

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 20, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- October 21: Existing home sales (Sep)
- October 22: CPI (Sep)
- October 23: Initial jobless claims (Oct. 18)
- October 24: New home sales (Oct)

#### EUROZONE

- October 20: ECB's Coeuré speaks
- October 23: PMI (Oct)
- October 23-24: EU leader summit in Brussels
- October 24: ECB's Praet speaks

#### CHINA

- October 21: Q3 GDP

#### SEE

##### SERBIA

- October 20-24: Q2 GDP (f)
- October 21
  - 10-year T-bond auction
  - Current account balance (Aug)

##### ROMANIA

- October 20: 2019 T-Bonds auction
- October 21: 2025 T-Bonds auction

##### BULGARIA

- October 20: 2024 T-Bonds auction
- October 23: Gross external debt (Aug)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major European bourses kicked off the week on a negative tone as worries over the outlook of the world economy linger. Solid US Q3 corporate earnings results last week and positive US data released on Friday, failed to exert a positive impact. The US Q3 corporate earning season comes in full swing this week as 228 S&P companies are scheduled to publish their results. On the data front, focus this week is on China's Q2 GDP, due on Tuesday. In the US, market interest will centre on Wednesday's CPI while in the Eurozone, Thursday's PMI services and manufacturing data for October lure market attention

**GREECE:** Speaking on Friday on the sidelines of the Asia-Europe Summit, Greece's Prime Minister Antonis Samaras reiterated that the current government will complete its 4-year term and general elections will be held in 2016. He reiterated Greece's commitment to the implementation of the structural reforms agenda and its intention to exit the current financing program earlier than scheduled adding that a precautionary credit line is part of negotiations with official lenders.

### SOUTH EASTERN EUROPE

**SERBIA:** Minister of Finance Dusan Vujovic presented to local media on Friday some of the details of the first draft of the 2014 budget revision, envisioning an increase in the unconsolidated budget deficit from the previously projected RSD 182bn to RSD 224bn (ca €1.92bn).

**ROMANIA:** S&P affirmed on Friday its long- and short-term foreign and local currency sovereign credit ratings on Romania at 'BBB-/A-3', with stable outlook.

**BULGARIA:** Bulgaria's new car registrations increased modestly, by 0.6%YoY to 1,567, in September, following a decline of 0.8%YoY in the prior month.

**CESEE MARKETS:** Emerging stock markets extended Friday's rebound in morning trade on Monday, on hopes about further stimulus measures by Chinese authorities. Meanwhile, **CESEE currencies** were little changed in Europe today as sentiment remained fragile. Elsewhere, the majority of **government bonds** resumed their recent rally in European trade on Monday thanks to increased expectations for further monetary easing by regional Central Banks.

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## Latest world economic & market developments

### GLOBAL MARKETS

Major European bourses kicked off the week on a negative tone as worries over the outlook of the world economy linger. Solid US Q3 corporate earnings results last week and positive US data released on Friday, failed to exert a positive impact. The latest bout of increased risk aversion favored core government bonds while the USD firmed with the USD/JPY touching a multi-session high of 107.40 earlier today. Technically, resistance lies at today's intraday peak ahead of 108.65, a level that could be potentially tested on a multi-session basis should upcoming US Q3 corporate earnings results and/or macro data surprise positively. The US Q3 earning season comes in full swing this week as 128 S&P companies are scheduled to publish their results. On the data front, focus this week is on China's Q2 GDP, due on Tuesday while in the US, market interest will centre on Wednesday's CPI for September.

### GREECE

Speaking on Friday on the sidelines of the Asia-Europe Summit, Greece's Prime Minister Antonis Samaras reiterated that the current government will complete its 4-year term and general elections will be held in 2016. He reiterated Greece's commitment to the implementation of the structural reforms agenda and its intention to exit the current financing program earlier than scheduled adding that a precautionary credit line is part of negotiations with official lenders. The above comments which followed EU Commission spokesman Simmon O' Connor's comments last week that "Europe will continue to assist Greece in whatever way is necessary [...] to ensure a smooth evolution of support for Greece after the end of the current programme", favored Greek asset markets. The benchmark index of the Athens Stock Exchange (ASE) retained a positive tone on Monday for the second consecutive session, standing close to 932.14 at the time of writing, ca 7.5% higher from last Thursday's 15-month closing low. The benchmark 10-year Greek government bond yield was hovering around 7.90% at the time of writing after touching levels slightly above 9.0% late last week for the first time in a year.

