

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 14, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 15:
 - Retail sales (Sep)
 - Empire State Index (Oct)
 - PPI (Sep)
- October 16:
 - Initial jobless claims (Oct.11)
 - Industrial prod (Sep)
 - Philly Fed index (Oct)
 - NAHB Index (Oct)
- October 17:
 - Housing starts (Sep)
 - Housing permits (Sep)
 - UM cons conf (Oct)

EUROZONE

- October 14: Germany's ZEW index (Oct)
- October 16: CPI final (Sep)

SEE

SERBIA

- October 13:
 - CPI (Sep)
 - Q2 GDP (f)

ROMANIA

- October 14: Current account YTD (Aug)

BULGARIA

- October 14:
 - CPI (Sep)
 - Current account balance (Aug)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the negative tone in Wall Street overnight, the majority of Asian bourses weakened on Tuesday and major European bourses were standing in negative territory in early trade, pressured by lingering worries over the sustainability of the global economic recovery.

GREECE: Speaking in the press conference that followed the conclusion of the October 13th Eurogroup, President Jeroen Dijsselbloem welcomed the considerable progress made by domestic authorities over this summer on a number of agreed MoU milestones, noting though that further work is still needed so as Greece's 5th program review to be completed.

SOUTH EASTERN EUROPE

SERBIA: HICP rose by 0.7%MoM in September, driven mainly higher by a 2.6%YoY increase in fresh food prices, and bringing the annual rate of increase to 2.1%.

ROMANIA: The MoF sold the announced RON 200mn in 2Y bonds (Aug 2016) at an average accepted yield of 2.54%, in line with expectations.

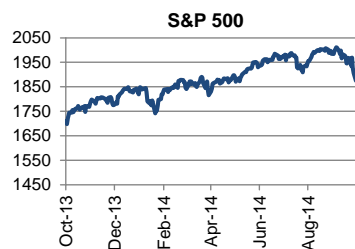
CESEE MARKETS: The majority of **emerging stock markets** rose modestly in European trade on Tuesday. Elsewhere, **CESEE currencies** were somewhat weaker earlier today, paring part of gains recorded on Monday, as global growth concerns linger.

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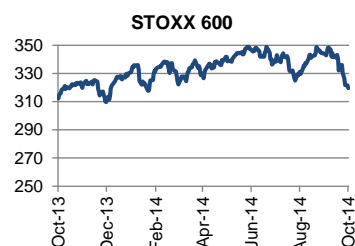
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Latest world economic & market developments

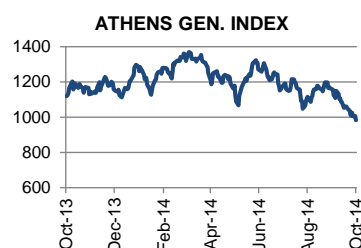
GLOBAL MARKETS



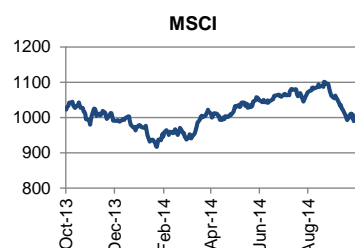
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

Taking their cue from the negative tone in Wall Street overnight, the majority of Asian bourses weakened on Tuesday and major European bourses were standing in negative territory in early trade, pressured by lingering worries over the sustainability of the global economic recovery. Against this background, German government bonds and US Treasuries firmed with the 10-yr Treasury bond yield hitting a new multi-month low close to 2.24% earlier today. Comments by Fed Vice Chairman Stanley Fischer about the potential impact of a slowing global economy on the FOMC's monetary policy deliberations, also favored the safe-haven appeal of US Treasuries. In FX markets, the prospect of the FOMC embarking on a tightening cycle later than currently expected, weighed on the USD with the EUR/USD hovering around 1.2700/10 at the time of writing after hitting levels near 1.2600 at some point on Monday. Technically, next resistance lies at 1.2790 (Oct. 9 peak) while only a sustainable move above the area of 1.2800 could potentially signal an improving short-term EUR/USD outlook.

