

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 24, 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:** European bourses opened broadly lower on Friday, tracking a drop in US stock futures after an Ebola case was reportedly confirmed in New York. For the remaining of the day, market investors are likely to adopt a cautious stance ahead of the expected release of the EU-wide stress test results on Sunday as well as general elections in Ukraine in the same day.

**GREECE:** In an effort to boost budgetary revenue, the Greek government submitted to Parliament y-day a multi-bill containing the relevant legislation for a new settlement scheme for overdue tax payments and social security contributions. Based on the latest data from the Secretariate General for Public Revenues, total overdue taxes stood at €70.2bn up to September 2014, out of which €9.7bn were generated in the first nine months of this year.

### SOUTH EASTERN EUROPE

**SERBIA:** Minister of Finance Dusan Vujovic said on Thursday that the 2015 budget will be enacted by Parliament before the end of the year.

**ROMANIA:** The MoF issued RON 594mn in 10Y government bonds (above the initially planned RON 500mn) at an average accepted yield of 3.93%, 43bps lower than that achieved at a prior auction of similar maturity paper held on September 22<sup>nd</sup>.

**BULGARIA:** Bulgaria's gross external debt rose by 2.2%YoY in August to EUR 38.202bn (or ca 94.3% of GDP).

**CESEE MARKETS: Emerging stock markets** were mixed in early European trade on Friday following news about an Ebola case in New York. On the other hand, the majority of CESEE bourses inched modestly higher at the time of writing, while **currencies** were little changed.

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## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from the positive tone in Wall Street overnight, the majority of Asian stock markets firmed early on Friday thanks to upbeat US Q3 corporate earnings results and a string of better-than-expected US data including initial jobless claims which remained close to 14-year lows last week. The flash estimate for the euro area October PMs which surprised positively, pointing to signs of stabilization in economic activity, also favored market sentiment. However, European bourses bucked the positive trend to trade broadly lower in morning trade, tracking a drop in US stock futures after an Ebola case was reportedly confirmed in New York. Ebola related news favored core government bonds with the 10-yr US Treasury yield hovering around 2.25% at the time of writing in European trade after ending at a two-week high of 2.27% on Thursday. In FX markets, the JPY remained under pressure against the USD failing to capitalize much on the Ebola news on the back of market talk of additional BoJ monetary policy easing ahead. For the remaining of the day, market investors are likely to adopt a cautious stance ahead of Sunday's general elections in Ukraine as well as the expected release of the EU-wide stress test results.

### GREECE

In an effort to boost budgetary revenue, the Greek government submitted to Parliament y-day a multi-bill containing the relevant legislation for a new settlement scheme for overdue tax payments and social security contributions. Total overdue social security contributions reportedly amounted to ca €20bn by September 2014 while, based on latest data from the Secretariate General for Public Revenues, total overdue taxes stood at €70.2bn up to September 2014, out of which €9.7bn were generated in the first nine months of this year. The said multi-bill comprised of three additional articles, out of which one incorporated the required legislation for the extension of the social solidarity surcharge for two years, albeit with a 30% rate reduction as well as a one-year extension of the 13% VAT rate currently applied on food catering and restaurants.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

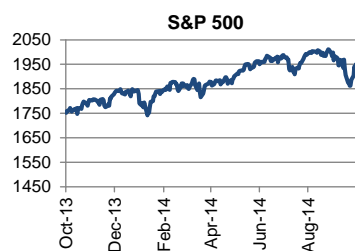
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## Latest developments in the CESEE region

