

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

December 9, 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 losses in Wall Street overnight, Asian and European stock markets broadly fell on Tuesday as oil prices plummeted to new multi-year lows, while persisting global growth worries and renewed political uncertainty in Greece, also weighed on investor sentiment. In FX markets, the safe-haven yen broadly firmed and the US dollar lost some ground.

GREECE: In a surprise move, Greece's ruling coalition government decided to bring forward the upcoming presidential election by near two months to December 17, 2014 from February 12, 2015 expected initially, in order to limit the period of domestic political uncertainty. The coalition government's surprise decision was made publicly known just a few hours after euro area finance ministers announced the decision reached in the context of the December 8 Eurogroup to approve Greece's request for a 2 month technical extension of the current EFSF program which is scheduled to come to an end on December 31st 2014.

SOUTH EASTERN EUROPE

SERBIA: The dinar consolidated near record lows against the euro on Monday, after the Central Bank intervened anew in the FX markets to halt the currency's depreciating momentum.

ROMANIA: The MoF sold on Monday the planned RON 500mn in Apr 2020 T-bonds at an average accepted yield of 2.81%, which came in broadly in line with market expectations.

BULGARIA: According to preliminary NSI data, the Industrial Production Index rose by 0.4%YoY in October following three consecutive months of declines.

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Latest world economic & market developments

GLOBAL MARKETS

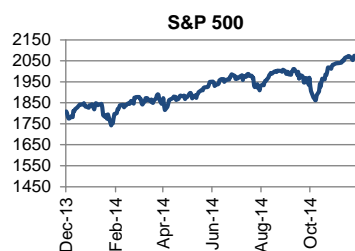
Taking their cue from losses in Wall Street overnight, Asian and European stock markets broadly fell on Tuesday as oil prices plummeted to new multi-year lows amid concerns about excess supply. Persisting global growth worries and renewed political uncertainty in Greece, also weighed. In FX markets, the safe-haven yen broadly firmed in view of deteriorating risk sentiment. Elsewhere, the USD lost some ground after hitting new highs against other major currencies a session earlier, while Fed officials' comments suggesting that the Fed appears to be in no rush to hike interest rates also assisted in halting the greenback's recent rally.

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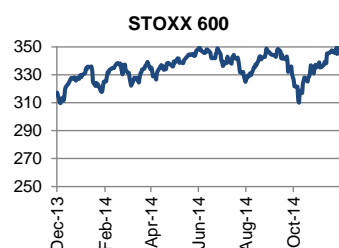
GREECE

In a surprise move, Greece's ruling coalition government decided to bring forward the upcoming presidential election by near two months to December 17, 2014 from February 12, 2015 expected initially (e.g., one month before the expiration of the tenure of the incumbent President) in order to limit the period of domestic political uncertainty. Specifically, in an official statement released y-day, government spokeswoman Sofia Boultepsi blamed main opposition SYRIZA for undermining the government's efforts to reach an agreement with official lenders for the completion of the current program review stressing that "political uncertainty must come to an end". According to the Constitution of Greece, the procedure in Parliament for the election of the President of the Hellenic Republic incorporates three separate ballots. In the first two- expected to take place on December 17 and December 23- a 2/3rd majority of the total 300 MPs is required (i.e., 200 in-favor votes). If both fail to produce a decisive outcome, a third ballot takes place- expected on December 29, 2014- where a majority of 3/5ths is needed (i.e., 180 in-favor votes). Should this also fail to produce a qualified majority, Parliament has to be dissolved within ten days, and early elections shall be called within thirty days. As a reminder the ruling coalition enjoys the support of 155 lawmakers in parliament; New Democracy controls 127 and socialist PASOK 28 seats. The coalition government's surprise decision was made publicly known just a few hours after euro area finance ministers announced the decision reached in the context of the December 8 Eurogroup to approve Greece's request for a 2 month technical extension of the current EFSF program which is scheduled to come to an end on December 31st 2014. In the accompanying official statement, euro area official acknowledged the progress made so far by the Greek authorities to address the outstanding issues underlying the current review noting though that it is no longer possible a staff level agreement with official lenders to be reached by the end of this year. As per the same statement, official discussions between the two sides "will continue into early 2015 until the staff-level agreement is reached and all the prior actions are deemed to be fulfilled", paving the way for the release of the €1.8bn EFSF loan tranche attached to the current review. In addition, the euro area Member States "remain favorably disposed" to granting Greece an ESM precautionary credit line, upon the country's request and subject to: (i) the completion of the prior actions that are still pending under the current review; (ii) continued involvement of the IMF; and (iii) the completion of relevant national and EU procedures. With regard to the latter, the parliament in three euro area Member States, Germany, the Netherlands and Finland, are required under their Constitution to approve any amendment to the terms attached to Greece's existing bailout program. The relevant procedure has to be concluded by December 19-20 when these parliaments are expected to close for the Christmas recess.

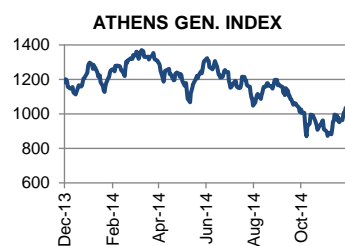
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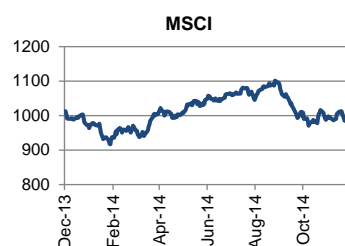
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 16:00 CET): **Market Developments:** The dinar consolidated near record lows of 121.85/122.05 against the euro on Monday, after the Central Bank intervened anew in the FX markets, selling €40mn, to halt the currency's depreciating momentum. A 53-week T-bond auction scheduled to take place later in the day may provide some modest support to the dinar, while, on the flipside strong EUR/RSD resistance appears stands at 122.00.

