

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 17, 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 European bourses opened higher on Friday recovering some of their recent hefty losses supported by a string of positive US macro data released on Thursday. Nevertheless, market sentiment remains fragile amid lingering worries over the sustainability of the global economic recovery, assisting core government bonds retain a firm tone.

GREECE: In a statement released y-day, European Commission Vice President Jyrki Katainen said that "Europe will continue to assist Greece in whatever way is necessary to ensure reasonable financing conditions for Greek State and to smooth the path back to full and sustainable market access". He also added that EU partners will support the country in reassuring financial markets of its ongoing firm commitment to reform and to maintain fiscal discipline via the maintenance of strong and adequate fiscal buffers.

SOUTH EASTERN EUROPE

SERBIA: In line with market expectations, the National Bank of Serbia (NBS) kept its key policy rate unchanged at 8.50% at its MPC meeting on Thursday.

ROMANIA: S&P is scheduled to announce later today its review on Romania's sovereign credit rating.

BULGARIA: Bulgaria posted the highest deflation rate among all EU member states in September, with year-on-year HICP marking a negative reading for the fourteenth month running, of -1.4%YoY.

CESEE MARKETS: The majority of **CESEE stock markets** staged a rebound in morning trade on Friday, tracking a recovery in European bourses. Separately, **CESEE currencies** and **government bonds** were mixed.

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Latest world economic & market developments

GLOBAL MARKETS

The majority of European bourses opened higher on Friday recovering some of their recent hefty losses supported by a string of positive US macro data released in the prior session. Nevertheless, market sentiment remains fragile amid lingering worries over the sustainability of the global economic recovery. Against this environment, core government bonds retained a firm tone in European trade on Friday with the 10-yr Bund yield hovering around 0.85% at the time of writing, not far from a record closing low of 0.76% a couple of sessions earlier but below levels around 0.90% a week earlier. In FX markets, the EUR gave back some of Thursday's gains after Spain's government bond auctions for 10-yr and 14-yr bonds failed to meet the government's maximum target. On the data front, US housing related data take centre stage today, while speeches from a number of ECB governing council members also lure market attention.

GREECE

In a statement released y-day, European Commission Vice President Jyrki Katainen said that Greece has already made "immense progress" in creating a basis for a sustainable growth and "Europe will continue to assist Greece in whatever way is necessary to ensure reasonable financing conditions for Greek State and to smooth the path back to full and sustainable market access". He also added that EU partners will support the country in reassuring financial markets of its ongoing firm commitment to reform and to maintain fiscal discipline via the maintenance of strong and adequate fiscal buffers. The aforementioned comments assisted Greek asset markets to move higher and recover some of their recent losses recorded over the last few sessions on the back of mounting investor uncertainty over global growth prospects and the short-term outlook of the euro area, domestic political developments and the government's stated aim to opt for an early exit from the IMF program. The benchmark index of the Athens Stock Exchange (ASE) was standing close to 910.50 points at the time of writing, ca 4.7% higher compared to y-day's settlement. In a similar vein, the benchmark 10-year Greek government bond yield hovered around 8.16% in early European trade after ending at a one-year high of 8.96% on Thursday.

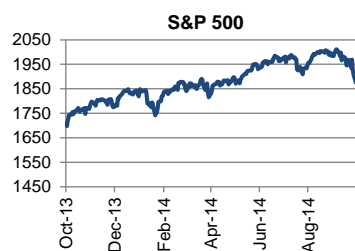
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

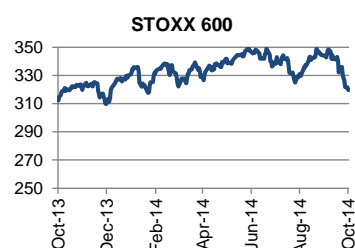
CESEE MARKETS

The majority of **CESEE stock markets** staged a rebound in morning trade on Friday, tracking a recovery in European bourses. Romania's BET Index led the gains at the time of writing spiking by 1.89%. The said index outperformed a modest 0.23% rise in the MSCI index of emerging equities, which appears poised to record its sixth consecutive weekly loss today. Separately, **CESEE currencies** were mixed in Europe today, with the Turkish lira leading the winners' pack firming as far as 1 ½ week high of 2.2485/USD intraday. Meanwhile, the Polish zloty consolidated near yesterday's 1- ½ year trough of 4.2377/EUR ahead of September's industrial production data due for release later today and expected to be closely scrutinized by market participants. Elsewhere, **government bonds** were also mixed with escalating global growth concerns over the last couple of sessions overshadowing a recent rally staged amid increased expectations for further monetary easing by regional Central Banks.

