

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 2, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- December 1: ISM manufacturing (Nov)
- December 3
 - ADP employment change (Nov)
 - ISM non-manufacturing
- December 4
 - Initial jobless claims (Nov. 29)
- December 5
 - Non-farm payrolls (Nov)
 - U/E rate (Nov)
 - Trade balance (Oct)
 - Industrial orders (Oct)

EUROZONE

- December 1: PMI manufacturing (Nov)
- December 4: ECB interest rate decision and press conference

SEE ROMANIA

- December 2: International reserves (Nov)
- December 3:
 - Retail sales (Oct)
 - GDP (Q3, p)
- December 4: RON 300mn 2025 4.75% T-Bonds auction

BULGARIA

- December 3: GDP (Q3, f)
- December 3: International reserves (Nov)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD retained a firm tone across the board in European trade on Tuesday as US macro data releases continued to support the view that the domestic economy remains on a sustained recovery path and the Fed is likely to embark on a rate tightening cycle in mid-2015.

GREECE: Greece's Manufacturing Purchasing Managers' Index (PMI) came in at a three-month high of 49.1 in November from October's 48.8 mainly supported by the stabilisation of output. Separately, the Economic Sentiment Indicator for Greece improved in November for the second month in a row coming in at a five-month high of 102.7 from October's 102.2, approaching a six-year peak of 103.7 marked in June.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD hit an intraday record high of 120.80/00 at some point on Monday assisted by the absence of renewed intervention by the National Bank of Serbia.

ROMANIA: The EUR/RON continued to consolidate within the 4.4200/4.4335 recent range in early trade on Tuesday. Romanian markets were closed on Monday due to a public holiday.

BULGARIA: The Bulgarian Cabinet approved on Monday a government loan of BGN 2bn to Bank Deposit Guarantee Fund for the repayment of guaranteed deposits in Corporate Commercial Bank.

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Latest world economic & market developments

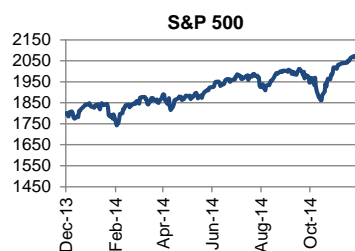
GLOBAL MARKETS

The USD retained a firm tone across the board in European trade on Tuesday as US macro data releases continued to support the view that the domestic economy remains on a sustained recovery path and the Fed is likely to embark on a rate tightening cycle in mid-2015. The Institute for Supply Management (ISM) said y-day that its index for the US manufacturing sector dropped to 58.7 in November, remaining though within distance from a three-year peak of 59.0 hit in the prior month. Against this background, the USD/JPY was hovering slightly below 119.00 at the time of writing, not far from a fresh multi-year peak of 119.13 recorded early y-day following news that Moody's downgraded Japan's sovereign credit rating by one notch to A1, the first downgrade of Japan by a major rating agency in the last two years. Elsewhere, the EUR/USD was standing close to 1.2430/35 in European trade, remaining trapped within the 1.2350/1.2550 recent range as investors adopt a cautious stance ahead of Thursday's ECB monetary policy meeting. We expect the ECB to stay put on its monetary policy while President Mario Draghi is likely to signal once again that the prospect of additional monetary policy easing remains on the cards. This holds especially after the latest string of euro area data came in weaker than expected showing that headline inflation dropped to a five year low of 0.3%YoY in November while Manufacturing Purchasing Managers' Index (PMI) for the manufacturing sector moved lower in the same month coming in at 50.1, the lowest level since June 2013.

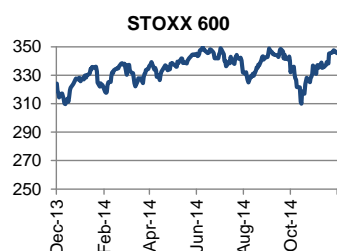
GREECE

According to the local press, by late last night there had been no response from the troika heads to the proposals sent over the weekend by the Greek government over the outstanding issues underlying the current program review. As per the same sources, the Greek government's proposals include, among others, an increase in the value-added tax applied to hotels and certain amendments to the pension system, projected to generate additional savings of €0.980bn cumulatively in 2015. On the data front, **Greece's Manufacturing Purchasing Managers' Index (PMI)** came in at a three-month high of 49.1 in November from October's 48.8 mainly supported by the stabilisation of output, the level of which had fallen slightly in both of the previous two months. On a negative tone, the breakdown of the November report showed that new orders fell for the third consecutive month mainly due to a decrease in new exports orders, the first in the last seven months while employment dropped for the sixth straight month. Separately, average input prices rose for the second month in a row of the back of higher raw material costs while output prices remained in a downward trend as competitive pricing strategies force producers to absorb the burden of higher input costs./ **The Economic Sentiment Indicator for Greece** improved in November for the second month in a row coming in at a five-month high of 102.7 from October's 102.2, approaching a six-year peak of 103.7 marked in June. The breakdown of the report showed that, with the exception of the Construction Confidence Indicator, all major sub-components moved high with the Retail Trade Confidence Indicator hitting its highest level since 2008.