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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, 09/12/2014, 9:10 EET): **Market Developments:** The leu remained under pressure on Monday, in view of deteriorating risk sentiment. Against this backdrop, the EUR/RON closed marginally higher at 4.4400 after hitting a 2-½ week peak of 4.4430 at some point in the session. On the flipside, in the local rates markets, short term RON rates were little changed. In other news, the MoF sold on Monday the planned RON 500mn in Apr 2020 T-bonds at an average accepted yield of 2.81%, which came in broadly in line with market expectations.

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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, 9/12/2014, 10:00 EET): **Latest Political & Macro Developments:** According to preliminary NSI data, the Industrial Production Index rose by 0.4%YoY in October following three consecutive months of declines. The breakdown of the data showed that manufacturing output rose by 2.3%YoY, while growth in both utilities and mining sub-sectors continued to contract for the fifth consecutive month, marking respective falls of 8.8%YoY and 2.7%YoY. Separately, turnover in retail trade increased by 3.0%YoY in October, with the annual pace of increase decelerating from September's 5.4% print and marking the slowest rise since June 2014. Meanwhile, the construction production index recorded positive annual growth for the sixth month running (2.7%YoY). **Market Developments:** Bucking the broadly negative trend witnessed in emerging stock markets on Monday, the main SOFIX index rallied by 2.15% to close at 547 points, continuing to receive support from recent news about the repayment of guaranteed deposits in defaulted Corporate Commercial Bank.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2060.31	-0.7%	11.5%
Nikkei 225	17813.38	-0.7%	9.3%
STOXX 600	344.52	-1.2%	5.0%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.2355	0.3%	-10.1%
GBP/USD	1.5641	-0.1%	-5.5%
USD/JPY	119.97	0.6%	-12.2%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.25	0	-77
Bund-10yr	0.72	0	-121
JGB - 10yr	0.42	-3	-32

Commodities

	Last	ΔD	ΔYTD
GOLD	1205	0.1%	-0.1%
BRENT CRUDE	175	0.0%	4.8%
LMEX	3025	-0.7%	-4.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	on	0	-142
1-week	6.87	2	-141
1-month	7.17	-1	-141
3-month	7.70	-6	-118
6-month	8.02	-8	-113

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.18	0	-188
5Y RSD	10.19	0	-263
7Y RSD	11.23	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.83	14	-117
USD Nov-24	2.49	-403	-442

CDS

	Last	ΔDbps	ΔYTD bps
5-year	253	2	-156
10-year	318	1	-129

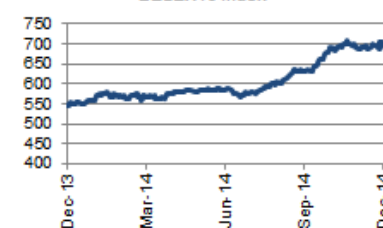
STOCKS

	Last	ΔD	ΔYTD
BELEX15	690.3	-1.74%	23.72%

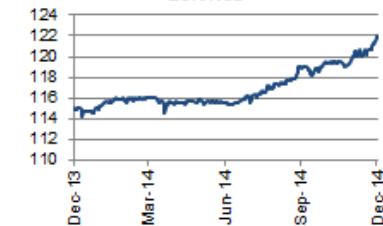
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.91	-0.07%	-6.01%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	0	-122
1-month	0.76	0	-112
3-month	1.65	-1	-79
6-month	1.97	0	-102
12-month	1.99	0	-116

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	4	-204
5Y RON	2.35	-1	-230
10Y RON	3.48	-2	-182

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.71	-28	-213
USD Aug-23	3.55	-22	-126

CDS

	Last	ΔDbps	ΔYTD bps
5-year	127	0	-53
10-year	173	0	-59

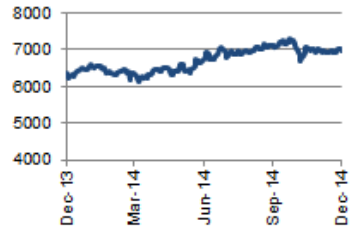
STOCKS

	Last	ΔD	ΔYTD
BET	6978.0	-0.44%	7.46%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4388	0.01%	0.77%

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	-22
6-month	0.79	0	-36
12-month	1.50	-1	-69

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.96	8	-14
5Y BGN	1.43	8	-41
10Y BGN	2.62	0	-88

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.35	-6	-49
EUR Jul-17	1.05	-26	-75

CDS

	Last	ΔDbps	ΔYTD bps
5-year	154	4	25
10-year	208	5	33

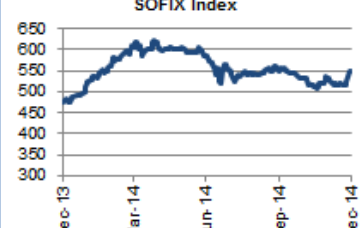
STOCKS

	Last	ΔD	ΔYTD
SOFIX	548.0	0.18%	11.49%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5832	0.30%	-10.11%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:00 EET

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