

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 8, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- December 11
  - Initial jobless claims (Dec. 6)
  - Retail sales (Nov)
- December 12: UoM consumer sentiment

### SEE

#### SERBIA

- December 11: MPC meeting
- December 12: HICP (Nov)

#### ROMANIA

- December 8
  - Industrial sales (Oct)
  - Net wages (Oct)
  - RON 500mn 5.75% 2020 T-Bonds auction
- December 10: Trade balance (Oct)
- December 11
  - CPI (Nov)
  - RON 500mn 3.25% 2018 T-Bonds auction
- December 12: Industrial output (Oct)

#### BULGARIA

- December 8
  - Industrial output (Oct)
  - Retail sales (Oct)
  - BGN 55mn 4% 2024 T-Bonds auction
- December 8-15: U/E rate (Nov)
- December 10: Trade balance (Oct)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their cue from broadly weaker Asian bourses on Monday, European stock markets kicked off the week on the back foot, pressured by global growth concerns and S&P's downgrade on Italy's sovereign credit ratings on Friday. In the FX markets, the US dollar extended its recent gains in European trade on Monday after upbeat US non-farm payrolls (NFP) report, released on Friday, added to expectations that the Fed may embark on a rate-hiking cycle sooner than currently anticipated.

### SOUTH EASTERN EUROPE

**SERBIA:** The dinar further extended its recent losses on Friday weighed down by last week's news about a standstill in the construction of the South Stream gas pipeline and increased hard currency demand due to seasonal factors.

**ROMANIA:** The MoF auctions today RON 500mn in April 2020 T-bonds, expected to produce a yield of around 2.87-92%.

**BULGARIA:** Domestic stock market indices broadly firmed on Friday, favoured by last week's news about the repayment of guaranteed deposits in Corporate Commercial Bank.

**CESEE MARKETS:** The majority of **emerging stock markets** fell in European trade on Monday, as lower oil prices weighed down on energy-related shares, while speculation mounted that the Fed may start hiking interest rates sooner than previously expected after Friday's NFP report. Against this backdrop, **CESEE currencies** broadly weakened and the majority of **government bond yields** moved higher.

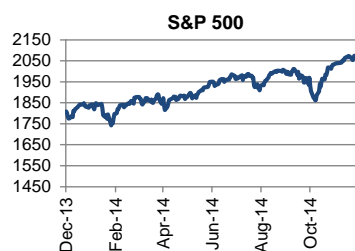
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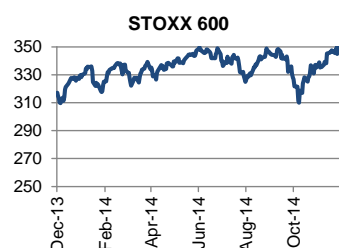
## Latest world economic & market developments

### GLOBAL MARKETS

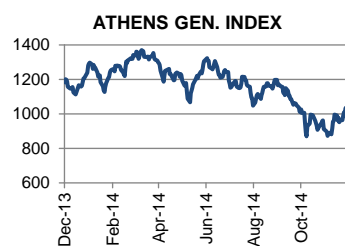
Taking their cue from broadly weaker Asian bourses on Monday, European stock markets kicked off the week on the back foot, pressured by global growth concerns, stirred in the wake of a downward revision in Japan's Q3 GDP as well as downbeat November trade data from China and low oil prices. Meanwhile, S&P's downgrade on Friday on Italy's sovereign credit ratings from BBB to BBB-, just one notch above junk, also weighed on investor sentiment. In the FX markets, the US dollar extended its recent gains in European trade on Monday after the upbeat non-farm payrolls (NFP) report, released on Friday, added to expectations that the Fed may embark on a rate-hiking cycle sooner than currently anticipated. In more detail, non-farm payrolls increased by 321k in November, marking their largest rise since January 2012 and exceeding the market's median forecast for 230k after a 243k increase (revised from 214k originally reported) in the prior month. Against this backdrop, the EUR/USD slid to a new 2-year low near 1.2250 in European trade on Monday, while the USD/JPY touched a new 7-½ year high of 121.85 at some point in Asia.



