

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 10, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 13: Initial jobless claims (Nov. 8)
- November 14
 - Retail sales (Oct)
 - UoM consumer sentiment (Nov)

EUROZONE

- November 14
 - GDP (Q3, flash)
 - HICP (Oct, f)

SEE

SERBIA

- November 11: HICP (Oct)
- November 13: MPC meeting

ROMANIA

- November 10
 - Trade balance (Sep)
 - Industrial production (Sep)
 - 2.5% 2019 T-Bonds auction
- November 11: CPI (Oct)
- November 13
 - Current account (Sep)
 - 2023 T-Bonds auction
- November 14
 - GDP (Q3, A)

BULGARIA

- November 10
 - Trade balance (Sep)
 - U/E rate (Oct)
- November 12: CPI (Oct)
- November 14: GDP (Q3, p)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US non-farm payrolls rose by 214k in October, slightly lower than market consensus for an increase of 235k. Despite the modestly weaker-than-expected gain in the headline, the report was overall solid. In more detail, the employment growth exceeded 200k in October for the ninth consecutive month, the longest rising streak since 1994 while the unemployment rate dropped to a fresh 6-year low of 5.7%. Focus this week is on the Eurozone's Q3 GDP report and US retail sales for October, both due on Friday.

GREECE: According to local press reports, the troika asked the Greek government to withdraw the newly adopted installment scheme for overdue tax payments and social security contributions as well as the proposed settlement for addressing non-performing corporate loans on the view that they will increase the projected 2015 fiscal shortfall by ca €1bn cumulatively to ca €2.5bn. Meanwhile, the date for the return of the EC/IMF/ECB troika heads to Athens has yet to be officially announced with a number of local press reports suggesting that they are expected by the end of this week.

SOUTH EASTERN EUROPE

SERBIA: Negotiations with the IMF over a financial aid deal continue.

ROMANIA: The leu remained under pressure on Friday, weighed down by Central Bank Governor Mugur Isarescu's recent comments.

BULGARIA: Parliament formally approved on Friday the country's new minority coalition government, led by the winner of the October 5 general snap election, GERB.

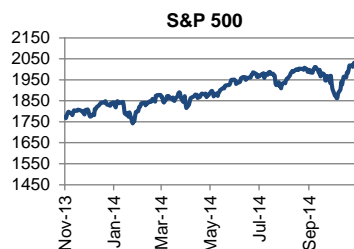
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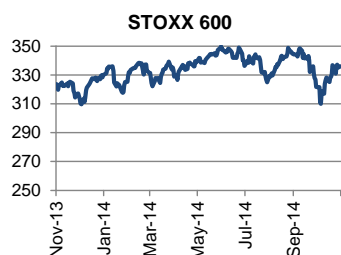
Latest world economic & market developments

GLOBAL MARKETS

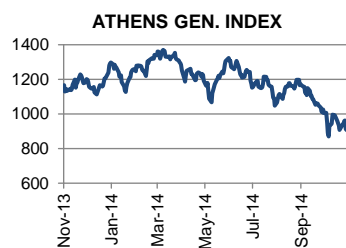
US non-farm payrolls rose by 214k in October, slightly lower than market consensus for an increase of 235k. Despite the modestly weaker-than-expected gain in the headline, the report was overall solid. In more detail, the employment growth exceeded 200k in October for the ninth consecutive month, the longest rising streak since 1994 while the unemployment rate dropped to a fresh 6-year low of 5.7% from 5.8% previously, validating the FOMC's upgraded assessment on the labor market at its most recent monetary policy meeting. In reaction to the slightly lower than expected increase in the US non-farm payrolls October headline, the USD moved lower with the EUR/USD hovering around 1.2485/90 at the time of writing in European trade on Monday after hitting a near two-year low of 1.2360 late last week following the more dovish than expected tone ECB President Mario Draghi adopted in the press conference that followed the conclusion of the latest monetary policy meeting. Despite the EUR's latest upside attempt, short-term risks for the EUR/USD seem skewed to the downside especially if this week's Eurozone Q3 GDP report disappoints or/and US retail sales for October come in firmer than expected (both releases are due on Friday).