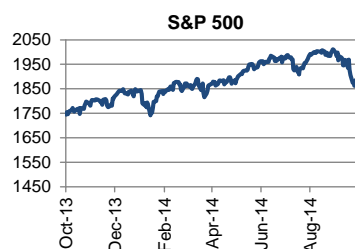
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## Latest developments in the CESEE region

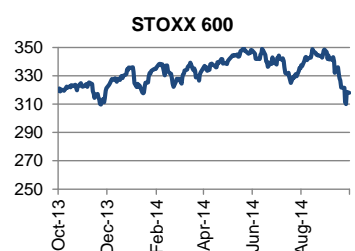
### CESEE MARKETS

**Emerging stock markets** extended Friday's rebound in morning trade on Monday, on hopes about further stimulus measures by Chinese authorities. The MSCI index of emerging equities was rising by ca 1.0% at the time of writing, recovering ground after hitting a 6-½-month low on Thursday amid mounting global growth concerns. CESEE bourses were mixed, with Turkey's BIST 100 leading the gains amid optimism that the Fed will raise interest rates later than currently feared overshadowing ongoing geopolitical tensions in the country's border with Syria. **CESEE currencies** were little changed in Europe today as sentiment remained fragile. The Turkish lira retained a firm tone, hitting a near 1-month trough of 2.2370/USD earlier in the session, extending Friday's rally staged in view of the USD's modest downmove and lower oil prices. Meanwhile, caution also prevailed ahead of the Central Bank's monetary policy meeting on Thursday, where interest rates are expected to remain stable. Elsewhere, the majority of **government bonds** resumed their recent rally in European trade on Monday thanks to increased expectations for further monetary easing by regional Central Banks. **Focus this week** is also on the Q2 final reading from Serbia and Turkey's as well as Serbia's current account data for August. Poland's retail sales and unemployment rate for September and Central Bank MPC minutes also lure market attention.

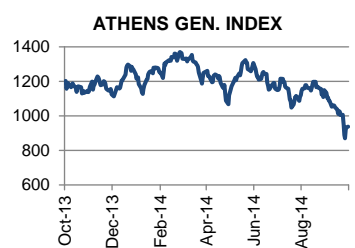
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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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 17/10/2014, 16:10 CET): **Latest Political & Macro Developments:** Minister of Finance Dusan Vujovic presented to local media on Friday some of the details of the first draft of the 2014 budget revision, envisioning an increase in the unconsolidated budget deficit from the previously projected RSD 182bn to RSD 224bn (ca €1.92bn). The figure does not include guarantees for the state owned companies and a bulk of other subsidies, which are expected to increase the general government shortfall further to ca €2.45bn (or 7.2% of GDP). Recall that, due to recent changes in EU methodology for National Accounts, the latter figure is smaller to previous estimates which were near 8.0% of GDP. Also note that by the end of this week, this year's revised budget is expected to be approved by the government and the draft will be sent to the National Assembly which is likely to enact it by late October/early November. The Law on the Budget for 2015 should be endorsed by Parliament by December 15<sup>th</sup>. **Market Developments:** After hitting an intraday high of 119.55/75 on Friday, the EUR/RSD closed marginally lower at 119.45/65 on Friday following renewed Central Bank intervention in the FX markets to bolster the dinar (with sales of €10mn). Looking ahead, the pair's technical picture suggests that strong resistance lies at 119.50, while immediate support stands at 119.00.

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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, 20/10/2014, 9:15 EET): **Latest Political & Macro Developments:** S&P affirmed on Friday its long- and short-term foreign and local currency sovereign credit ratings on Romania at 'BBB-/A-3', with stable outlook. The agency noted that it expects "the Romanian economy to grow at an average of 2.7% over 2014-2017, as incomes rise with gradual productivity gains", highlighting that "the stable outlook balances the likelihood of fiscal and reform programs exceeding our expectations, against the possibility of external imbalances re-emerging". **Market Developments:** In line with the broad-based recovery in regional currency markets on Friday, the EUR/RON closed near 4.4155 having retreated from Thursday's 2-month high of 4.4320. Meanwhile, short term RON rates continued to head lower amid increasing market liquidity. The implied 1W rate from swaps ended at 2.00% on Friday from 3.00% a week ago, while the 1M eased to 2.15% from around 2.75% early this month. Today, the MoF holds a primary market auction for RON 300mn of 5Y bonds (Jun 2019), which is expected to be placed at an average yield of 3.10-3.20%.

