

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

November 18, 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:** Bucking the negative trend in most Asian bourses and tracking gains in Japan's Nikkei, European stock markets moved broadly higher in morning trade today on the back of upbeat data from Germany and hopes that a snap election in Japan may result to the adoption of additional economic stimulus measures in the country.

### SOUTH EASTERN EUROPE

**SERBIA:** The dinar gave up on Monday all gains recorded at the end of last week as fiscal consolidation concerns linger while market anxiety persists ahead of the conclusion on November 20 of the negotiations between the government and the IMF over a new financial aid package.

**BULGARIA:** According to the latest BNB data, the current account surplus decreased by 66.4%YoY to €431.9mn (or 1.1% of GDP) over the first nine months of the year, while foreign direct investments in Bulgaria declined by 4.7%YoY to €1,105.6mn.

**CESEE MARKETS:** Taking their cue from gains in major European bourses, the majority of **CESEE stock markets** advanced on Tuesday on improved risk sentiment. In the FX markets, **CESEE currencies** broadly firmed with the Turkish lira leading the gains thanks to lower oil prices.

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## Latest world economic & market developments

### GLOBAL MARKETS

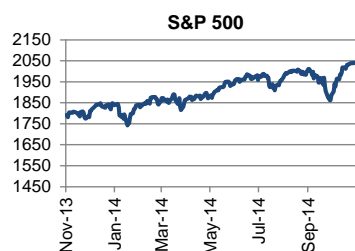
Bucking the negative trend in most Asian bourses and tracking gains in Japan's Nikkei, European stock markets moved broadly higher in morning trade today on the back of upbeat data from Germany and hopes that a snap election in Japan may result to the adoption of additional economic stimulus measures in the country. In more detail, Germany's ZEW Economic Sentiment Index rose to 11.5 in November, overshooting the market's median forecast for a modest advance to 0.5 and October's -3.6 print, while marking the first improvement in nearly a year. Separately, Japan's Prime Minister Shinzo Abe said on Tuesday he would delay a planned rise in the nation's sales tax to 10% until April 2017, dissolve Parliament later this week and call a snap election. Adding to the positive tone were ECB President Mario Draghi's comments on Monday suggesting that the Central Bank is ready to adopt further measures to tackle the risk of inflation remaining at low levels for a long period of time, including sovereign bonds purchases. Against this backdrop, the Japanese yen remained under pressure, hovering around levels of 116.69/73 at the time of writing, within distance from a 7-year trough near 117.05 hit yesterday after Q3 GDP data disappointed expectations showing that Japan's economy unexpectedly slid into recession. Separately, the euro regained some ground in the wake of upbeat data from Germany, with the EUR/USD hovering around levels of 1.2520/21 earlier today and approaching anew a 2-week peak close to 1.2580 hit at some point on Monday.

## Latest developments in the CESEE region

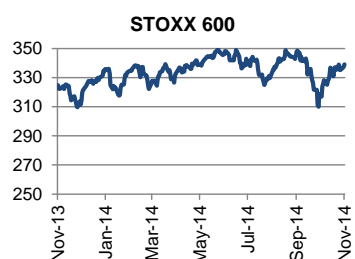
### CESEE MARKETS

Taking their cue from gains in major European bourses, the majority of **CESEE stock markets** advanced on Tuesday on improved risk sentiment. Turkey's BIST 100 broadly outperformed its regional peers, resuming its uptrend and recovering most of Monday's losses. The index approached anew a 2-month intraday high touched in the prior session, favored by lower oil prices as the country imports the vast majority of the energy it consumes. On the flipside, Ukraine's PFTS and Romania's BETI bucked the trend posting modest declines at the time of writing. The largely unexpected outcome of Sunday's presidential election run-off in Romania, where centre-right candidate Klaus Iohannis defeated incumbent Prime Minister Victor Ponta in a reversal of the first round's result, appeared to have a rather limited impact on the country's assets. Albeit this development eases concerns about a concentration of power around the Prime Minister's Social Democratic Party, it suggests that frictions between the government and the President, as had been the case with outgoing President Traian Basescu, may possibly resurface. Nonetheless, we reiterate that as 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. In the FX markets, **CESEE currencies** broadly firmed with the Turkish lira leading the gains thanks to lower oil prices, while investor focus is on the upcoming Central Bank meeting on Thursday. The CBRT is broadly anticipated to stay put on interest rates and maintain its key 1-week repo rate at 8.25%. Against this background, the USD/TRY eased to a near 3-week trough of 2.2145 intraday before pulling back towards 2.2210 at the time of writing.

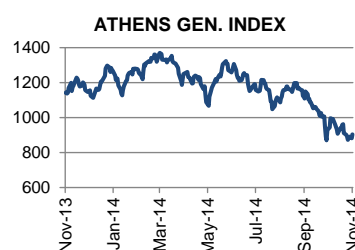
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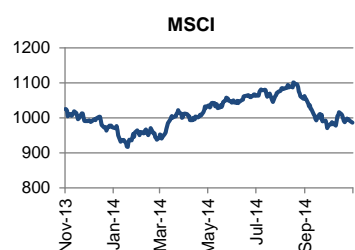
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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L-T ccy	Credit Ratings		
	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 17/10/2014, 17:00 CET): **Market Developments:** The dinar gave up on Monday all gains recorded at the end of last week as fiscal consolidation concerns linger while market anxiety persists ahead of the conclusion on November 20 of the negotiations between the government and the IMF over a new financial aid package. Against this background, the EUR/RSD resumed its uptrend to close at 120.25/45 on Monday from 119.70/90 at the session's open, approaching anew a record peak of 120.65/85 hit late last week. Looking ahead, a gradual depreciation of the dinar in tandem with recurring Central Bank interventions is likely to continue in the days/weeks ahead.

