

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 3, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 29: Pending home sales (Aug)
- September 30: CB cons. confidence (Sep)
- October 1
 - ADP employment (Sep)
 - ISM manuf (Sep)
- October 2
 - Initial jobless claims (Sep 26)
- October 3
 - NFP (Aug)
 - ISM non-manuf (Sep)

EUROZONE

- September 30: HICP (flash, Sep)
- October 1: PMI manufacturing (Sep)
- October 2: ECB MPC meeting
- October 3: PMI services (Sep)

SEE

SERBIA

- September 30
 - GDP (f, Q2)
 - Industrial output (Aug)
 - Retail sales (Aug)
 - Trade Balance (Aug)
 - 2-Y T-bonds auction

ROMANIA

- September 30: MPC meeting
- October 1
 - GDP (f, Q2)
 - Intern. reserves (Sep)
- October 2: Retail sales (Aug)

BULGARIA

- September 30: Budget balance (Aug)
- October 1: Reserve assets (Sep)

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: As was widely expected, the ECB left its key interest rates unchanged at its monetary policy meeting on Thursday and provided details on its asset-backed securities (ABSs) and covered bond purchasing programs. For countries that have a credit rating below BBB- and would normally not be eligible under the ECB's collateral rules, e.g., Greece and Cyprus, ECB President Mario Draghi said in the post meeting press conference that the Central Bank will accept assets provided that they will be under an EU program.

GREECE: Unnamed high-level government officials were quoted as saying in local press that ruling coalition leaders are confident that the government will survive a vote of confidence in Parliament, reportedly expected to take place at midnight next Friday.

SOUTH EASTERN EUROPE

SERBIA: Budget revision to be slightly delayed.

ROMANIA: The MoF published the October bond issuance calendar late on Thursday, envisioning a total of RON 3.6bn sales.

BULGARIA: Bulgaria's caretaker government approved a draft update of the 2014 Budget, envisioning a deficit of 4% of GDP on a cash basis.

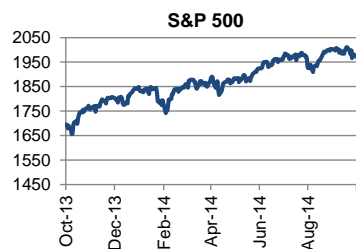
CESEE MARKETS: Emerging stock markets staged a modest rebound in European trade on Friday, with volumes remaining light as several indices in the region were closed for holidays. Nonetheless, market caution prevailed ahead of the non-farm payrolls report later on Friday.

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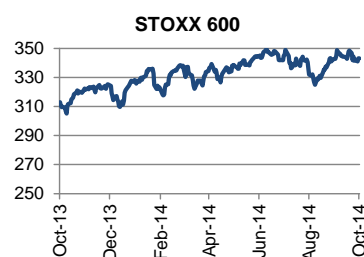
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Latest world economic & market developments

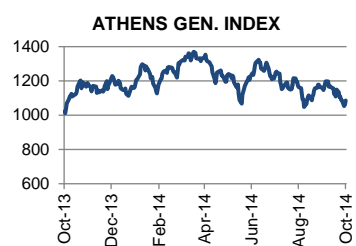
GLOBAL MARKETS



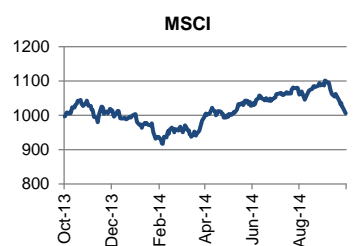
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