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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

## BULGARIA

(Sofia, 17/10/2014, 17:25 EET): **Latest Political & Macro Developments:** According to the latest figures by the European Automobile Manufacturers Association, Bulgaria's new car registrations increased modestly, by 0.6%YoY to 1,567, in September, following a decline of 0.8%YoY in the prior month. Cumulatively, new car registrations rose by 9.0%YoY over the first nine months of the year, which came in against a 6.1% EU average increase. **Market Developments:** Following a recent sell-off in the domestic stock markets, the main SOFIX index recovered some ground on Friday to close ca 0.4% higher on the day.

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## 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	1886.76	1.3%	2.1%	EUR/USD	1.2755	0.0%	-7.2%	UST - 10yr	2.21	1	-82	GOLD	1241	0.2%	2.9%
Nikkei 225	15111.23	4.0%	-7.2%	GBP/USD	1.6122	0.2%	-2.6%	Bund-10yr	0.85	-1	-108	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	317.88	-0.3%	-3.2%	USD/JPY	107.17	-0.3%	-1.7%	JGB - 10yr	0.49	1	-25	LMEX	3065	1.8%	-3.0%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.78	1	-123
1-week	6.97	-1	-131
1-month	7.30	0	-128
3-month	7.79	-1	-109
6-month	8.08	-1	-107

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.38	#N/A N/A	-58
5Y RSD	10.23	0	-259
7Y RSD	11.25	-1	-256

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.06	-3	-95
USD Nov-24	3.91	-264	-299

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	272	-13	-137
10-year	330	-7	-116

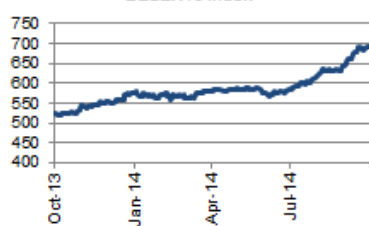
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	693.0	0.05%	24.20%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.57	-0.11%	-4.17%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.28	-54	-46
1-month	2.48	-13	60
3-month	2.62	-3	18
6-month	2.85	-1	-14
12-month	2.85	-1	-30

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.52	0	-143
5Y RON	3.04	-1	-161
10Y RON	3.91	-3	-139

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.08	-1	-176
USD Aug-23	3.79	1	-102

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	155	-5	-34
10-year	202	-5	-30

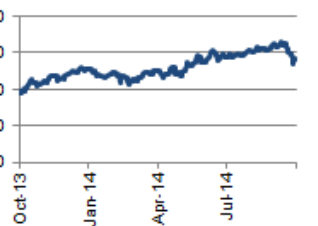
## STOCKS

	Last	ΔD	ΔYTD
BET	6852.1	0.61%	5.52%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4183	-0.07%	1.24%

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	0.46	0	-19
6-month	0.83	0	-33
12-month	1.59	0	-60

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.22	0	13
5Y BGN	1.91	0	6
10Y BGN	3.14	0	-36

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.57	-6	-1
EUR Jul-17	1.17	1	-63

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	138	-4	15
10-year	193	0	18

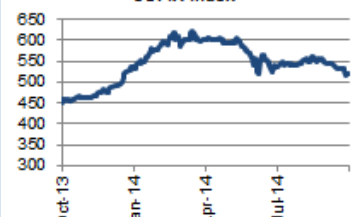
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	518.8	0.09%	5.54%

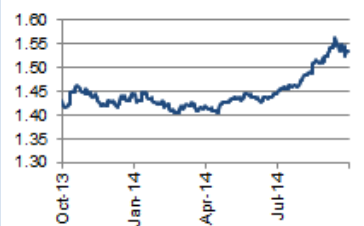
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5334	-0.03%	-7.19%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

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