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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, 18/11/2014, 09:45 EET): **Latest Political & Macro Developments:** According to the latest BNB data, the balance of payment ran a surplus of €985.5mn (or 2.4% of GDP) in the first nine months of 2014 against a deficit of €248.7mn recorded over the same period a year earlier. The said improvement was primarily driven by a return to a positive reading in the Financial Account (€919.4mn vs. -€1,569.3mn over the same period last year), thanks to net portfolio investment which registered a surplus of €1,400.8mn after a €908.4mn deficit in January-September 2013, as well as a 66.3%YoY rise to €510.8mn in the Capital Account. On the other hand, the current account surplus decreased by 66.4%YoY to €431.9mn (or 1.1% of GDP), while foreign direct investments in Bulgaria also declined, marking a 4.7%YoY drop to €1,105.6mn and amounting to 2.7% of GDP. **Market Developments:** The domestic stock market kicked off the week on a negative footing, with the major SOFIX index leading the losses in the CESEE region with a drop of 1.47% to 517.19 points. In other news, the Ministry of Finance sold BGN 60mn in 10-year government bonds on Monday at an average accepted yield of 3.582% and a bid/cover ratio of 2.33. Banks were the main buyers on the primary market acquiring 60.55% of the total amount allotted, while pension funds obtained 33.33%, followed by mutual and guarantee state funds (5.50%) and insurance companies (0.62%).

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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	2041.32	0.1%	10.4%	EUR/USD	1.2508	0.5%	-9.0%	UST - 10yr	2.33	-1	-69	GOLD	1199	1.1%	-0.5%
Nikkei 225	17344.06	2.2%	6.5%	GBP/USD	1.5652	0.1%	-5.5%	Bund-10yr	0.80	-1	-113	BRENT CRUDE	177	0.0%	6.0%
STOXX 600	339.14	0.6%	3.3%	USD/JPY	116.7	-0.1%	-9.8%	JGB - 10yr	0.51	3	-23	LMEX	3110	0.2%	-1.6%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.49	3	-152
1-week	6.74	0	-154
1-month	7.03	-2	-155
3-month	7.53	-2	-135
6-month	7.96	-1	-119

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.35	0	-171
5Y RSD	10.22	0	-261
7Y RSD	11.23	0	-257

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.55	-1	-146
USD Nov-24	2.52	-397	-438

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	260	-20	-149
10-year	324	-21	-123

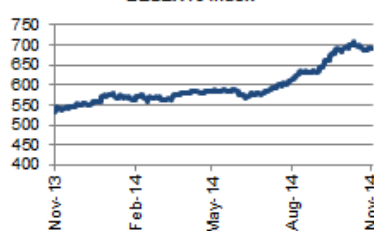
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	691.9	-0.07%	24.00%

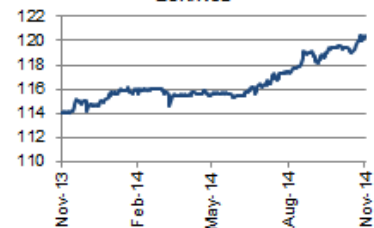
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.43	-0.27%	-4.86%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	-3	-124
1-month	1.06	-2	-82
3-month	1.8	1	-64
6-month	2.14	0	-85
12-month	2.14	0	-101

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	-2	-201
5Y RON	2.53	0	-212
10Y RON	3.71	0	-159

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.01	0	-183
USD Aug-23	3.78	-4	-103

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	153	2	-33
10-year	198	2	-34

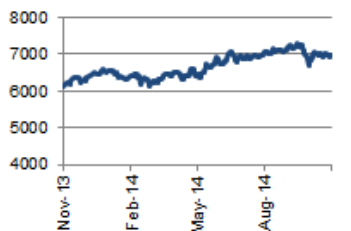
## STOCKS

	Last	ΔD	ΔYTD
BET	6958.4	-0.14%	7.15%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.434	0.04%	0.88%

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	0.79	0	-36
12-month	1.54	0	-65

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.47	-3	38
5Y BGN	2.01	-2	16
10Y BGN	3.22	0	-28

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.22	1	-36
EUR Jul-17	1.27	10	-54

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	155	17	24
10-year	213	20	38

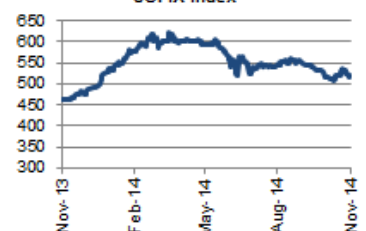
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	520.0	0.54%	5.79%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5637	0.47%	-8.99%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:20 EET

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