As was widely expected, the ECB left its key interest rates unchanged at its monetary policy meeting on Thursday and provided details on its asset-backed securities (ABSs) and covered bond purchasing programs that were announced last month. According to the ECB policy statement, the programmes will last for at least two years and the Central Bank will start buying covered bonds in the second half of this month and ABCs in the fourth quarter of 2014 aiming to further enhance the functioning of the monetary policy transmission mechanism and facilitate credit provision to the broad economy. In terms of eligibility, the ECB will follow collateral rules similar to those applied in refinancing operations. Yet, for countries that have a credit rating below BBB- and would normally not be eligible under its collateral rules, e.g., Greece and Cyprus, ECB President Mario Draghi said in the post meeting press conference that the Central Bank will accept assets, provided that the countries will be under an EU programme. Overall, the tone the ECB President adopted was somewhat less dovish than some expected as he fell short of providing a concrete size of the purchase programmes and declined to provide details on how the Central Bank plans to increase the size of its balance sheet back to early 2012 levels. Moreover, Mr. Draghi noted that the FX rate is not a policy target for the Central Bank. Against this background, the EUR managed to regain some ground with the EUR/USD hovering around 1.2640/45 in European trade on Friday compared to Thursday's 1.2610 intra-day low and a two-year trough of 1.2570 hit earlier this week. Focus today is on the US non-farm payrolls report for September which has the potential to set the tone for the EUR/USD short-term.

GREECE

Unnamed high-level government officials were quoted as saying in local press that ruling coalition leaders are confident that the government will survive a vote of confidence in Parliament, reportedly expected to take place at midnight next Friday. As a reminder, in an official statement released earlier this week, the government will seek a vote of confidence when parliament reconvenes after the summer recess next week. Greece's coalition government currently controls 154 seats in the 300-seat parliament, including 126 from the main coalition partner ND and 28 from PASOK. According to the Constitution of Greece (Article 84, paragraph 6), "a motion of confidence cannot be adopted unless it is approved by an absolute majority of the present Members of Parliament which however cannot be less than the two-fifths of the total number of the members". Under the assumption that all lawmakers attend the voting procedure, the coalition government needs at least 146 in favor votes as nine Golden Dawn MPs are currently in pretrial custody on allegations about the formation of a criminal organization.

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Latest developments in the CESEE region

CESEE MARKETS

Emerging stock markets staged a modest rebound in European trade on Friday, with volumes remaining light as several indices in the region were closed for holidays. The MSCI index of emerging equities snapped a six-session falling streak earlier today, standing ca 0.8% higher at the time of writing compared to Thursday's 6-month intraday low, largely shrugging off a less-dovish-than-anticipated tone the ECB President adopted yesterday. Nonetheless, market caution prevailed ahead of the non-farm payrolls report later on Friday.

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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, 2/10/2014, 17:00 CET): **Latest Political & Macro Developments:** According to Deputy Minister of Finance Nenad Mijailovic on Thursday the government will present a revised 2014 budget to the National Assembly before the end of the current month. Recall that, Prime Minister Aleksandar Vucic had announced in late September that the said bill would be submitted to parliament by mid-October. The draft revision will incorporate parts of the "austerity program" as presented by Prime Minister Vucic two weeks ago, while the bulk of the measures announced will be included in the 2015 Budget proposal. The Deputy Minister also noted that discussions with the IMF about the details of the measures continue. **Market Developments:** The EUR/RSD closed marginally higher at 119.00/20 on Thursday after opening at 118.75/95 favored by increased local demand for hard currency. Yet, further upside for the pair appears to be limited as investors remain wary about the prospect of renewed Central Bank intervention to prop up the dinar. In other news, the Ministry of Finance sold RSD 1bn (ca EUR 8.4mn) - out of the planned RSD 3bn - in 6M local currency T-Bills on Thursday. The auction produced a yield of 7.24%, in line with that achieved at a prior tender of similar maturity paper in late August. Yet, the amount sold compared to that offered was significantly lower to that of June's (81%) as investors remain cautious towards Serbian assets despite the recently announced austerity measures by the government.

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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, 3/10/2014, 9:20 EET): **Market Developments:** The EUR/RON remained range-bound within 4.4060/180 on Thursday. Money market rates eased yesterday in the wake of the Central Bank's new 1 week repo auction, conducted at the new monetary policy rate of 3.00% with eight banks acquiring RON 4.5bn. Against this backdrop, 1-week implied rate from swaps fell just under 3.00% at the session's close compared to 3.75% the previous day, while the 1-month rate decreased to 2.60% from 2.90%. Improving money market liquidity and the Central Bank's easing measures also favored government bonds, with yields of paper with maturities of 2-10 years moving gradually lower. In more detail, the 3-year yield eased to 2.95% from 3.10% in the beginning of the week, while the corresponding 10-year rate slid to 4.05% from 4.20% on Monday. The MoF published the October bond issuance calendar late on Thursday, envisioning a total of RON 3.6bn of bond sales scattered across all maturities. Notably, most of the auctions (RON 2.3bn out of the total) are earmarked for the end of the month, roughly synchronized with a RON 6.8bn maturity on 25 October.