GREECE

Speaking in the press conference that followed the conclusion of the October 13th Eurogroup, President Jeroen Dijsselbloem welcomed the considerable progress made by domestic authorities over this summer on a number of agreed MoU milestones, noting though that further work is still needed so as Greece's 5th program review to be completed. According to the Eurogroup President, the conclusion of Greece's 5th program review is a necessary precondition for the initiation of official discussions on a number of "interrelated issues such as the arrangements to be put in place once the current programme expires, which will be at the end of this year". Moreover, he cautioned that discussions on a precautionary credit line extended to Greece upon expiration of the current bailout program would be premature at this stage emphasizing the need for the continued implementation of the agreed structural reforms agenda/ According to the revised fiscal data for the years 2010, 2011, 2012 and 2013 compiled by the Hellenic Statistical Authority in the context of the second Excessive Deficit Procedure (EDP) notification of 2014 and conducted on the basis of the new Regulation ESA 2010 for the System of National Accounts, Greece's General Government deficit-including the impact of the State support to domestic financial institutions- was revised to 11.1%-of-GDP, 10.1%-of-GDP, 8.6%-of-GDP and 12.2%-of-GDP respectively from a shortfall of 10.9%-of-GDP, 9.6%-of-GDP, 8.9%-of-GDP and 12.7%-of-GDP previously estimated.

ppetropoulou@eurobank.gr

Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** modestly rose in European trade on Tuesday, with the broad MSCI index inching up by 0.2% at the time of writing to stand 1.1% higher from yesterday's near 7-month low. Elsewhere, **CESEE currencies** were modestly weaker earlier today, paring part of gains recorded on Monday, as global growth concerns linger. With mixed interest rate related comments by Polish MPC members earlier this week still in investor's ears the Polish zloty eased close to a 1-month trough near 4.1990/EUR earlier on Tuesday. Among other, Central Bank governor Marek Belka was quoted as saying on Monday that this month's higher-than-anticipated NBP rate reduction should not be perceived as the start of a prolonged monetary easing cycle adding that "just one more cut" may follow. Along these lines, September's CPI data, due for release later this week, are likely to be scrutinized closely by market participants.

gphoka@eurobank.gr

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	8.50	8.00

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

SERBIA

(Belgrade 13/10/2014, 17:20 CET): **Latest Political & Macro Developments Market**

Developments: HICP rose by 0.7%MoM in September, driven mainly higher by a 2.6%YoY increase in fresh food prices. The annual rate of increase came in at 2.1%, picking up pace from a 1.5% rise in the prior month, remaining however below the Central Bank's (NBS) tolerance band of $4 \pm 1.5\%$ and above a lifetime low of 1.3% recorded in June. Headline inflation has remained below the said target since March as domestic demand dynamics remain weak. However, a gradual pick up within the official range is anticipated in Q4 2014 as the impact of favorable base effects gradually wanes and regulated price hikes come into effect. In view of the aforementioned, the dinar's sharp weakening over recent weeks and concerns over the country's fiscal position, we anticipate the National Bank of Serbia to stay put on interest rates at its upcoming MPC meeting on October 16th. **Market Developments:** The EUR/RSD closed marginally lower at 119.25/45 on Monday, as the Central Bank intervened anew in the FX markets, selling ca €10mn to support the domestic currency. The pair's technical picture suggests that initial strong resistance currently stands at 119.50, a level that triggered over the last week or so repeated NBS interventions. On the flipside, strong support lies at 119.00.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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	2014f
Policy Rate (eop)	4.00	3.00	3.00

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

ROMANIA

(Bucharest, 14/10/2014, 9:10 EET): **Latest Political & Macro Developments:** The EUR/RON was little changed on Monday remaining bound within 4.4010/4.4060. Money market rates resumed their downtrend on the back of increased market liquidity. In more detail, the 1M implied rate from swaps decreased to 2.40% on Monday from 2.75% in the prior session, while the 3M rate slid to 2.35% from 2.50%. In other news, the MoF sold as planned RON 200mn in 2Y bonds (Aug 2016) at an average accepted yield of 2.54%, in line with expectations. On the secondary market, 3-10Y yields moved around 5 bps lower offsetting Friday's increase.

