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Eurobank

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:
  - 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).

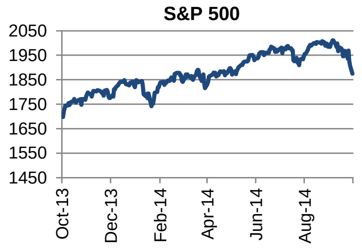
SOUTH EASTERN EUROPE

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

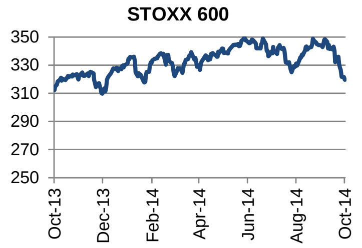
ROMANIA: RON-denominated government bonds rally in line with the recent trend in the CEE region.

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.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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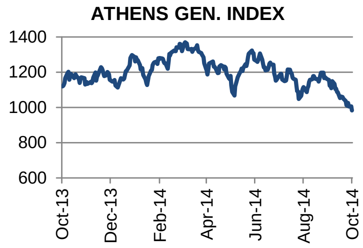

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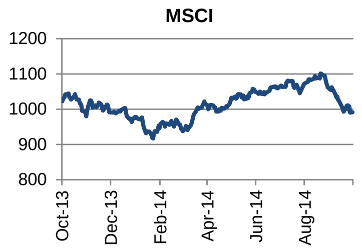

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

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 long-term 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 medium-term 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.

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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-than-expected 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.

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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*	*8.50*	*8.00*

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

(*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.

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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**	**2014f**
Policy Rate (eop)	*4.00*	*3.00*	*3.00*

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

(*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.

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BULGARIA

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)		*1.95583*	
	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, 14/10/2014, 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.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	1877.70	0.2%	1.6%
Nikkei 225	15073.52	0.9%	-7.5%
STOXX 600	318.25	-1.0%	-3.0%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.2648	-0.1%	-8.0%
GBP/USD	1.5919	0.1%	-3.8%
USD/JPY	107.24	-0.2%	-1.8%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.19	-1	-84
Bund-10yr	0.81	-3	-112
JGB - 10yr	0.49	-1	-25

Commodities	Last	ΔD	ΔYTD
GOLD	1224	-0.7%	1.5%
BRENT CRUDE	179	0.0%	7.3%
LMEX	3121	0.6%	-1.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.75	0	-126
1-week	6.97	0	-131
1-month	7.30	1	-128
3-month	7.79	1	-109
6-month	8.06	0	-109

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.36	1	-60
5Y RSD	10.23	0	-259
7Y RSD	11.23	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.26	-2	-75
USD Nov-24	4.20	-236	-270

CDS

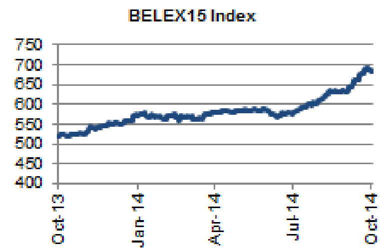
	Last	ΔDbps	ΔYTD bps
5-year	275	2	-134
10-year	327	2	-120

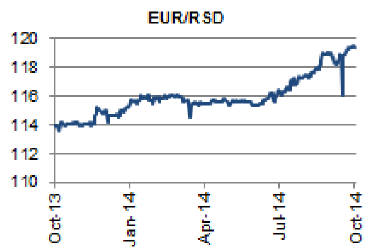
STOCKS

	Last	ΔD	ΔYTD
BELEX15	683.0	0.07%	22.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.33	0.04%	-3.99%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	-22	99
1-month	2.76	-15	88
3-month	2.77	-12	33
6-month	2.87	-4	-12
12-month	2.87	-4	-28

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.54	-1	-141
5Y RON	3.04	-2	-161
10Y RON	3.91	0	-139

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.01	-1	-183
USD Aug-23	3.85	0	-96

CDS

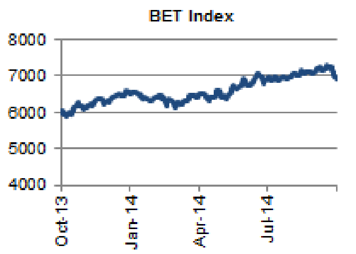
	Last	ΔDbps	ΔYTD bps
5-year	150	1	-38
10-year	196	2	-36

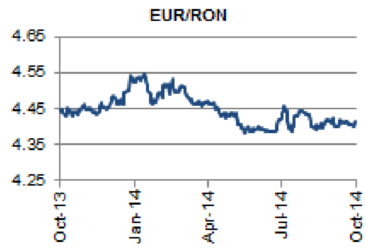
STOCKS

	Last	ΔD	ΔYTD
BET	6977.9	0.56%	7.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.414	-0.03%	1.33%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.47	1	-17
6-month	0.85	0	-31
12-month	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.19	-1	10
5Y BGN	1.90	2	5
10Y BGN	3.11	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.65	-16	6
EUR Jul-17	1.18	0	-62

CDS

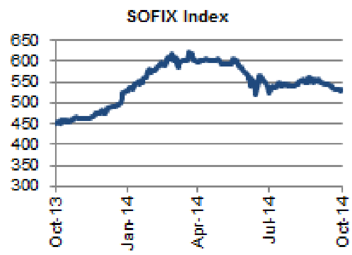
	Last	ΔDbps	ΔYTD bps
5-year	139	1	17
10-year	189	2	14

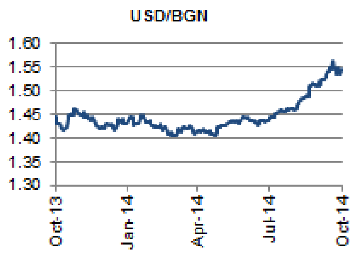
STOCKS

	Last	ΔD	ΔYTD
SOFIX	532.1	0.49%	8.26%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5464	-0.08%	-7.97%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:15 EET

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