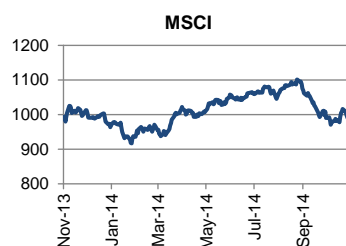
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

GREECE

According to local press reports, the troika asked the Greek government to withdraw the newly adopted installment scheme for overdue tax payments and social security contributions as well as the proposed settlement for addressing non-performing corporate loans on the view that they will increase the projected 2015 fiscal shortfall by ca €1bn cumulatively to ca €2.5bn. On its part, the Greek side has reportedly adopted a relatively more optimistic stance arguing that any fiscal gap arising in 2015 is not likely to exceed €1.0bn under an adverse scenario. Nevertheless, aiming to address the troika's argument, the Greek side argues that (i) improved GDP growth dynamics; (ii) ongoing structural reforms (e.g. acceleration in the merger process/ closing-down of a number of public organizations) and; (iii) certain measures incorporated in the draft 2015 budget including the extension of the solidarity surcharge (albeit reduced by 30%), the reduced special consumption tax on heating oil and the one-year extension of the 13% VAT rate applied on restaurants and food catering, could secure additional savings in 2015 higher than €2.5bn in 2015. A technical team of troika inspectors arrived in Athens earlier this month to prepare the ground for the resumption of official discussions in the context of the current (5th) program review. The date for the return of the EC/IMF/ECB troika heads to Athens has yet to be officially announced with a number of local press reports suggesting that they are expected by the end of this week. Speaking in the press conference that followed the conclusion of the November 6 Eurogroup, President Joergen Dijsselbloem made clear that the technical details and attached conditions on the follow-up arrangements that will be put in place once Greece's current EFSF programme expires at the end of this year, will be determined in the coming weeks, contingent on the completion of the current economic adjustment review.

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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	2013	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	8.50	8.00

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

(Belgrade 10/10/2014, 9:50 CET): **Latest Political & Macro Developments:** According to recent data releases, the general government unconsolidated primary budget ran an unexpected surplus for the first time this year, of RSD 0.3bn (€2.5mn), in October thanks to improved tax. The breakdown of the data showed that revenues amounted to RSD 79.3bn while expenses totaled RSD 79.0bn. In other news, negotiations with the IMF over a financial aid deal continue. **Market Developments:** The EUR/RSD extended its recent uptrend on Friday to close at 119.65/85, slightly below a new record peak of 119.65/95 hit intraday. In a rather surprising move, the Central Bank held its fire after two consecutive interventions in the prior two sessions, leaving the door open for further dinar depreciation. Although depreciating pressures on the domestic currency are likely to persist as we approach year-end due to seasonal factors and ongoing fiscal consolidation concerns, renewed Central Bank intervention and developments on negotiations between domestic authorities and the IMF over a new credit line are likely to set the tone in the coming days/weeks.

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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, 10/11/2014, 9:35 EET): **Market Developments:** The leu remained under pressure on Friday, weighed down by Central Bank Governor Mugur Isarescu's recent comments suggesting that he does not favor a firmer domestic currency and that the door for further monetary easing ahead remains open. Along these lines, the EUR/RON closed 0.2% higher at 4.4360/80 on Friday, though below a near 2-month peak of 4.4410/30 hit intraday, possibly on the back of Central Bank intervention. In the local rates market, government bonds were little changed in the secondary market, with the corresponding 3, 5 and 10-year (mid) yields closing at 2.35%, 2.75% and 3.80%, respectively. In other news, the Ministry of Finance holds a RON1bn 1-year T-bills auction today. The market's median forecast is for an average accepted yield of around 1.70-1.75%.