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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, 2/10/2014, 17:00 EET): **Latest Political & Macro Developments:** Bulgaria's caretaker government has approved a draft budget update, envisioning a deficit of 4% of GDP on a cash basis and an increase in government debt from a previous forecast of BGN 22.5bn to BGN 28.4 bn. **Market Developments:** Domestic stock indices closed mixed on Thursday with the main SOFIX index ending in a marginally positive territory 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	1946.17	0.0%	5.3%	EUR/USD	1.264	-0.2%	-8.0%	UST - 10yr	2.43	1	-59	GOLD	1208	-0.5%	0.2%
Nikkei 225	15708.65	0.3%	-3.6%	GBP/USD	1.609	-0.3%	-2.8%	Bund-10yr	0.92	2	-101	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	333.35	0.4%	1.6%	USD/JPY	108.8	-0.3%	-3.2%	JGB - 10yr	0.52	-1	-22	LMEX	3042	-1.1%	-3.7%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.75	1	-126
1-week	6.96	-1	-132
1-month	7.28	-1	-130
3-month	7.77	-1	-111
6-month	8.03	-3	-112

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.32	1	-64
5Y RSD	10.23	0	-259
7Y RSD	11.23	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.33	2	-68
USD Nov-24	4.68	-191	-223

CDS

	Last	ΔDbps	ΔYTD bps
5-year	268	3	-142
10-year	320	3	-127

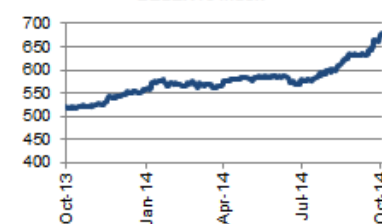
STOCKS

	Last	ΔD	ΔYTD
BELEX15	678.1	0.25%	21.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.02	-0.07%	-3.73%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.03	-36	129
1-month	3.03	-9	115
3-month	2.98	-3	54
6-month	2.98	-1	-1
12-month	2.95	-2	-20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.70	2	-125
5Y RON	3.18	-1	-147
10Y RON	4.08	2	-122

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.17	1	-168
USD Aug-23	4.01	1	-80

CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	-10	-39
10-year	194	0	-39

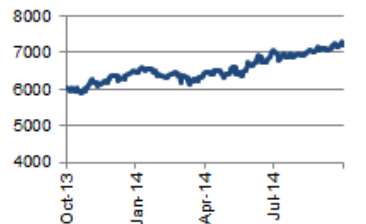
STOCKS

	Last	ΔD	ΔYTD
BET	7244.2	0.21%	11.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.41	0.08%	1.43%

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	0.47	0	-18
6-month	0.85	0	-31
12-month	1.63	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.18	0	9
5Y BGN	1.87	2	2
10Y BGN	3.13	0	-36

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.79	5	21
EUR Jul-17	1.22	-3	-59

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	11
10-year	179	0	4

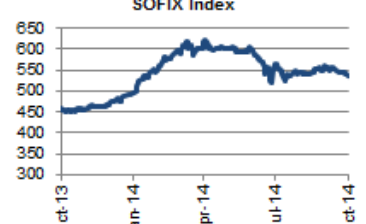
STOCKS

	Last	ΔD	ΔYTD
SOFIX	535.1	-0.59%	8.87%

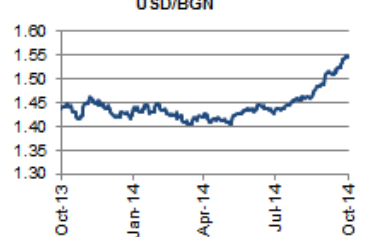
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5474	-0.22%	-8.03%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:20 EET

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