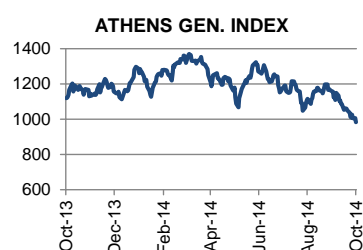
gphoka@eurobank.gr



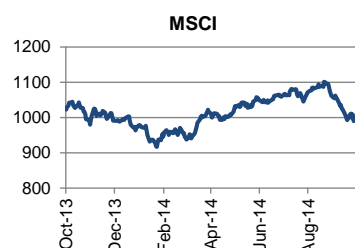
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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 16/10/2014, 17:10 CET): **Latest Political & Macro Developments:** In line with market expectations, the National Bank of Serbia (NBS) kept its key policy rate unchanged at 8.50% at its MPC meeting on Thursday. At the accompanying statement, the NBS noted that that persistent uncertainties stemming from the domestic as well as the international environment "call for further caution in the pursuance of monetary policy". Regarding the latest developments on inflation, the Central Bank acknowledged that annual HICP is gradually returning towards the official target of $4 \pm 1.5\%$ (September's reading stood at 2.1%). The statement also read that "inflation will return within the target tolerance band by the year-end, and will move within the band throughout 2015" thanks to base effects. In other news, the Public Debt Agency sold on Thursday RSD 0.88bn out of RSD 3bn planned in the 3M local currency T-bills. The average accepted yield stood at 6.70%, 20bps below that of produced at a prior auction of similar maturity paper a month ago. **Market Developments:** The EUR/RSD closed marginally higher on Thursday at 119.50/70 after opening at 119.30/50. If the NBS abstains from intervening anew in the FX markets to bolster dinar, we anticipate the cross to break above a recent all-time high of 119.70/90 in the coming days, as fiscal consolidation concerns persist and negotiations with the IMF over a new credit line are delayed.

ivan.radovic@eurobank.rs

Djordje.Lucic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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, 17/10/2014, 9:05 EET): **Latest Political & Macro Developments:** S&P is scheduled to announce later today its review on Romania's sovereign credit rating. Recall that, the agency upgraded the country's long-term foreign and local currency rating to investment grade of "BBB-" in May. **Latest Political & Macro Developments:** The leu recouped late on Thursday part of earlier losses recorded over the last couple of sessions in view of mounting global growth concerns. In more detail, the EUR/RON closed at 4.4200 yesterday after hitting a 2-month peak near 4.4300 intraday. In line with the broader sell-off in emerging market assets, money market rates edged up yesterday, with the 1-month mid implied rate from swaps rising by 10bps to close at 2.2%. On the flipside, implied mid ON and TN rates fell 15bps to 2.3% at the session's settlement as the current reserve period is nearing its end. Domestic government bonds also weakened, with the corresponding yield curve shifting higher, by ca 5bps for the 3Y tenor to a mid-closing level of 2.80% and 10bps for 5Y and 10Y to 3.15% and 4.05% respectively. In other news, the Ministry of Finance reopened yesterday the 2021 bond with an amount of RON 300mn allocated at an average accepted yield of 3.70%.

