

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 17, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 17
 - Empire State Index (Nov)
 - Industrial prod. (Oct)
- November 19
 - Housing starts (Oct)
 - Housing permits (Oct)
- November 20
 - Initial jobless claims (Nov. 15)
 - CPI (Oct)
 - Philly Fed (Nov)
 - Existing home sales (Oct)

EUROZONE

- November 17: ECB President testifies before the European Parliament's Committee on Economic and Monetary Affairs
- November 20: PMI manufacturing & services (Nov)
- November 21: ECB President speaks at European Banking Congress

SEE

SERBIA

- November 19: T-Bonds auction
- November 20-21: CAD (Sep)

ROMANIA

- November 17: 2027 T-Bonds auction
- November 20: 2018 T-Bonds auction

BULGARIA

- November 17: CAD (Sep)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from losses in Asian bourses on Monday, European stock markets broadly fell in morning trade amid global growth concerns after Japan's economy unexpectedly slid into recession.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD closed marginally lower on Friday after repeated Central Bank interventions in the FX markets in order to support the dinar.

ROMANIA: In a major surprise, ethnic German mayor of the Transylvanian city of Sibiu Klaus Iohannis won Sunday's presidential elections run-off, defeating incumbent Prime Minister Victor Ponta.

BULGARIA: The European Commission announced on Friday its decision to unfreeze €240mn of payments to Bulgaria under the Operational Program Environment for the programming period 2007-2013 after the country endorsed necessary corrective measures.

CESEE MARKETS: The majority of **emerging stock markets** recoiled on Monday amid mounting global growth concerns, while a mixed picture was evidenced earlier in the **CESEE region**. Separately, **CESEE currencies** were little changed.

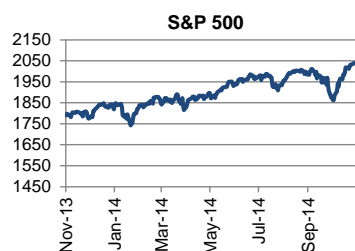
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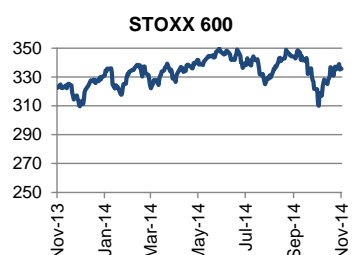
Latest world economic & market developments

GLOBAL MARKETS

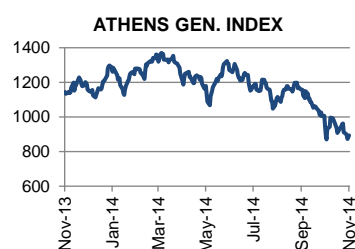
Taking their cue from losses in Asian bourses on Monday, European stock markets broadly fell in morning trade amid global growth concerns after Japan's economy unexpectedly slid into recession. In more detail, Japan's real GDP growth contracted by 0.4/1.6% QoQ/QoQ annualised in Q3, according to preliminary seasonally adjusted data, after a 1.9/7.3% QoQ/QoQ annualised decline in Q2, confounding expectations for a return to positive growth readings of 0.5/2.2% as a rise in the national sales tax weighed on domestic economic activity. Against this backdrop, the Japanese yen came under renewed pressure on Monday, with the USD/JPY briefly spiking to a new 7-year trough near 117.05 hit in Asian trade, before pulling back towards 115.97/116.01 at the time of writing. Separately, the EUR/USD hovered around levels of 1.2492/94 earlier today, standing within distance from a 2-week peak close to 1.2580 hit intraday.



