

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 5, 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:** In line with market expectations, the ECB kept its key interest rates unchanged at its policy meeting on Thursday. Disappointing market participants who were positioned for additional ECB non-standard monetary policy measures at the December 4 meeting, the accompanying policy statement read that the ECB will review early next year whether further measures are needed to "address risks of too prolonged a period of low inflation".

**GREECE:** According to local newswires, the December 4 Euro Working Group urged the Greek government and the troika to conclude the country's current program review by December 14 so as euro area officials to have time to launch the required procedures for a six-month extension of Greece's current bailout program which is scheduled to expire at the end of this year. Meanwhile, local reports quoted an unnamed Greek government official as saying that Greece has not sent any written proposal for an extension of the current bailout program adding that in any case the Greek side could only discuss for a technical extension "which cannot be longer than a few weeks".

### SOUTH EASTERN EUROPE

**SERBIA:** The Public Debt Administration sold as planned on Thursday RSD 3bn RSD (EUR 24.7m) in 6-month T-Bills.

**ROMANIA:** The EUR/RON remained trapped within its recent tight trading range of 4.4250/300 on Thursday, while short term RON rates consolidated near recent lows.

**BULGARIA:** Parliament approved on Thursday the imposition, as of next year, of an 8% tax on income from bank deposit interest.

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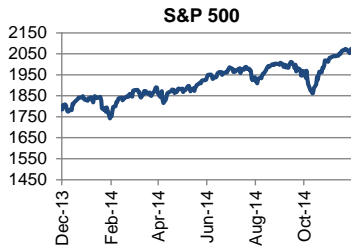
## Latest world economic & market developments

### GLOBAL MARKETS

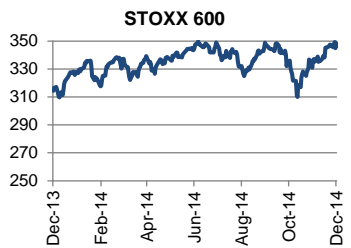
In line with market expectations, the ECB kept its key interest rates unchanged at its policy meeting on Thursday. Disappointing market participants who were positioned for additional ECB non-standard monetary policy measures at the December 4 meeting, the accompanying policy statement read that the ECB will review early next year whether further measures are needed to “address risks of too prolonged a period of low inflation” adding that “the Governing Council remains unanimous in its commitment to using additional unconventional instruments within its mandate”. That said, upcoming euro area data releases and moves in medium-term inflation expectations in the coming weeks/months are expected to play a key role as regards ECB policy deliberations ahead. Of particular importance, the ECB President acknowledged during the Q&A session that “various forms of QE” were discussed in the context of the meeting adding that no unanimity is required for the Central Bank to proceed, if needed, to that direction. The ECB’s decision to refrain from adopting additional measures at this week’s meeting exerted a positive impact on the EUR with the EUR/USD hovering around 1.2370/75 at the time of writing after hitting a two-year low of 1.2280 at some point y-day ahead of the ECB press conference. Yet, persisting market expectations over diverging monetary policy between the Fed and the ECB in the months ahead, suggest that EUR/USD downside risks prevail. This holds especially if the US’ November non-farm payrolls report due for release later in the day, surprise positively.

### GREECE

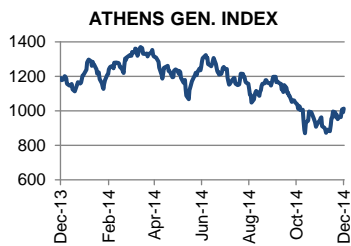
According to local newswires, the December 4 Euro Working Group (EWG) urged the Greek government and the troika to successfully conclude the country’s current program review by December 14 so as euro area officials to have time to launch the required procedures for a six-month extension of Greece’s current bailout program which is scheduled to expire at the end of this year. As per the same sources, the draft document that was prepared by the EWG and will form the basis of official discussions at the upcoming December 8 Eurogroup read that “an extension until end Q2 2015 seems appropriate, with the central scenario assuming a staff level agreement before the Eurogroup on 8 December, completion of all the prior actions by mid-January, a final disbursement from the EFSF and a completion of the Enhanced Conditions Credit Line (ECCL) procedures still before the end of January”. Furthermore, the said document reportedly added that although the purpose of an extension would be to give more time to Greek authorities to adopt in January 2015 the relevant legislation required for the implementation of the agreed prior actions attached to the review, “the technical extension could be for a longer period to cover for the possibility of delays in the run up to the Greek Presidential elections”. Meanwhile, local reports quoted an unnamed Greek government official as saying that Greece has not sent any written proposal for an extension of the current bailout program adding that in any case the Greek side could only discuss for a technical extension “which cannot be longer than a few weeks”. An extension of the existing bailout program would reportedly enable Greece to receive after year-end the additional funding from official lenders that is attached to the current review (€7.2bn) and would secure uninterrupted Greek bank access to Euro system funding.