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BULGARIA

BULGARIA: Indicators	2012	2013	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, 31/10/2014, 18:15 EET): **Latest Political & Macro Developments:** Parliament formally approved on Friday the country's new government, led by the winner of the October 5 general snap election, center-right GERB, which along with the right-wing Reformist bloc formed a minority coalition occupying 107 of the 240 seats in the National Assembly. The nationalist Patriotic Front and the left-wing ABV party, which cumulatively have 30 MPs in Parliament, have indicated their intention to provide their tacit support to the government. Boyko Borisov, the leader of GERB, was appointed as the new Prime Minister. **Market Developments:** In response to the news about a government formation, the domestic stock market rallied with the main SOFIX index jumping 1.77% to close at 536.62 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	2031.92	0.0%	9.9%	EUR/USD	1.2508	0.4%	-9.0%	UST - 10yr	2.27	-3	-76	GOLD	1172	-0.5%	-2.8%
Nikkei 225	16780.53	-0.6%	3.0%	GBP/USD	1.591	0.2%	-3.9%	Bund-10yr	0.80	-1	-113	BRENT CRUDE	177	0.0%	6.1%
STOXX 600	335.98	0.2%	2.4%	USD/JPY	114.03	0.5%	-7.6%	JGB - 10yr	0.46	-3	-29	LMEX	3123	0.3%	-1.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.79	4	-122
1-week	7.02	1	-126
1-month	7.34	1	-124
3-month	7.81	1	-107
6-month	8.14	1	-101

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.41	0	-55
5Y RSD	10.22	0	-260
7Y RSD	11.24	1	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.90	-2	-111
USD Nov-24	3.00	-351	-391

CDS

	Last	ΔDbps	ΔYTD bps
5-year	266	-7	-143
10-year	323	-8	-124

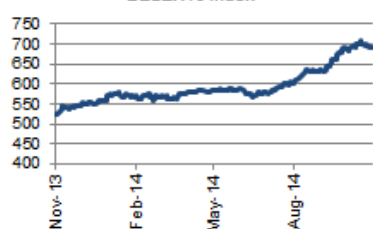
STOCKS

	Last	ΔD	ΔYTD
BELEX15	690.0	-0.34%	23.66%

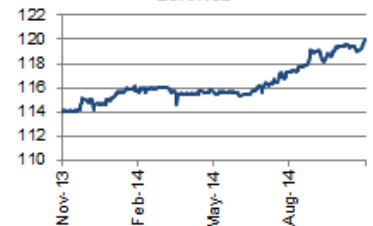
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.81	-0.11%	-4.37%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	0	-116
1-month	1.14	-2	-74
3-month	1.84	1	-60
6-month	2.22	-2	-77
12-month	2.24	-1	-91

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.99	3	-196
5Y RON	2.51	-1	-214
10Y RON	3.67	2	-163

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.04	-1	-180
USD Aug-23	3.77	-3	-104

CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	-4	-34
10-year	196	-4	-36

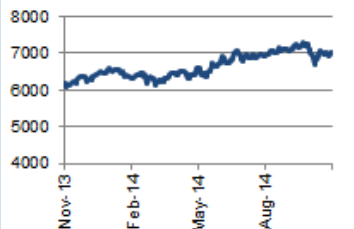
STOCKS

	Last	ΔD	ΔYTD
BET	7025.4	0.22%	8.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4301	0.11%	0.97%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.23	0	-9
3-month	0.43	0	-22
6-month	0.80	0	-36
12-month	1.55	0	-64

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.38	-6	28
5Y BGN	1.96	-3	11
10Y BGN	3.18	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.62	6	3
EUR Jul-17	1.19	-3	-61

CDS

	Last	ΔDbps	ΔYTD bps
5-year	154	2	23
10-year	204	2	29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	535.6	-0.20%	8.96%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5639	0.42%	-9.00%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:00 EET

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