Romulus-Daniel.Georgescu@bancpost.ro

gphoka@eurobank.gr

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

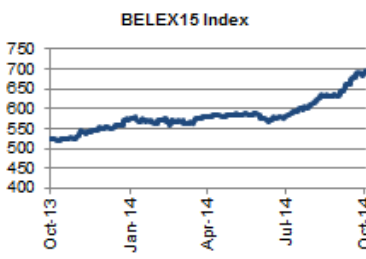
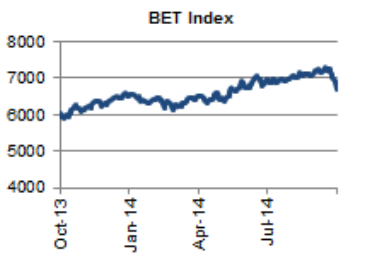
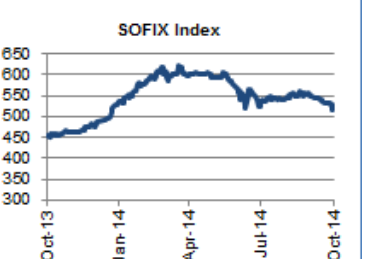
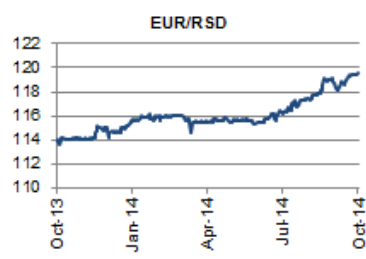

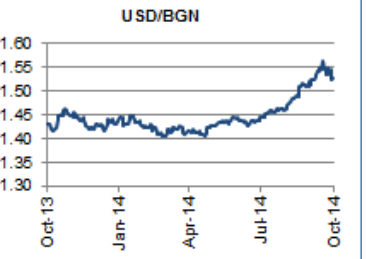
(Sofia, 16/10/2014, 17:20 EET): **Latest Political & Macro Developments:** According to newly released Eurostat figures, Bulgaria posted the highest deflation rate among all EU member states in September, with year-on-year HICP marking a negative reading for the fourteenth month running, of -1.4%YoY, against an average of +0.4%. **Market Developments:** The domestic stock market was among the main underperformers in emerging markets on Thursday, reflecting mounting domestic political uncertainty ahead of GERB's negotiations with the Reformist Block about a potential coalition government formation.

VBoteva@postbank.bg

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	1862.76	0.0%	0.8%	EUR/USD	1.281	0.0%	-6.8%	UST - 10yr	2.19	4	-84	GOLD	1238	-0.1%	2.7%
Nikkei 225	14532.51	-1.4%	-10.8%	GBP/USD	1.6089	0.0%	-2.8%	Bund-10yr	0.85	3	-108	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	314.39	1.4%	-4.2%	USD/JPY	106.53	-0.2%	-1.1%	JGB - 10yr	0.48	-1	-27	LMEX	3012	-1.3%	-4.7%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.78	1	-123	O/N	1.82	-38	8	LEONIA	0.02	0	-5
1-week	6.97	-1	-131	1-month	2.61	-2	73	1-month	0.22	0	-10
1-month	7.30	0	-128	3-month	2.65	-6	21	3-month	0.46	0	-19
3-month	7.79	-1	-109	6-month	2.86	0	-13	6-month	0.83	0	-33
6-month	8.08	-1	-107	12-month	2.86	-1	-29	12-month	1.59	-1	-60
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.25	0	-70	3Y RON	2.53	0	-142	3Y BGN	1.21	-1	12
5Y RSD	10.24	0	-258	5Y RON	3.07	0	-158	5Y BGN	1.88	-1	4
7Y RSD	11.25	0	-256	10Y RON	3.95	1	-135	10Y BGN	3.12	0	-37
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.23	-5	-78	EUR Sep-20	2.18	2	-167	USD Jan-15	0.63	0	4
USD Nov-24	4.05	-252	-285	USD Aug-23	3.86	3	-95	EUR Jul-17	1.19	-2	-62
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	285	-10	-124	5-year	160	7	-32	5-year	143	3	17
10-year	337	-10	-110	10-year	208	8	-25	10-year	193	3	18
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	694.0	0.08%	24.37%	BET	6824.2	1.86%	5.09%	SOFIX	519.1	0.56%	5.60%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.59	-0.11%	-4.20%	EUR/RON	4.422	-0.13%	1.15%	USD/BGN	1.5268	0.02%	-6.79%
											
											

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:00 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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