#### Eurobank Global Markets Research

www.eurobank.gr/research EurobankGlobalMarkets Research@eurobank.gr.

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 15, 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:
  - o CPI (Sep)
  - Current account balance (Aug)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

#### **HIGHLIGHTS**

#### **WORLD ECONOMIC & MARKET DEVELOPMENTS**

**GLOBAL MARKETS:** The majority of Asian bourses posted a modest rebound on Wednesday, recovering some of their hefty losses recorded in the last few sessions. Nevertheless, market sentiment remains fragile amid persisting worries over the sustainability of the global economic recovery.

**GREECE:** According to preliminary figures for the execution of the State Budget for the first nine months of the year, the primary balance recorded a surplus of €2.53bn on modified cash basis, outperforming by €0.979bn the respective target envisaged in the revised medium-term fiscal plan (MTFS 2015-2018).

#### **SOUTH EASTERN EUROPE**

**SERBIA:** The EUR/RSD was little changed on Tuesday, ahead of the Central Bank monetary policy meeting on Thursday.

**ROMANIA:** RON-denominated government bonds rally in line with the recent trend in the CEE region.

**BULGARIA:** Deflation pressures persisted in September, with CPI declining on an annual basis for the fourteenth month running, marking a 0.8% decrease.

**CESEE MARKETS:** The majority of **CESEE stock markets** firmed in European trade on Wednesday, and **CESEE currencies** were little changed. **Government bonds** extended their recent rally in Europe today favoured by expectations about further Central Banks monetary easing.

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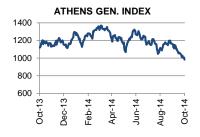
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#### S&P 500 2050 1950 1850 1750 1650 1550 1450 Apr-14 Jun-14 Dec-13 Oct-

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	В	B-						

Source: Reuters, Bloomberg, Eurobank Global Markets Research

### Latest world economic & market developments

**GLOBAL MARKETS** 

The majority of Asian bourses posted a modest rebound on Wednesday, recovering some of their hefty losses recorded in the last few sessions. Nevertheless, market sentiment remains fragile amid persisting worries over the sustainability of the global economic recovery. Following a recent string of disappointing macro data from Germany, the ZEW economic sentiment index recorded in October the first negative reading in nearly two years while the ZEW President said that he could not rule out the possibility of the domestic economy contracting again in the third quarter of this year. Investors' cautious mode favored core government bond markets with Germany's 10-yr Bund yield falling to a new record low of 0.81% earlier today. In FX markets, renewed concerns about the growth prospects of the eurozone's biggest economy weighed on the EUR with the EUR/USD trading close to 1.2640/50 at the time of writing in European trade, having retreated from a one-week high of 1.2770 recorded at some point on Tuesday. On the data front, focus today is on US September's retail sales and October's Empire State Index. Furthermore, investors are expected to scrutinize closely comments by ECB President Mario Draghi, who is scheduled to speak in two conferences today, especially in view of a continuing decline in euro area longterm inflation expectations (the 5yr5yr inflation forward slid to a new low below 1.80% y-day).

**GREECE** 

According to preliminary figures for the execution of the State Budget for the first nine months of the year, the primary balance recorded a surplus of €2.53bn on modified cash basis, outperforming by €0.979bn the respective target envisaged in the revised mediumterm fiscal plan (MTFS 2015-2018). / According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in September for the fifth consecutive month supporting the view that domestic financial institutions are becoming less reliant on refinancing through both the ECB and the emergency liquidity assistance (ELA) mechanism. In more detail, total Eurosystem funding stood at a new multi-year low of €42.57bn, ca €2bn less compared to the August reading following an all-time peak of €159.2bn in February 2012.

## Latest developments in the CESEE region

**CESEE MARKETS** 

The majority of CESEE stock markets firmed in European trade on Wednesday, with the Turkish BIST 100 index broadly outperforming its regional peers with a 0.7% rise. CESEE currencies were little changed earlier today. The Turkish lira somewhat pared earlier losses after August's current account deficit surprised positively, overshadowing a higher-thanexpected rise to 9.8% in the unemployment rate in July from 9.1% a month earlier. The USD/TRY hovered around levels of 2.2770 at the time of writing after hitting an intraday peak of 2.2790 earlier in the session. Government bonds extended their recent rally in Europe today favoured by monetary easing expectations, after the National Bank of Poland (NBP) delivered last week a higher-than-anticipated 50bps rate cut resuming its easing cycle after a one year pause. Meanwhile, Central Bank governor Marek Belka's comments added to the view about further interest rate reductions in the near future. In more detail, Polish paper led the gains earlier today with the corresponding 2 and 10-year yields sliding to lifetime troughs of 1.734% and 2.574%, respectively.

