Eurobank Global Markets Research
www.eurobank.gr/research
EurobankGlobalMarkets
Research@eurobank.gr

# 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 aution
- 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

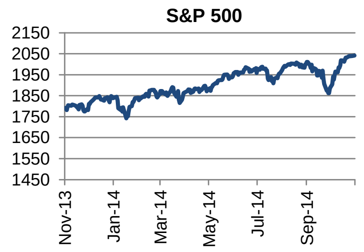
**GLOBAL MARKETS:** Bucking the negative trend in most Asian bourses and tracking gains in Japan's Nikkei, European stock markets moved broadly higher in morning trade today on the back of upbeat data from Germany and hopes that a snap election in Japan may result to the adoption of additional economic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

## SOUTH EASTERN EUROPE

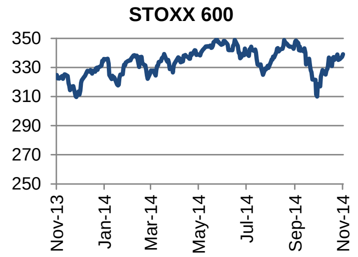
**SERBIA:** The dinar gave up on Monday all gains recorded at the end of last week as fiscal consolidation concerns linger while market anxiety persists ahead of the conclusion on November 20 of the negotiations between the government and the IMF over a new financial aid package.

**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.

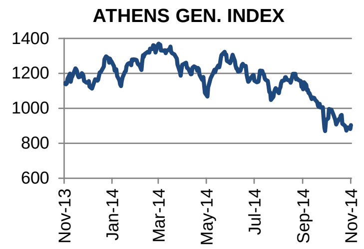
**CESEE MARKETS:** Taking their cue from gains in major European bourses, the majority of **CESEE stock markets** advanced on Tuesday on improved risk sentiment. In the FX markets, **CESEE currencies** broadly firmed with the Turkish lira leading the gains thanks to lower oil prices.



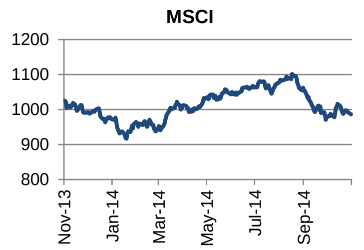

*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*

**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 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 Train 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.

gphoka@eurobank.gr

## 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.

ivan.radovic@eurobank.rs
Zoran.Korac@eurobank.rs
gphoka@eurobank.gr

## 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%).

VBoteva@postbank.bg
gphoka@eurobank.gr

## GLOBAL MARKETS

| Stock markets | Last | ΔD | ΔYTD |
|---|---|---|---|
| S&P 500 | 2041.32 | 0.1% | 10.4% |
| Nikkei 225 | 17344.06 | 2.2% | 6.5% |
| STOXX 600 | 339.14 | 0.6% | 3.3% |

| FOREX | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/USD | 1.2508 | 0.5% | -9.0% |
| GBP/USD | 1.5652 | 0.1% | -5.5% |
| USD/JPY | 116.7 | -0.1% | -9.8% |

| Government Bonds (yields) | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| UST - 10yr | 2.33 | -1 | -69 |
| Bund-10yr | 0.80 | -1 | -113 |
| JGB - 10yr | 0.51 | 3 | -23 |

| Commodities | Last | ΔD | ΔYTD |
|---|---|---|---|
| GOLD | 1199 | 1.1% | -0.5% |
| BRENT CRUDE | 177 | 0.0% | 6.0% |
| 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*

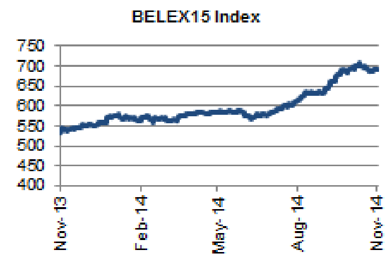
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 260 | -20 | -149 |
| 10-year | 324 | -21 | -123 |

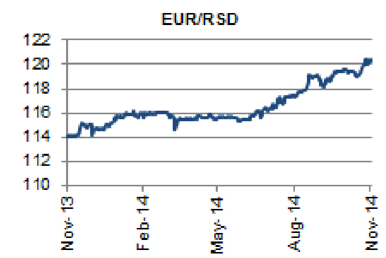
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BELEX15 | 691.9 | -0.07% | 24.00% |

*FOREX*

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




### 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*

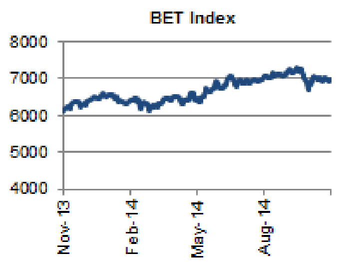
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 153 | 2 | -33 |
| 10-year | 198 | 2 | -34 |

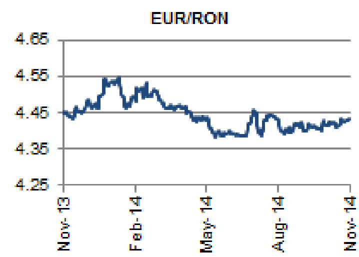
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BET | 6958.4 | -0.14% | 7.15% |

*FOREX*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/RON | 4.434 | 0.04% | 0.88% |




### 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*

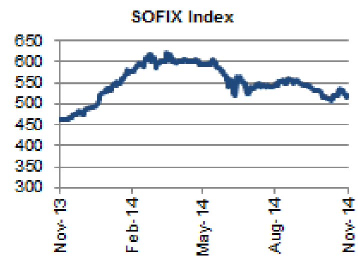
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 155 | 17 | 24 |
| 10-year | 213 | 20 | 38 |

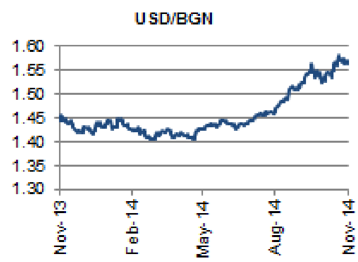
*STOCKS*

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| SOFIX | 520.0 | 0.54% | 5.79% |

*FOREX*

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




*Source: Reuters, Bloomberg, Eurobank Global Markets Research*

*Data updated as of 14:20 EET*

## Contributors to this issue

**Vessela Boteva**
*Expert, trading desk, Eurobank Bulgaria*
*+359 (2) 8166 491*
*vboteva@postbank.bg*

**Zoran Korac**
*FX dealer, Eurobank ad Beograd*
*+381 11 206 5821*
*zoran.korac@eurobank.rs*

**Galatia Phoka**
*Emerging Markets Analyst, Eurobank Ergasias*
*+30 210 3718922*
*galatia.phoka@eurobank.gr*

**Bogdan Radulescu, CFA**
*Senior Trader, Bancpost*
*+40 21 3656291*
*bogdan.radulescu@bancpost.ro*

**Ivan Radović**
*Head, Brokerage Department, Eurobank and Beograd*
*+381 11 30 27 533*
*ivan.radovic@eurobank.rs*