also underscored the EU's commitment to supporting the country in implementing necessary reforms and underlined the need for a conclusion of Greece's current bailout review "as soon as possible". His comments come ahead of the first round of presidential elections in the 300-seat parliament tomorrow, where a 2/3rd majority of the number of seats is required for the election of the new President i.e., 200 in-favor votes. Should this fail to produce a qualified majority, a second ballot will be held on December 23, 2014 - in line with the Constitution of Greece - where again 200 in-favor votes are needed. If it also fails, a third and final vote will take place on December 29, 2014 where a 3/5ths majority i.e., 180 in-favor votes are needed. Recall that, Greece's two-party coalition government currently enjoys the support of 155 lawmakers - center-right New Democracy controls 127 seats and PASOK 28 - 25 seats short of the 180 needed so as to have the new President of the Hellenic Republic being elected by the present Parliament.

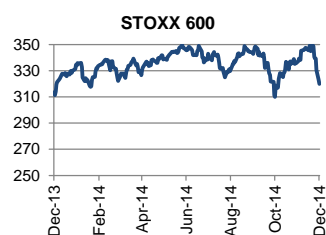
### CESEE MARKETS

The majority of **emerging stock markets** extended Monday's losses in European trade on Tuesday, in view of deteriorating risk sentiment, with the broad MSCI index of emerging equities falling for the eighth session running to hit an 11-month trough of 913.63 points. In FX markets, **CESEE currencies** broadly weakened. The Hungarian forint broadly underperformed its regional peers, with the EUR/HUF spiking as far as a 3-month high near 313.60 in morning European trade. Separately, the Turkish lira erased a small part of its intraday losses earlier today on expectations that the Central Bank may tighten market liquidity in order to provide support to the currency. In more detail, the USD/TRY hovered around levels of 2.3960/95 at the time of writing, having eased from a record peak of 2.4120 hit in Europe today. The pair's technical picture suggests that strong resistance lies at today's highs, while, on the downside, immediate support stands at an intraday low of 2.3390, ahead of 2.2763 (38.2% Fibonacci retracement from May's lows to December's highs).

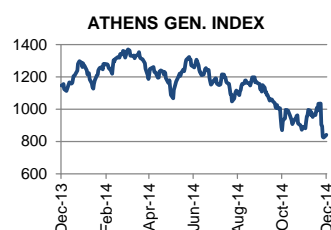
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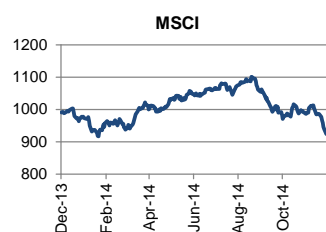
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

## SERBIA

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
	<b>current</b>	<b>2014f</b>	<b>2015f</b>
Policy Rate (eop)	8.00	8.00	7.00

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

(Belgrade 15/12/2014, 16:00 CET): **Latest Political & Macro Developments:** The China-Central and Eastern Europe Summit, led by Chinese Prime Minister Li Keqiang, is scheduled to begin today in Belgrade, where leaders from more than 15 SEE countries are expected to attend. An economic forum for the participating countries will be held on the sidelines of the summit, where infrastructural and other projects worth USD 10bn are anticipated to be high on the agenda. This appears to be a good opportunity for Serbia to secure a number of new deals with China, which are reportedly likely to be primarily focused on the energy sector. **Market Developments:** The EUR/RSD closed marginally higher at 122.15/35 on Monday, largely shrugging off renewed Central Bank (NBS) intervention in the FX markets, with sales of €10mn. Including this last intervention, NBS has sold a total of €1.77bn so far this year in order to support the dinar which has lost ca 6% against the euro since 2013-end.

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## ROMANIA

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	
	<b>current</b>	<b>2014f</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.75	2.50

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

(Bucharest, 16/12/2014, 9:00 EET): **Latest Political & Macro Developments:** Parliament approved on Monday Prime Minister Viktor Ponta's cabinet reshuffle, which was announced on Sunday in a move to strengthen the coalition government's mandate after the Prime Minister's surprise defeat in November's presidential elections. Among the changes was the merger of the finance and budget ministries, with the post of finance minister, previously occupied by Ioana Petrescu, being taken over by incumbent budget minister Darius Valcov. **Market Developments:** The EUR/RON remained trapped within a tight range of 4.4800-4.4900 yesterday. In money markets, rates moved broadly higher on Monday driven by the sharp RON depreciation witnessed over the last couple of sessions. Against this backdrop, swaps closed ca 20bps higher on average, with 1-week at 0.80%, 1-month at 1.30%, 3-months at 2.00% and 6-months as well as 1-year at 1.95%. Separately, leu-denominated bonds were little changed on the day, with the 1-year ending at 1.60%, 3-year at 2.25%, 5-year at 2.75% and 10-year at 3.50%. In other news, the Ministry of Finance issued yesterday, as planned, RON 1bn of 1-year T-bills at an average accepted yield of 1.60%, in line with the market's expectations.