gphoka@eurobank.gr

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#### SERBIA

(Belgrade 14/10/2014, 16:15 CET): **Market Developments:** The EUR/RSD was little changed on Tuesday, remaining bound within 118.30/50 ahead of the Central Bank monetary policy meeting on Thursday. In line with the market's median forecast, we anticipate the National Bank of Serbia to hold its fire and maintain its key policy rate at 8.50%, amid persisting depreciation pressures on the dinar over the last few weeks instigated by fiscal consolidation concerns and delays in negotiations with the IMF about a Stand-By Arrangement.

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

#### **ROMANIA**

(Bucharest, 15/10/2014, 9:05 EET): Latest Political & Macro Developments: The EUR/RON
closed at 4.4100 on Tuesday, slightly higher from opening levels of 4.4040. Meanwhile,
short term RON rates extended their down-move yesterday amid ample market liquidity,
presumably due to a pick-up in public expenditure. Government bonds extended their
recent rally, with paper of longer (7-10Y) maturity outperforming and 3-10Y yields moving
another 5bps lower on the day.

Bogdan.Radulescu@bancpost.ro 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

#### **BULGARIA**

(Sofia, 14/10/2014, 17:20 EET): Latest Political & Macro Developments: According to the
latest NSI data deflation pressures persisted in September, with CPI declining on an annual
basis for the fourteenth month running, marking a 0.8% decrease after a 0.6% drop a
month earlier and a record fall of 2.6% registered in January. The breakdown of the data
revealed that the highest declines were recorded in the communication sector (-6.0%YoY),
followed by health (-3.4%YoY), while education marked the highest increase (+2.2% YoY). In
other news, BNB data showed that the current account surplus narrowed by 35.7%YoY to
€808.8mn (ca 2%-of-GDP) over the first eight months of the year. Meanwhile, Foreign Direct
Investments in Bulgaria increased by 4%YoY to €1221.4mn (or 3.0% of GDP) over the same
period. Market Developments: Domestic stock indices closed in the red on Tuesday, with
the main SOFIX index dropping by 0.59% to end at 529.56 points.

YKoseva@postbank.bg gphoka@eurobank.gr

BULGARIA: Indicators	2012	2013e	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	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

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#### **GLOBAL MARKETS**

Stock market	s			FOREX				Government	Bonds			Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔΥΤΟ
S&P 500	1877.70	0.2%	1.6%	EUR/USD	1.2648	-0.1%	-8.0%	UST - 10yr	2.19	-1	-84	GOLD	1224	-0.7%	1.5%
Nikkei 225	15073.52	0.9%	-7.5%	GBP/USD	1.5919	0.1%	-3.8%	Bund-10yr	0.81	-3	-112	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	318.25	-1.0%	-3.0%	USD/JPY	107.24	-0.2%	-1.8%	JGB - 10yr	0.49	-1	-25	LMEX	3121	0.6%	-1.2%