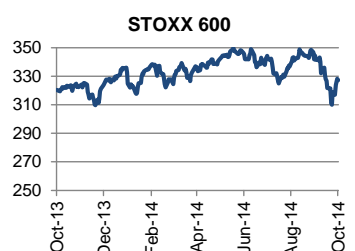
### CESEE MARKETS

**Emerging stock markets** were mixed in early European trade on Friday following news about an Ebola case in New York. On the other hand, the majority of CESEE bourses inched modestly higher at the time of writing in the wake of supportive macroeconomic data from the US and Europe released yesterday. Separately, **CESEE currencies** were little changed earlier today. The Polish zloty recovered some ground after recoiling to a 7-month low of 4.2385/EUR at some point on Thursday. The currency came under renewed pressure yesterday, after the annual pace of increase in retail sales unexpectedly slowed to 1.6%YoY in September, confounding expectations for a pick up to 2.6% and supporting the view for further NBP rate cuts ahead. Additionally, Central Bank October 7-8 meeting minutes showed that MPC members are in favor of a front loaded rate easing cycle. Recall that, the Central Bank resumed its monetary easing cycle earlier this month amid mounting risks to the domestic growth outlook, delivering a higher-than-anticipated reduction of 50bps, which pushed the key policy rate to a new record low of 2.00%. In all, we anticipate around 50bps of further monetary easing this year.

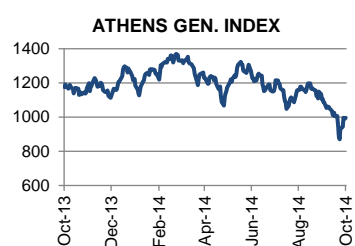
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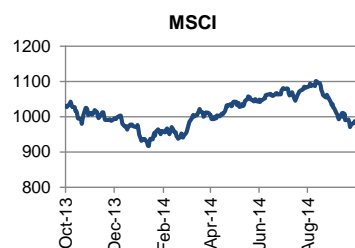
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.50	8.00

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

## SERBIA

(Belgrade 23/10/2014, 17:00 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold at an auction on Wednesday nearly the entire (99.9%) RSD 5bn issue of 2Y floating rate local currency bonds. The average accepted yield stood at 1.35% over the key policy rate, 4bps below a prior tender of similar paper held two months ago (Aug 12<sup>th</sup>). Elsewhere, Minister of Finance Dusan Vujovic said on Thursday that the 2015 budget will be enacted by Parliament before the end of the year. If these comments are vindicated this means that the December 15<sup>th</sup> deadline for parliamentary endorsement of next year's budget will be once again breached. **Market Developments:** The EUR/RSD closed modestly firmer at 119.45/65 on Thursday, bouncing further away from a multi-session low of 119.00/20 hit earlier this week amid upbeat 10-year T-bond auction results and Central Bank intervention in the FX markets. Nonetheless, further upside appears to be limited as the prospect for renewed Central Bank intervention looms. Against this backdrop, we expect range- trading to continue within 119.00-119.60 over the coming sessions.

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

[Djordje.Lucic@eurobank.rs](mailto:Djordje.Lucic@eurobank.rs)

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

[gphoka@eurobank.gr](mailto: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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.00	3.00

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

## ROMANIA

(Bucharest, 24/10/2014, 9:20 EET): **Market Developments:** The EUR/RON was little changed on Thursday, remaining bound within 4.4220/260, but firmer from this week's multi-session low of 4.4180 touched at some point on Wednesday. Meanwhile, short-term money market rates slightly rose ahead of the inception of the new reserve period on Friday. In more detail, the implied 1-month rate inched up to 2.10% from 1.95% on Tuesday, while 3-6M rates remained stable at 2.00%. RON government bonds extended their recent rally supported by cheaper RON funding and off-shore interest towards the CEE region. On the primary market, the MoF issued RON 594mn in 10Y government bonds (above the initially planned RON 500mn) at an average accepted yield of 3.93%, 43bps lower than that achieved at a prior auction of similar maturity paper held on September 22<sup>nd</sup>.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

[gphoka@eurobank.gr](mailto: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)		1.95583	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 23/10/2014, 17:30 EET): **Latest Political & Macro Developments:** According to the auditors appointed by Bulgarian National Bank, Corporate Commercial Bank (KTB) had impairment costs of BGN 4.222bn on assets of BGN 6.662bn as of end-September. The auditors have also concluded that just 13% of KTB's loan portfolio had been adequately covered by collateral. BNB will submit to Parliament a summary of the events and all decisions relating to KTB for the period of conservatorship on October 27, when the 43rd National Assembly elected on October 5 is scheduled to convene for the first time. In other news, Bulgaria's gross external debt rose by 2.2%YoY in August to EUR 38.202bn (or ca 94.3% of GDP), marking its sixth consecutive monthly increase following a 1.8%YoY rise in July. **Market Developments:** The domestic stock markets closed in a negative territory for the fourth consecutive session on Thursday, as domestic political uncertainty persists in the wake of the October 5 general snap elections, while caution also prevails in the way to upcoming developments over KTB.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## 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	1950.82	1.2%	5.5%	EUR/USD	1.265	0.0%	-8.0%	UST - 10yr	2.25	-2	-78	GOLD	1232	0.0%	2.2%
Nikkei 225	15291.64	1.0%	-6.1%	GBP/USD	1.6041	0.1%	-3.1%	Bund-10yr	0.87	-4	-106	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	327.15	-0.3%	-0.3%	USD/JPY	108.16	0.1%	-2.6%	JGB - 10yr	0.47	-1	-27	LMEX	3083	0.2%	-2.4%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.62	-17	-139
1-week	7.02	2	-126
1-month	7.32	1	-126
3-month	7.81	1	-107
6-month	8.09	0	-106