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## BULGARIA

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		
	<b>current</b>	<b>2014f</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 16/12/2014, 10:00 EET): **Latest Political & Macro Developments:** According to preliminary NSI data, CPI decreased by 0.6%YoY in November, after a 0.4%YoY decline a month earlier. This latest reading marks the sixteenth consecutive month of deflation with a record drop of 2.6%YoY marked in January. **Market Developments:** The domestic stock market kicked off the week on a negative footing, with the main SOFIX index recoiling by 0.93% to close at 539.02 points. Meanwhile, domestic government bonds lost ground in the wake of the S&P credit rating downgrade, late last week, with the corresponding 10-year EUR-denominated yield rising 15bps to a multi-session peak of 2.84%.

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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	1989.63	-0.6%	7.6%	EUR/USD	1.2517	0.6%	-8.9%	UST - 10yr	2.05	-7	-98	GOLD	1211	1.5%	0.4%
Nikkei 225	16755.32	-2.0%	2.8%	GBP/USD	1.5735	0.6%	-5.0%	Bund-10yr	0.58	-4	-135	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	319.88	-1.1%	-2.6%	USD/JPY	116.48	1.2%	-9.6%	JGB - 10yr	0.36	-2	-38	LMEX	2993	-1.2%	-5.3%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	on	5	-147
1-week	6.91	3	-137
1-month	7.23	2	-135
3-month	7.74	0	-114
6-month	8.05	-2	-110

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.10	1	-86
5Y RSD	10.18	2	-264
7Y RSD	11.22	1	-259

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	5.22	10	21
USD Nov-24	4.91	-173	-200

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	306	14	-103
10-year	377	15	-70

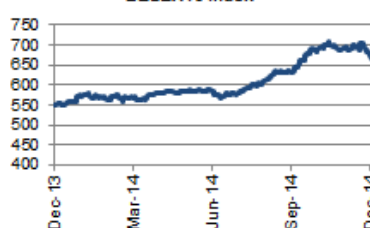
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	666.6	-0.96%	19.47%

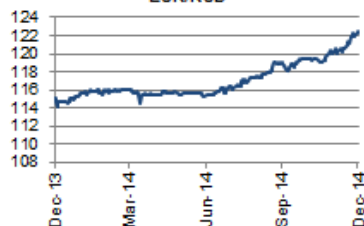
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.47	-0.17%	-6.44%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.51	1	-123
1-month	0.89	11	-99
3-month	1.74	9	-70
6-month	2.03	8	-96
12-month	2.06	8	-109

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	2	-203
5Y RON	2.44	11	-221
10Y RON	3.58	17	-172

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.94	16	-190
USD Aug-23	3.87	7	-94

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	143	4	-35
10-year	189	4	-43

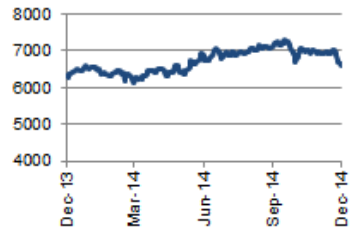
## STOCKS

	Last	ΔD	ΔYTD
BET	6593.6	-1.09%	1.54%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.48	0.02%	-0.16%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
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	ΔDbps	ΔYTD bps
3Y BGN	0.88	-6	-21
5Y BGN	1.41	8	-43
10Y BGN	2.71	0	-78

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.43	66	59
EUR Jul-17	1.43	-36	-37

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	193	6	81
10-year	242	5	67

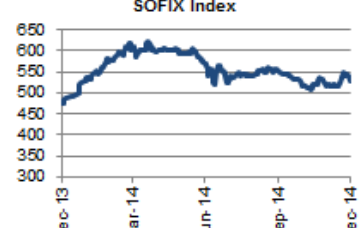
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	527.2	-2.20%	7.25%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5624	0.65%	-8.92%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 15:15 EET

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