#### SEE MARKETS

			ROMANIA				BULGARIA			
t			Money Mark	et			Money Mark	et		
Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
6.75	0	-126	O/N	2.73	-22	99	LEONIA	0.02	0	-5
6.97	0	-131	1-month	2.76	-15	88	1-month	0.22	0	-10
7.30	1	-128	3-month	2.77	-12	33	3-month	0.47	1	-17
7.79	1	-109	6-month	2.87	-4	-12	6-month	0.85	0	-31
8.06	0	-109	12-month	2.87	-4	-28	12-month	1.62	0	-57
5			RO Local Bon	ds			BG Local Bonds			
Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
9.36	1	-60	3Y RON	2.54	-1	-141	3Y BGN	1.19	-1	10
10.23							5Y BGN			5
11.23	0	-257	10Y RON	3.91	0	-139	10Y BGN	3.11	0	-38
			RO Eurobond	5			BG Eurobond	ls		
Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
4.26	-2	-75	EUR Sep-20	2.01	-1	-183	USD Jan-15	0.65	-16	6
4.20	-236	-270	USD Aug-23	3.85	0	-96	EUR Jul-17	1.18	0	-62
			CDS				CDS			
Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
275	2	-134	5-year	150	1	-38	5-year	139	1	17
327	2	-120	10-year	196	2	-36	10-year	189	2	14
			STOCKS				STOCKS			
Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
683.0	0.07%	22.42%	BET	6977.9	0.56%	7.45%	SOFIX	532.1	0.49%	8.26%
			FOREX				FOREX			
Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
119.33	0.04%	-3.99%	EUR/RON	4.414	-0.03%	1.33%	USD/BGN	1.5464	-0.08%	-7.97%
BELEX1	5 Index			BET	Index		SOFIX Index			
							650			
		74	7000	~~	~~~		550		~	
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			5000							
			5000				400			
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- 44-	n-14-	4 4	4000	- 14 -	- 14 -		400 350 300	4	4 4	<u>†</u> 4
Jan-14-	Apr-14-	Jul 14- 0 ct 14-		Jan 14-	Apr-14-		400 350 300	lan-14-	4pr-14-	4 4
Jan 14-	Apr-14-	Jul-14- 0ct-14-	4000				400 350 300	Jan 14-	- Apr-14	0 ct. 14
ENK/		Jul-14- 0ct-14-	4000		/RON		400 350 300 E to	n SD/B		00 ct. 14
		Jul 14-	4000 EP TO O				400 350 300 E 5 0			00 ct.14
			4.000 PE CONTROL OF CO				400 350 300 20 1.60 1.55			00:14
			4000 EP TO O			\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	1.80 1.55 1.50			Oct 14
			4.000 PE CONTROL OF CO			<b>√~~</b>	400 350 300 20 1.60 1.55			Oct.14
			4.65 4.65 4.45 4.35			<b>/</b>	1.60 1.55 1.45			Oct-14-
EUR/	RSD	Y~~	4.65 4.65 4.45 4.35 4.25	EUR.	/RON	M	1.60 1.55 1.40 1.35 1.30	U SD/B	GN	
EUR/	RSD	Y~~	4.65 4.65 4.45 4.35 4.25	EUR.	/RON	M	1.60 1.55 1.40 1.35 1.30	U SD/B	GN	
	RSD		4.65 4.65 4.45 4.35			Jur 14-	1.60 1.55 1.50 1.45 1.40 1.35		GN	0ct-14_
	6.75 6.97 7.30 7.79 8.06 s  Last 9.36 10.23 11.23  Last 4.26 4.20  Last 275 327  Last 683.0	Last ΔDbps 6.75 0 6.97 0 7.30 1 7.79 1 8.06 0   Last ΔDbps 9.36 1 10.23 0 11.23 0 11.23 0  Last ΔDbps 4.26 -2 4.20 -236  Last ΔDbps 275 2 327 2  Last ΔD 683.0 0.07%	Last         ΔDbps         ΔYTD bps           6.75         0         -126           6.97         0         -131           7.30         1         -128           7.79         1         -109           8.06         0         -109           s         Last         ΔDbps         ΔYTD bps           9.36         1         -60           10.23         0         -259           11.23         0         -257           Last         ΔDbps         ΔYTD bps           4.26         -2         -75           4.20         -236         -270           Last         ΔDbps         ΔYTD bps           275         2         -134           327         2         -120           Last         ΔD         ΔYTD           683.0         0.07%         22.42%           Last         ΔD         ΔYTD           119.33         0.04%         -3.99%	Last	Last   ADbps   AYTD bps   AYD bps   AYTD bps   AYD bps   AYTD bps   AYD bps   A	Last   ADbps   AYTD bps   AYD bps   AYTD bps   AYD bps   AY	Last	Noney Market   None	Noney Market   None	Last   ADbps   AYTD bps   AYTD

Source: Reuters, Bloomberg, Eurobank Global Markets Research Data updated as of 12:15 EET

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October 15, 2014

#### Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria +359 (2) 8166 491

vboteva@postbank.bg

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias +30 210 3718922

aphoka@eurobank.gr

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Bogdan Radulescu, CFA

Senior Trader, Bancpost +40 21 3656291

boqdan.radulescu@bancpost.ro

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

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

pmonokrousos@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 apetrogiannis@eurobank.gr, +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales vgioulbaxiotis@eurobank.gr, +30 210 3718995

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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