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.35	0	-60
5Y RSD	10.23	0	-260
7Y RSD	11.23	0	-257

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.94	1	-107
USD Nov-24	3.56	-297	-334

## CDS

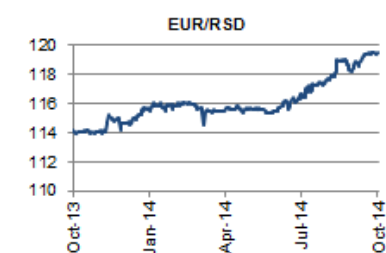
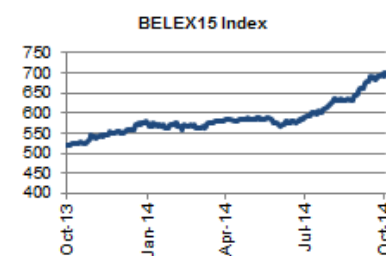
	Last	ΔDbps	ΔYTD bps
5-year	264	0	-145
10-year	320	0	-127

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	700.8	0.08%	25.60%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.48	0.11%	-4.11%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.19	156	45
1-month	2.18	-7	30
3-month	2.42	-6	-2
6-month	2.72	-5	-27
12-month	2.73	-3	-42

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.35	-2	-160
5Y RON	2.89	-3	-176
10Y RON	3.81	-1	-149

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.09	-1	-176
USD Aug-23	3.78	-1	-103

## CDS

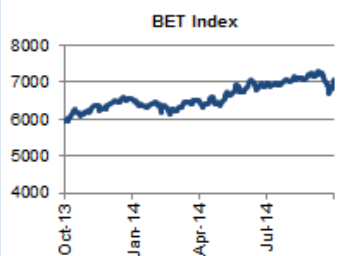
	Last	ΔDbps	ΔYTD bps
5-year	155	0	-32
10-year	202	0	-30

## STOCKS

	Last	ΔD	ΔYTD
BET	7065.5	-0.02%	8.80%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4204	0.04%	1.19%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	0	-10
3-month	0.43	-3	-21
6-month	0.80	-3	-35
12-month	1.56	-4	-64

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.22	0	12
5Y BGN	1.89	-2	5
10Y BGN	3.18	0	-32

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.50	-2	-8
EUR Jul-17	1.25	1	-56

## CDS

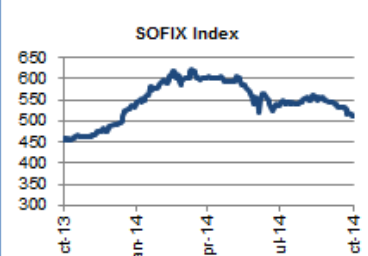
	Last	ΔDbps	ΔYTD bps
5-year	150	0	21
10-year	203	0	28

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	511.4	0.33%	4.05%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5462	0.03%	-7.96%



## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

### Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

### Ivan Radović

Head, Brokerage Department, Eurobank and Beograd

+381 11 30 27 533

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

## Eurobank Global Markets Research

### Global Markets Research Team

#### Dr. Platon Monokroussos:

Chief Market Economist

[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Paraskevi Petropoulou:** G10 Markets Analyst

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales

[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales

[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis:** Head of Corporate Sales

[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales

[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales

[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales

[vgioulbaxiotis@eurobank.gr](mailto: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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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