

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 3, 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: European stock markets broadly advanced in morning trade on Wednesday ahead of the ECB meeting tomorrow, while M&A news also appeared to have a positive impact. With regards to the former, the ECB is broadly anticipated to stay put on its monetary policy, while President Mario Draghi is likely to signal, once again, that the prospect of additional monetary easing remains on the cards. Against this backdrop, the euro extended its recent losses earlier today, while the USD dollar further advanced against other major currencies receiving additional support from Fed officials' comments.

SOUTH EASTERN EUROPE

SERBIA: Russian President Vladimir Putin said late on Monday that Russia can not continue with the construction of the South Stream gas pipeline, due to opposition from the EU.

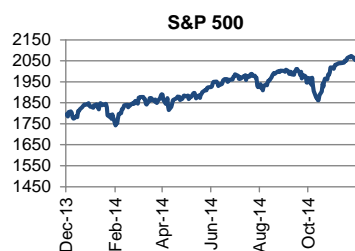
ROMANIA: According to local media quoting Prime Minister Ponta on Tuesday, the general government budget ran a 0.2% of GDP deficit over the first eleven months of the year, swinging from a surplus of 0.3% of GDP recorded over the January-October period.

BULGARIA: The annual rate of increase in the Producer Prices Index in the domestic market returned into a positive territory for the first time in 16 months in October, somewhat easing deflation concerns.

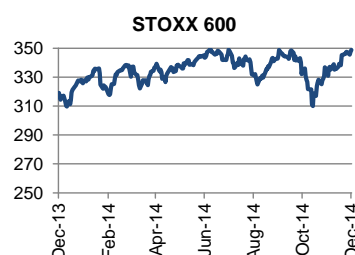
CESEE MARKETS: The majority of **emerging stock markets** fell in European trade on Wednesday, led by losses encountered in Asia. In the **CESEE region**, most indices were in the black in the wake of upbeat macroeconomic data releases, in Hungary and Romania. In the **FX markets**, CESEE currencies were relatively flat on the day, with the Polish zloty broadly outperforming its regional peers amid expectations that the Central Bank will hold its key policy rate at the current record low 2.00% level at its MPC meeting today.

DISCLAIMER

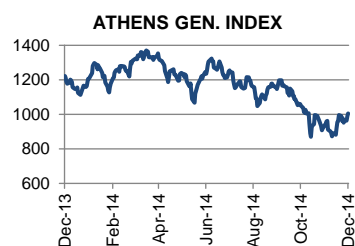
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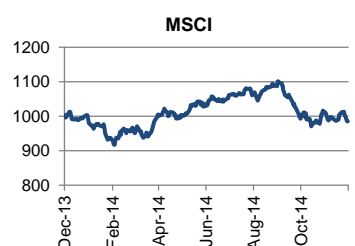
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Latest world economic & market developments

GLOBAL MARKETS

European stock markets broadly advanced in morning trade on Wednesday ahead of the ECB meeting tomorrow, while M&A news also appeared to have a positive impact. With regards to the former, the ECB is broadly anticipated to stay put on its monetary policy, while President Mario Draghi is likely to signal, once again, that the prospect of additional monetary easing remains on the cards. Against this backdrop, the euro extended its recent losses earlier today, with the EUR/USD hovering around levels of 1.2327/31 at the time of writing, close to a 27-month trough near 1.2320 hit in Asian trade in view of diverging monetary policies between the Fed and the ECB. The US dollar received additional support earlier today from separate comments by Fed Vice Chairman Stanley Fischer and New York Fed President William Dudley suggesting that the expected impact on inflation as a result of the recent decline in oil prices will be temporary and is likely to prove net beneficial for the US economy, with the latter reiterating his view that a "mid-2015 rate hike seems reasonable". Along these lines, the USD/JPY spiked to a new 7-year peak near 119.50 in Europe today, while the US dollar DXY index, a gauge of the currency's performance against a basket of major currencies, hit its highest level since March 2009 at 88.897.

Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** fell in European trade on Wednesday, led by losses encountered in Asia. In the **CESEE region**, most indices were in the black in the wake of upbeat macroeconomic data releases, in Hungary and Romania. In more detail, Hungary's final Q3 real GDP growth was confirmed at a robust rate of 3.2%YoY, while a 6-month high increase of 5.2%YoY in retail sales in October confounded expectations for a slowdown to 3.5%YoY after the prior month's advance of 4.5%YoY. Separately, Romania's preliminary Q3 GDP reading was also in line with a flash estimate of 3.2%YoY, with the breakdown of the data revealing a 3.3%YoY increase in consumption and exports' growth of 2.5%YoY which outpaced a modest rise of 0.4%YoY in imports. Additionally, retail sales rose by 6.3%YoY in October, marking the highest pace of annual increase since July 2014. In the **FX markets**, CESEE currencies were relatively flat on the day, with the Polish zloty broadly outperforming its regional peers. Amid expectations that the Polish Central Bank (NBP) will hold its key policy rate at the current record low 2.00% level at its MPC meeting today, the EUR/PLN slid as far as a 4-month low of 4.1530 earlier today before recovering some ground towards 4.1600 later in the session. Recall that, the NBP resumed its monetary easing cycle in October after a 14-month pause amid mounting risks to the domestic growth outlook, delivering a higher-than-anticipated reduction of 50bps. However, it unexpectedly stayed put on interest rates in November, confounding expectations for a 25bps cut and signaled that any further rate reductions were not on the cards, unless the domestic economic growth outlook deteriorates. On the latter, recently released data has proven somewhat stronger than anticipated with GDP growth slowing less than expected in Q3 to 3.3%YoY, while PMI manufacturing spiked to an 8-month peak in November.

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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	8.00	8.00

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

(Belgrade 02/12/2014, 17:10 CET): **Latest Political & Macro Developments:** Russian President Vladimir Putin said late on Monday that Russia can not continue with the construction of the South Stream gas pipeline, due to opposition from the EU. The €24bn project was supposed to transport 63bn cubic meters of natural gas per year from Russia to Bulgaria, Serbia, Hungary, Slovenia, Croatia and Austria. For Serbia, the abolishment of the project means a loss of at least €2bn in investments (an amount highly significant when considering that the country's investments barely reach €1bn per year) and at least €200mn of gas transfer fees per year. **Market Developments:** The dinar lost further ground on Tuesday, amid ongoing fiscal consolidation concerns and worries over the prospects of the domestic economy. Meanwhile, news about a standstill in the South Stream gas pipeline and seasonal factors, such as strong hard currency demand from key local corporates near year-end, added to the dinar's woes. With the recently agreed IMF precautionary deal and renewed Central Bank intervention (€30mn) in the FX markets on Tuesday appearing to provide little respite to the dinar, the EUR/RSD closed modestly higher on Tuesday, at 120.85/121.05, after hitting a new record high at 120.90/121.10 intraday. Over the course of next few sessions, further depreciation pressures on the local currency are likely to be somewhat capped by renewed Central Bank intervention.

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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, 03/12/2014, 9:20 EET): **Latest Political & Macro Developments:** According to local media quoting Prime Minister Ponta on Tuesday, the general government budget ran a 0.2% of GDP deficit over the first eleven months of the year, swinging from a surplus of 0.3% of GDP recorded in the January-October period (the latest official data currently available). Separately, the Ministry of Finance has signaled it is mulling on proceeding to its 3rd revision in this year's Budget, envisioning bringing forward some early 2015 payments to December of 2014, in an apparent attempt to match the 2.2%-of GDP deficit target for the whole of the year. If approved, the measures entail deficit expenditure of ca 2.0% of GDP in December alone. **Market Developments:** The EUR/RON remained trapped within a tight range of 4.4265/4.4315 on Tuesday. In a similar mode, money market rates closed little changed yesterday, with short term RON rates remaining near the deposit facility of 0.25% on the back of ample RON liquidity and government bond yields closing relatively flat on the day. If the aforementioned government budget revision plans come into effect, the significant amount of spending earmarked for December may push bond yields lower that month as a result of increased market liquidity. Also boding in favour of lower government bond yields in the coming days/weeks, the government is unlikely to issue any additional paper in December to fund the planned expenses, as the MoF has already stock-piled large reserves of cash via earlier issuance this year.