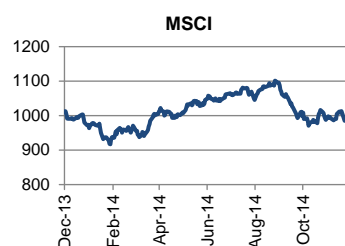
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

## Latest developments in the CESEE region

### CESEE MARKETS

The majority of **emerging stock markets** fell in European trade on Monday, as lower oil prices weighed down on energy-related shares, while speculation mounted that the Fed may start hiking interest rates sooner than previously expected after Friday's NFP report. **Bourses in the CESEE region** were mixed earlier today. Bulgaria's SOFIX broadly outperformed its regional peers with a 1.6% rally at the time of writing, following recent news that more than BGN 3.7bn (ca €1.9bn) in guaranteed deposits up to €100k would be reimbursed to depositors of Corporate Commercial Bank (Corpbank), which was stripped of its operating license in November after a run in June this year. **In the FX markets, CESEE currencies** broadly weakened amid mounting speculation that a Fed rate hike may be brought forward after upbeat US macro data released late last week. The Hungarian forint gave back its earlier gains, with the EUR/HUF hovering around levels of 306.50 at the time of writing, having bounced from a 2-week trough of 305.30 hit in Asian trade. Adding to the forint's negatives was downbeat industrial production data, which revealed that the annual rate of increase eased to 1.7% in October (preliminary, working day adjusted data), the slowest pace of increase since August 2013, confounding expectations for a modest slowdown to 5.0% from 5.2% in the prior month. The EUR/HUF's technical picture suggests that a break above today's 306.65 peak may pave the way towards 306.85 (23.6% Fibonacci retracement from September highs to November lows) ahead of 307.70 (November 28 high). On the flipside, immediate support lies at today's lows in the way to 303.60 (November 24 trough). In the **local rates markets**, government bond yields moved broadly higher amid deteriorating risk sentiment. The corresponding Polish 2 and 10-year yields inched up 4.7% and 8.2%, respectively, in the wake of media reports quoting MPC member Elzbieta Chojna-Duch as saying that the recent inflation downtrend is primarily on the back of global factors, while the domestic economy is likely to grow by ca 3%YoY over the next two quarters, hence further Central Bank interest rate cuts appear rather unnecessary.

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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 08/12/2014, 10:00 CET): **Market Developments:** The dinar further extended its recent losses on Friday weighed down by last week's news about a standstill in the construction of the South Stream gas pipeline and increased hard currency demand due to seasonal factors. Despite renewed Central Bank intervention in the FX markets, where the NBS sold €60mn, the EUR/RSD closed 0.2% higher at 121.55/75 after hitting a record high of 121.70/90 intraday.

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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, 08/12/2014, 9:25 EET): **Market Developments:** The EUR/RON extended its recent uptrend on Friday favoured by upbeat US labour data released earlier in the session. Along these lines, the pair closed modestly higher near 4.4350 after hitting a 2-week peak just above 4.4400 in the wake of the NFP report. In the money markets, short term rates consolidated near recent lows, with rates up to the 1W tenor ending near the deposit facility rate of 0.25% and the 1M implied rate from swaps reaching a historical low of 0.75% intraday. Government bonds gave back Friday's earlier gains after the strong US macroeconomic data. In other news, the MoF holds a primary market auction for RON 500mn of April 2020 T-bonds, expected to be placed at a yield of 2.87-92%.