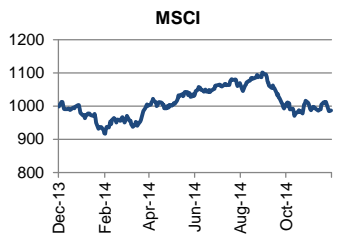
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	BBB-	BBB-
CYPRUS	Caa3	B+	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.00	8.00

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

## SERBIA

(Belgrade 04/12/2014, 17:20 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold as planned on Thursday RSD 3bn RSD (EUR 24.7m) in 6-month T-Bills. The issue was 20% oversubscribed and the average accepted yield came in at 7.10%, 14bps lower than achieved at a prior auction of similar maturity paper held on October 2<sup>nd</sup>. **Market Developments:** The dinar further extended its recent downtrend on Thursday with the EUR/RSD closing 0.2% lower at a new record high of 121.30/50, amid ongoing fiscal consolidation concerns and worries over the growth prospects of the domestic economy. Recent news about a standstill in the construction of the South Stream gas pipeline and position readjustment as year-end is approaching, added to the dinar's depreciation pressures. Meanwhile, repeated Central Bank intervention in FX markets to support the dinar appears to be providing little respite.

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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
	<b>2013</b>	<b>current</b>	<b>2014</b>
Policy Rate (eop)	4.00	2.75	2.75

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

## ROMANIA

(Bucharest, 05/12/2014, 9:25 EET): **Market Developments:** The EUR/RON remained trapped within its recent tight trading range of 4.4250/300 on Thursday. Short term RON rates consolidated near recent lows, with rates up to 1-week tenor standing close to the deposit facility rate of 0.25% at the session's settlement, and the 1-month implied rate from swaps easing to a new record low of 0.80% at some point. In other news, the MoF sold on Thursday the planned RON 300mn in 10-year T-bonds at an average accepted yield of 3.69%, 14bps lower than that achieved at a previous auction of similar maturity paper in November.

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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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 5/12/2014, 10:25 EET): **Latest Political & Macro Developments:** Parliament approved on Thursday the imposition, as of next year, of an 8% tax on income from bank deposit interest. This tax is currently applied only on income from term deposits. **Market Developments:** In line with the trend in emerging stock markets, the main SOFIX index gained 0.43% to close at 524.02 points on Thursday. Meanwhile, government bonds in the secondary market were little changed yesterday, after gaining ground in the prior session following well-received finance ministry auctions. Recall that, the Ministry of Finance sold on Wednesday €400mn in 9-month T-Bills at an average accepted yield of 0.61%. The bid/cover ratio came in at a solid 2.15. Banks acquired most of the paper sold in the primary market (64.50%), followed by pension funds (26.67%), while insurance companies, funds and other investors we allotted the rest ( 4.27%, 2.60% and 1.96%, respectively).

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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	
S&P 500	2071.92	-0.1%	12.1%	EUR/USD	1.2356	-0.2%	-10.1%	UST - 10yr	2.26	3	-77	GOLD	1204	-0.1%	-0.2%
Nikkei 225	17920.45	0.2%	10.0%	GBP/USD	1.5683	0.1%	-5.3%	Bund-10yr	0.76	-1	-117	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	348.52	1.1%	6.2%	USD/JPY	120.4	-0.5%	-12.5%	JGB - 10yr	0.42	-2	-32	LMEX	3064	1.4%	-3.0%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔD	ΔYTD	<b>ROBOR</b>	Last	ΔD	ΔYTD	<b>SOFIBOR</b>	Last	ΔD	ΔYTD		
T/N	on	-5	-144	O/N	0.51	0	-123	LEONIA	0.01	0	-6		
1-week	6.85	-2	-143	1-month	0.78	-1	-110	1-month	0.23	0	-9		
1-month	7.19	-1	-139	3-month	1.68	0	-76	3-month	0.43	0	-22		
3-month	7.76	-2	-112	6-month	2	0	-99	6-month	0.79	0	-36		
6-month	8.08	-1	-107	12-month	2.02	1	-113	12-month	1.54	0	-65		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD		
3Y RSD	9.13	-8	-83	3Y RON	1.85	0	-210	3Y BGN	0.94	0	-15		
5Y RSD	10.22	0	-260	5Y RON	2.37	-1	-228	5Y BGN	1.42	-2	-43		
7Y RSD	11.23	0	-258	10Y RON	3.52	-2	-178	10Y BGN	2.67	0	-83		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
USD Nov-17	3.64	0	-137	EUR Sep-20	1.99	23	-186	USD Jan-15	-1.06	-16	-165		
USD Nov-24	2.19	-432	-471	USD Aug-23	3.77	24	-104	EUR Jul-17	1.17	-3	-63		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
5-year	255	0	-154	5-year	127	-12	-49	5-year	150	0	17		
10-year	319	0	-128	10-year	173	-13	-59	10-year	202	0	27		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	704.1	-0.26%	26.20%	BET	7002.7	0.03%	7.84%	SOFIX	534.5	2.00%	8.74%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	121.58	-0.36%	-5.76%	EUR/RON	4.4313	-0.05%	0.94%	USD/BGN	1.5829	-0.17%	-10.10%		

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:00 EET

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