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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

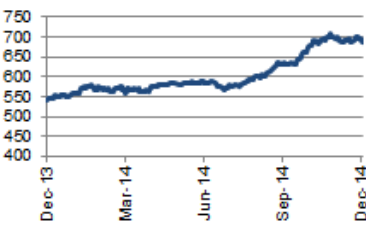
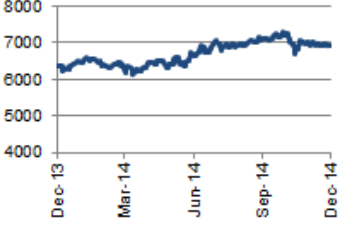
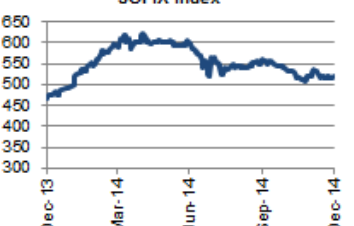
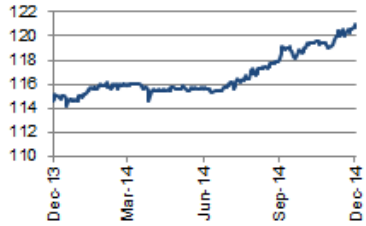


(Sofia, 1/12/2014, 10:25 EET): **Latest Political & Macro Developments:** The annual rate of increase in the Producer Prices Index in the domestic market returned into a positive territory for the first time in 16 months in October, recording a modest 0.8%YoY rise, somewhat easing deflation concerns. **Market Developments:** The domestic stock closed in a marginally positive territory on Tuesday, with the main SOFIX index recovering all of losses recorded earlier in the session to end 0.23% higher at 516.06 points.

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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	2066.55	0.6%	11.8%	EUR/USD	1.2332	-0.4%	-10.3%	UST - 10yr	2.29	0	-74	GOLD	1202	0.3%	-0.3%
Nikkei 225	17720.43	0.3%	8.8%	GBP/USD	1.5659	0.1%	-5.4%	Bund-10yr	0.74	0	-119	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	348.60	0.4%	6.2%	USD/JPY	119.42	-0.2%	-11.8%	JGB - 10yr	0.44	1	-31	LMEX	3029	-1.0%	-4.1%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
7/N	on	-3	-134	Q/N	0.54	-5	-120	LEONIA	0.01	0	-6
1-week	6.91	-2	-137	1-month	0.81	-3	-107	1-month	0.23	0	-9
1-month	7.26	1	-132	3-month	1.69	-2	-75	3-month	0.43	0	-22
3-month	7.72	0	-116	6-month	2.02	-1	-97	6-month	0.79	0	-36
6-month	8.08	3	-107	12-month	2.03	-3	-112	12-month	1.54	0	-65
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.13	-15	-83	3Y RON	1.86	0	-209	3Y BGN	1.01	-8	-8
5Y RSD	10.22	0	-260	5Y RON	2.41	0	-224	5Y BGN	1.54	-5	-31
7Y RSD	11.23	0	-258	10Y RON	3.55	-2	-175	10Y BGN	2.88	0	-62
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.65	2	-136	EUR Sep-20	1.82	-1	-202	USD Jan-15	-0.76	-34	-134
USD Nov-24	2.18	-431	-472	USD Aug-23	3.62	0	-118	EUR Jul-17	1.16	0	-64
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	255	5	-154	5-year	142	1	-45	5-year	151	5	21
10-year	319	5	-127	10-year	189	1	-43	10-year	203	5	29
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	688.1	-0.19%	23.33%	BET	6951.2	0.35%	7.04%	SOFIX	519.5	0.66%	5.69%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	121.01	-0.18%	-5.31%	EUR/RON	4.428	-0.02%	1.01%	USD/BGN	1.5862	-0.42%	-10.28%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:15 EET

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