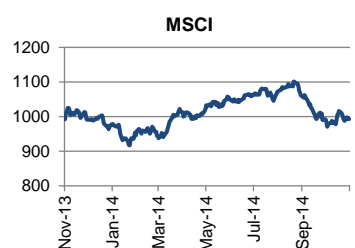
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** recoiled on Monday amid mounting global growth concerns. Lower oil prices weighed on oil-exporting economies, while Chinese bourses closed weaker on the first day that a scheme linking the Shanghai and Hong Kong indices came into effect. Against this background, the MSCI index of emerging equities posted modest losses of 0.4% at the time of writing, marking the third consecutive session in red. Elsewhere, a mixed picture was evidenced earlier in the **CESEE region**, with Ukraine's PFTS index leading the gains in the region with a 1.1% rise. Turkey's BIST 100 rose to a 2-month high intraday, favored by lower oil prices as the country imports the vast majority of the energy it consumes. On the flipside, Hungary's BUX underperformed its regional peers falling by 0.7% at the time of writing. Elsewhere, **CESEE currencies** were little changed in morning European trade. Romania's leu marginally firmed after the outcome of Sunday's presidential election run-off dealt a major surprise with centre-right candidate Klaus Iohannis defeating incumbent Prime Minister Victor Ponta in a reversal of the first round's result. This development eases concerns about a concentration of power around the Prime Minister's Social Democratic Party, but, suggests a potential perpetuation of political frictions between the government and the President, as has been the case over recent years. That said and taking into account that the President in Romania has rather limited executive powers, Sunday's run-off ballot is not likely to render a significant change in the domestic political landscape. Along these lines, the EUR/RON hovered around levels of 4.4220 at the time of writing, after hitting intraday a 1-week trough of 4.2000 marked on Friday in the wake of upbeat Q3 GDP data which significantly exceeded expectations, while revised figures showed that the country avoided recession earlier this year. This week's focus is on Turkey's MPC meeting where the Central Bank is broadly expected to stay put on interest rates, while the conclusion of negotiations between the government and the IMF over a new Stand-By Arrangement take centres stage.

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

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 14/10/2014, 18:20 CET): **Market Developments:** The EUR/RSD closed at 119.75/95 on Friday, having recoiled from an intraday peak of 120.40/60 marked at the session's open following repeated Central Bank (NBS) interventions in the FX markets in order to support the dinar. Cumulatively, the NBS likely sold an estimated amount of ca €50mn. Looking ahead, risks for further dinar depreciation seem skewed to the upside amid ongoing fiscal worries and uncertainties surrounding the progress over negotiations between the government and the IMF about a new credit line arrangement. However, any further significant gains for the EUR/RSD may prove limited in view of the likelihood of 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, 17/11/2014, 9:30 EET): **Latest Political & Macro Developments:** In a major surprise, ethnic German mayor of the Transylvanian city of Sibiu Klaus Iohannis won Sunday's second round of presidential elections, confounding expectations and reversing the first round's outcome where he lagged behind the frontrunner, incumbent Prime Minister Victor Ponta. With around 96.5% of the votes having been counted, Iohannis scored 54.66% defeating the Prime Minister. A turnout of 62.04% was reportedly the highest since 1996 and much higher than 53.1% in the first round two weeks ago. **Market Developments:** The EUR/RON was range-bound between 4.4250/4.4300 on Friday, while short term RON rates for tenors up to 1W remained near the deposit facility rate of 0.25%. In other news, the MoF holds on Monday a primary market auction for RON 200mn of July 2027 T-bonds, expected to produce a yield of around 4.10-4.20%.

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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, 14/11/2014, 17:40 EET): **Latest Political & Macro Developments:** According to flash data, real GDP expanded by 1.6%YoY in Q3 2014, with growth slowing slightly from 1.8%YoY in the prior quarter. The breakdown of the data showed that gross fixed capital formation rose by 4.2%YoY and final consumption advanced by 1.4%YoY, while imports of goods and services edged up by 1.0%YoY and exports marked a 2.4%YoY decline. In other data releases on Friday, the rate of unemployment inched higher to 10.7% in October from 10.5% in September but below 11.2% in the same month a year earlier. Separately, the European Commission announced on Friday its decision to unfreeze €240mn of payments to Bulgaria under the Operational Program Environment for the programming period 2007-2013 after the country endorsed the necessary corrective measures reducing "the risk of errors and irregularities with expenditure in future". Recall that, these funds were frozen in November last year amid concerns about violations and weaknesses in the system for control and management of these projects. Their release is likely to provide support to the domestic economic activity next year and somewhat mitigate investor concerns about the country's growth prospects ahead. **Market Developments:** The domestic stock market extended its recent downtrend on Friday, with the main SOFIX index falling for the fifth consecutive session and ending the week with losses to the tune of 2.2%.