Bogdan.Radulescu@bancpost.ro

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	1874.74	-1.6%	1.4%	EUR/USD	1.2692	-0.5%	-7.6%	UST - 10yr	2.22	-6	-81	GOLD	1233	-0.2%	2.3%
Nikkei 225	14936.51	-2.4%	-8.3%	GBP/USD	1.5971	-0.7%	-3.5%	Bund-10yr	0.87	-3	-106	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	319.63	-0.6%	-2.6%	USD/JPY	106.97	-0.1%	-1.6%	JGB - 10yr	0.50	-1	-24	LMEX	3103	0.8%	-1.8%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	6.75	-1	-126
1-week	6.97	0	-131
1-month	7.29	-1	-129
3-month	7.78	-1	-110
6-month	8.06	0	-109

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.35	0	-61
5Y RSD	10.24	0	-258
7Y RSD	11.26	0	-254

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.31	0	-70
USD Nov-24	4.24	-233	-266

CDS

	Last	ΔDbps	ΔYTD bps
5-year	273	2	-136
10-year	325	2	-122

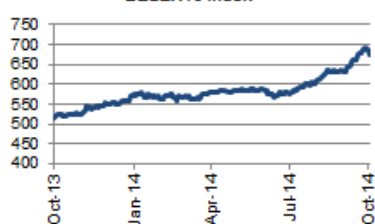
STOCKS

BELEX15	Last	ΔD	ΔYTD
	676.4	-1.45%	21.23%

FOREX

EUR/RSD	Last	ΔD	ΔYTD
	119.38	-0.05%	-4.03%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.95	-13	121
1-month	2.91	-6	103
3-month	2.89	-3	45
6-month	2.91	-2	-8
12-month	2.91	-1	-24

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.54	-5	-141
5Y RON	3.04	-3	-161
10Y RON	3.91	-1	-139

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.05	-2	-179
USD Aug-23	3.84	-6	-96

CDS

	Last	ΔDbps	ΔYTD bps
5-year	149	1	-38
10-year	195	1	-37

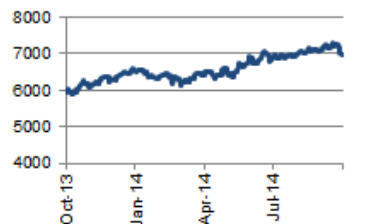
STOCKS

BET	Last	ΔD	ΔYTD
	6968.4	-0.14%	7.31%

FOREX

EUR/RON	Last	ΔD	ΔYTD
	4.4048	-0.04%	1.55%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.20	0	11
5Y BGN	1.90	0	5
10Y BGN	3.12	0	-37

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.85	2	27
EUR Jul-17	1.16	1	-64

CDS

	Last	ΔDbps	ΔYTD bps
5-year	138	1	14
10-year	187	1	13

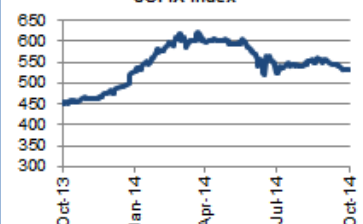
STOCKS

SOFIX	Last	ΔD	ΔYTD
	532.0	-0.13%	8.23%

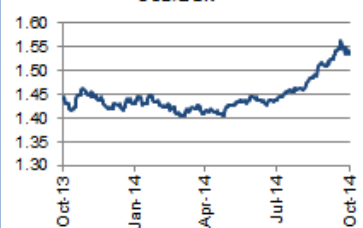
FOREX

USD/BGN	Last	ΔD	ΔYTD
	1.541	-0.47%	-7.65%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:00 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

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

gphoka@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

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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