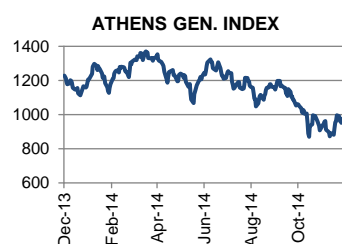
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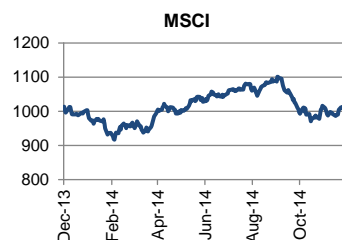
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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: 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

SERBIA

(Belgrade 01/12/2014, 18:20 CET): **Market Developments:** The EUR/RSD gained 0.2% on Monday to close at 120.75/95 after hitting an intraday record high of 120.80/00 assisted by the absence of renewed intervention by the National Bank of Serbia. Against this background, market participants are of the view that the prospect of further EUR/RSD appreciation on a multi-session basis towards the next key resistance level of 121.00 or even higher, cannot be ruled out.

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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, 02/12/2014, 9:20 EET): **Latest Political & Macro Developments:** The EUR/RON continued to consolidate within the 4.4200/4.4335 recent range in early trade on Tuesday. Money market interest rates were little changed with short term rates trading close to the deposit facility rate of 0.25%. Separately, the MoF published late last week the issuance calendar for the month of December revealing planned auctions of RON 1.5bn in 6M and 12M T-Bills as well as RON 1.8bn in 3Y, 5Y and 10Y sovereign bonds. Romanian markets were closed on Monday due to a public holiday.

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BULGARIA

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

(Sofia, 1/12/2014, 10:25 EET): **Latest Political & Macro Developments:** The Bulgarian Cabinet approved on Monday a government loan of BGN 2bn to Bank Deposit Guarantee Fund for the repayment of guaranteed deposits in Corporate Commercial Bank. In addition, Finance Minister Vladislav Goranov said that the planned bridge-loan scheme of BGN 3bn will be carried out by December 10-15. **Market Developments:** Equity markets lacked clear direction on Monday with major indices closing little changed. The stock exchange SOFIX index gained 0.09% ending at 514.88 points. Meanwhile, the auction for EUR 400mn of 1-year Treasury Notes produced an average yield of 0.84% while bid/cover ratio came in at 3.02. Banks acquired 69.7% of the placed amount, pension funds 21.79%, insurance companies 4.15%, while mutual funds and other investors took the rest of it.

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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	2052.84	-0.7%	11.1%	EUR/USD	1.2476	0.2%	-9.2%	UST - 10yr	2.18	2	-85	GOLD	1198	2.6%	-0.7%
Nikkei 225	17590.10	0.7%	8.0%	GBP/USD	1.5722	0.5%	-5.0%	Bund-10yr	0.72	2	-121	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	345.17	-0.6%	5.2%	USD/JPY	118.32	0.3%	-11.0%	JGB - 10yr	0.43	1	-31	LMEX	3023	-2.3%	-4.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	on	-5	-138
1-week	6.89	-3	-139
1-month	7.20	0	-138
3-month	7.75	1	-113
6-month	8.05	0	-110

RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	9.33	4	-63
5Y RSD	10.21	0	-261
7Y RSD	11.23	0	-258

RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	3.63	-1	-138
USD Nov-24	2.27	-425	-464

CDS

	Last	ΔD	ΔYTD
5-year	248	0	-161
10-year	312	0	-135

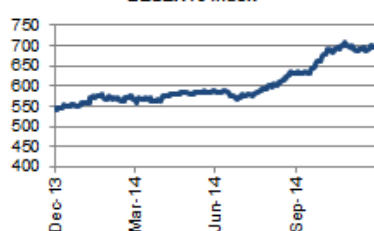
STOCKS

	Last	ΔD	ΔYTD
BELEX15	693.7	-0.47%	24.32%

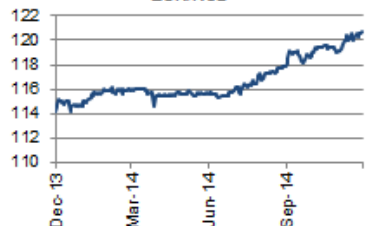
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.65	-0.02%	-5.04%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.65	0	-109
1-month	0.86	0	-102
3-month	1.73	0	-71
6-month	2.09	0	-90
12-month	2.1	0	-105

RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.89	-2	-206
5Y RON	2.42	-4	-223
10Y RON	3.57	-2	-173

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Sep-20	1.86	3	-199
USD Aug-23	3.63	1	-118

CDS

	Last	ΔD	ΔYTD
5-year	141	0	-43
10-year	189	3	-43

STOCKS

	Last	ΔD	ΔYTD
BET	6936.5	-0.40%	6.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4358	-0.09%	0.84%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	0.01	-2	-6
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

	Last	ΔD	ΔYTD
3Y BGN	1.18	-5	9
5Y BGN	1.69	-2	-15
10Y BGN	2.90	0	-59

BG Eurobonds

	Last	ΔD	ΔYTD
USD Jan-15	-0.37	-2	-96
EUR Jul-17	1.27	-5	-53

CDS

	Last	ΔD	ΔYTD
5-year	144	0	20
10-year	196	1	21

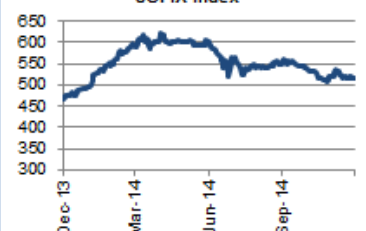
STOCKS

	Last	ΔD	ΔYTD
SOFIX	514.9	0.09%	4.75%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.568	0.18%	-9.24%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 18:00 EET of previous session

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