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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	2039.82	0.0%	10.4%	EUR/USD	1.2506	-0.1%	-9.0%	UST - 10yr	2.30	-2	-73	GOLD	1191	0.2%	-1.2%
Nikkei 225	16973.80	-3.0%	4.2%	GBP/USD	1.5648	-0.1%	-5.5%	Bund-10yr	0.79	1	-114	BRENT CRUDE	177	0.0%	6.0%
STOXX 600	334.14	-0.4%	1.8%	USD/JPY	116.25	0.0%	-9.4%	JGB - 10yr	0.49	0	-25	LMEX	3104	0.3%	-1.8%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD bps
T/N	6.46	-1	-155
1-week	6.74	-6	-154
1-month	7.05	-9	-153
3-month	7.55	-10	-133
6-month	7.97	-4	-118

RS Local Bonds

	Last	ΔD	ΔYTD bps
3Y RSD	9.35	1	-171
5Y RSD	10.22	0	-260
7Y RSD	11.25	0	-255

RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	3.58	-1	-143
USD Nov-24	2.46	-403	-444

CDS

	Last	ΔD	ΔYTD bps
5-year	280	-4	-129
10-year	345	-4	-102

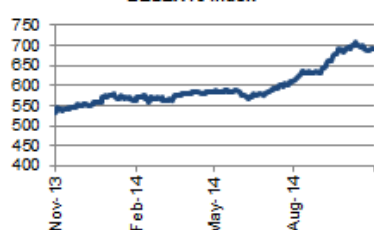
STOCKS

	Last	ΔD	ΔYTD
BELEX15	691.0	0.11%	23.85%

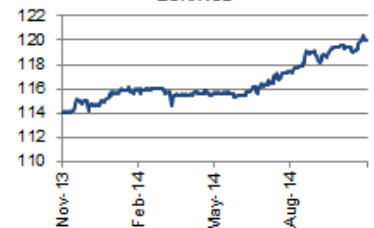
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.07	-0.15%	-4.58%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	0.53	-1	-121
1-month	1.08	1	-80
3-month	1.79	-2	-65
6-month	2.14	0	-85
12-month	2.14	0	-101

RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.95	2	-200
5Y RON	2.52	0	-213
10Y RON	3.70	0	-160

RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Sep-20	2.00	1	-184
USD Aug-23	3.78	-2	-102

CDS

	Last	ΔD	ΔYTD bps
5-year	150	-1	-33
10-year	196	-1	-36

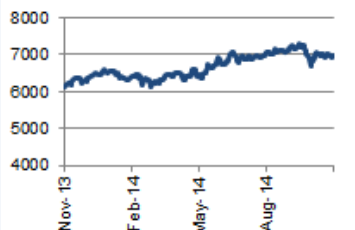
STOCKS

	Last	ΔD	ΔYTD
BET	6974.4	0.28%	7.40%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4311	-0.10%	0.94%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.23	0	-9
3-month	0.43	0	-22
6-month	0.79	0	-36
12-month	1.54	0	-65

BG Local Bonds

(yields)	Last	ΔD	ΔYTD bps
3Y BGN	1.43	-7	34
5Y BGN	1.98	-8	14
10Y BGN	3.24	0	-25

BG Eurobonds

	Last	ΔD	ΔYTD bps
USD Jan-15	0.20	-7	-39
EUR Jul-17	1.25	-15	-55

CDS

	Last	ΔD	ΔYTD bps
5-year	138	-2	18
10-year	193	-3	18

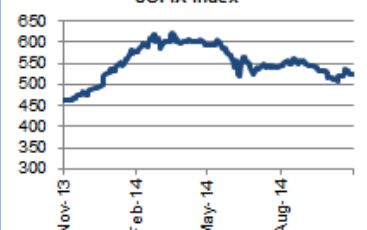
STOCKS

	Last	ΔD	ΔYTD
SOFIX	523.5	-0.28%	6.50%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.564	-0.15%	-9.01%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:20 EET

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