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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, 8/12/2014, 10:00 EET): **Latest Political & Macro Developments:** According to a press release issued by Central Bank Governor Ivan Iskrov, household deposits in Bulgaria rose by 7.8%YoY to BGN 2.8bn (\$1.78bn) in the period January to October, in an indication of recovery of confidence in the banking system. Meanwhile, the capital adequacy ratio stood at 22.2% in September and the total liquidity/asset ratio was 29.8% in October, while NPLs accounted for 10.6% of total credit at end-October. **Market Developments:** Domestic stock market indices broadly firmed on Friday, favoured by news about the repayment of guaranteed deposits in defaulted Corporate Commercial Bank on Thursday. Against this backdrop, the main SOFIX index rallied 2.19% to close at 535.48 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	2075.37	0.2%	12.3%	EUR/USD	1.227	-0.1%	-10.7%	UST - 10yr	2.32	2	-70	GOLD	1195	0.2%	-0.9%
Nikkei 225	17935.64	0.1%	10.1%	GBP/USD	1.5631	0.3%	-5.6%	Bund-10yr	0.74	-4	-119	BRENT CRUDE	175	0.0%	4.8%
STOXX 600	349.63	-0.4%	6.5%	USD/JPY	121.08	0.3%	-13.0%	JGB - 10yr	0.44	2	-30	LMEX	3047	-0.5%	-3.5%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	on	2	-142
1-week	6.85	0	-143
1-month	7.18	-1	-140
3-month	7.76	0	-112
6-month	8.10	2	-105

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.17	0	-78
5Y RSD	10.19	0	-263
7Y RSD	11.22	1	-259

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.71	6	-130
USD Nov-24	2.41	-410	-450

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	251	-4	-158
10-year	317	-2	-130

## STOCKS

BELEX15	Last	ΔD	ΔYTD
	704.4	-0.21%	26.25%

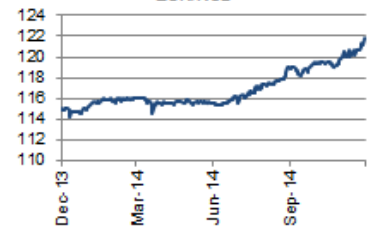
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.79	-0.15%	-5.92%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	1	-122
1-month	0.76	-2	-112
3-month	1.66	-2	-78
6-month	1.97	-3	-102
12-month	1.99	-3	-116

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	10	-201
5Y RON	2.38	1	-227
10Y RON	3.53	1	-177

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.99	27	-186
USD Aug-23	3.77	27	-104

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	127	0	-49
10-year	173	0	-59

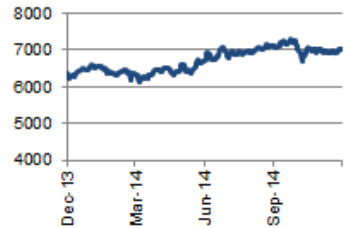
## STOCKS

BET	Last	ΔD	ΔYTD
	7043.9	0.29%	8.47%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.443	-0.15%	0.67%

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	1.51	-3	-68

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.87	-7	-22
5Y BGN	1.39	-3	-45
10Y BGN	2.68	0	-82

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	-1.25	-26	-158
EUR Jul-17	0.96	1	-84

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	0	17
10-year	203	1	28

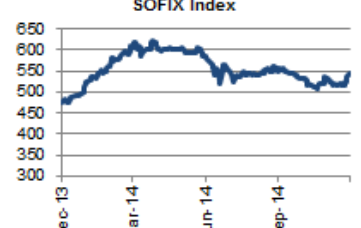
## STOCKS

SOFIX	Last	ΔD	ΔYTD
	544.8	1.73%	10.83%

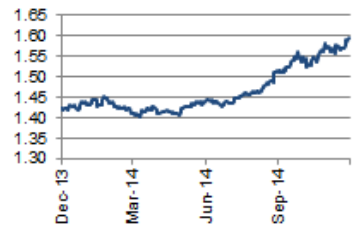
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.594	-0.14%	-10.72%

SOFIX Index



USD/BGN



Source Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:45 EET

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