

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 6, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- October 7: Fed's George, Kocherlakota, Dudley speak
- October 8: Fed Sept. 16-17 FOMC meeting minutes
- October 9: Initial jobless claims (Oct. 3)
- October 9-10: G20 Finance ministers and central bankers meet in Washington
- October 10: Fed's Plosser, George and Lacker speak

### SEE

#### SERBIA

- October 3-10: GDP (f, Q2)
- October 7: PPI (Sept)

#### ROMANIA

- October 7
  - Industrial sales (Aug)
  - Net wages (Aug)
- October 8: GDP (Q2, f)
- October 10
  - CPI (Sept)
  - Trade balance (Aug)
  - Industrial output (Aug)

#### BULGARIA

- October 7-14: U/E rate (Sept)
- October 8
  - Industrial production (Aug)
  - Retail sales (Aug)
- October 10: Trade balance (Aug)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US non-farm payrolls for the month of September surprised positively, supporting the view that the US labor market has improved significantly in recent months and the Fed will probably embark on a monetary policy tightening cycle sooner rather than later.

**GREECE:** According to the draft 2015 budget that was submitted to Parliament earlier today, the general government primary balance is projected to record a surplus of 2.9%-of-GDP, a tad lower compared to the official target of 3.0%-of-GDP. Furthermore, the draft budget revealed that the Greek government intends to tap wholesale funding markets with the issuance of a 7-year and 10-year bond as well as Treasury bill of over 26 weeks.

### SOUTH EASTERN EUROPE

**ROMANIA:** the MoF holds on Monday an auction for RON 300mn of 3Y (Jun 2017) bonds, expected to produce a yield around 2.95-3.00%, in line with secondary market levels.

**BULGARIA:** With 97 percent of votes having been counted, centre-right GERB party won Sunday's snap general election with a score of 32.6%.

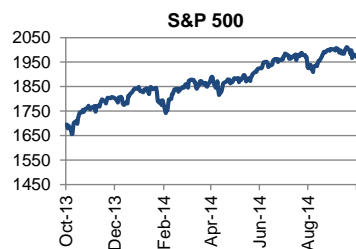
**CESEE MARKETS:** Taking their cue from gains in major global bourses, **emerging stock markets** firmed in European trade on Monday. Elsewhere, **CESEE currencies** broadly firmed, recouping part of losses incurred in the prior session.

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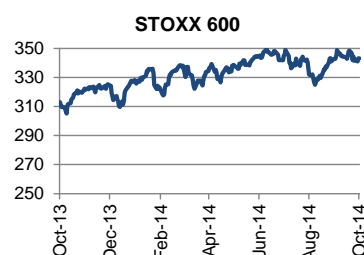
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## Latest world economic & market developments

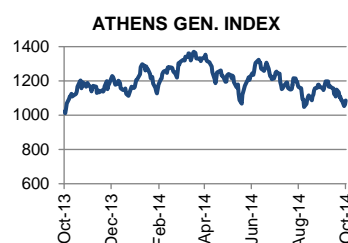
### GLOBAL MARKETS



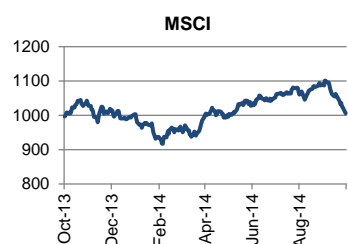
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

US non-farm payrolls for the month of September surprised positively showing an increase of 248k in the headline, higher than 215k expected. In addition, the readings for the previous two months were revised higher by a cumulative of 69k, supporting the view that the US labor market has improved significantly in recent months and the Fed will probably embark on a monetary policy tightening cycle sooner rather than later. Adding to the positive tone, the unemployment rate declined by 2ppts to a new six-year low of 5.9% while the average workweek for all private employees rose to 34.6 hours. Against this background, the USD extended its recent gains with the EUR/USD hovering around 1.2540/45 at the time of writing, within distance from Friday's two-year trough of 1.2500. In the absence of major data releases today, consolidation around 1.2500 is likely to prevail with investors eagerly awaiting the publication of the minutes from the FOMC September meeting, due on Wednesday, which may shed more light on the timing of the first rate hike.

### GREECE

According to the draft 2015 Budget that was submitted to Parliament earlier today, Greece's real GDP is projected to grow by 2.9%YoY, in line with the troika's baseline macro scenario, following an expected annual growth rate of 0.6% in 2014. The general government primary balance is projected to record a surplus of 2.9%-of-GDP, a tad lower compared to the official target of 3.0%-of-GDP while for the current year, the government expects a surplus of 2.0%-of-GDP, above the program target for a surplus of 1.5%-of-GDP. Furthermore, the draft budget revealed that the Greek government intends to tap wholesale funding markets with the issuance of a 7-year and 10-year bond as well as Treasury bill of over 26 weeks. The draft 2015 budget will reportedly be an issue of discussion in Parliament for several weeks before the final version is completed and comes for vote early next month.

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## Latest developments in the CESEE region

### CESEE MARKETS

Taking their cue from gains in major global bourses, **emerging stock markets** firmed in European trade on Monday. Several markets in Asia were closed for holidays, while in the CESEE region Turkish bourses will remain shut until tomorrow due to the Sacrifice Feast Day. Elsewhere, **CESEE currencies** broadly firmed, recouping part of losses incurred in the prior session. With Hungarian Economy Minister Mihaly Varga's comments late last week still in investors' ears, the forint was among the region's outperformers firming as far as a 2-month high of 308.36/EUR earlier in the session. Recall that, the minister underscored on Friday that the country needs a "favorable exchange rate" to assist in the reduction of the country's debt. Technically, a break below today's EUR/HUF trough, is likely to pave the way towards 306.60 (July 23, 2014 low) ahead of 304.70 (June 24, 2014 low). Elsewhere, the Turkish lira recovered ground in European trade on Monday after coming under pressure on Friday in the wake of a weaker-than-anticipated CPI reading for September. Nonetheless, we expect the Central Bank to maintain its tight monetary policy stance as upside risks to inflation, such as regulatory price hikes and the lira's weakening, linger and this year's 5.00% official target will most likely be missed. Note that consumer inflation stood at 8.86%YoY in September. Along these lines, the USD/TRY hovered around levels of 2.2830 at the time of writing, having hit a multi-month high of 2.3064 on Friday.

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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, 6/10/2014, 9:20 EET): **Market Developments:** The EUR/RON was little changed on Friday, having remained range-bound within 4.4060/180 for most of last week. The Central Bank's second repo operation on Thursday at the new 3.00% monetary policy rate, finally took some pressure off the money market, pushing short term rates lower. In more detail, the 1W implied rate from swaps stood at 2.90% on Friday's close from 3.75% before the said auction, while the 1M rate decreased to 2.60% from 2.90%. Meanwhile, government bonds closed little changed as the upbeat US payrolls data late on Friday weighed on emerging market assets, offsetting the positive impact from the central bank's easing measures and recent improvement in funding rates. In other news, the MoF holds on Monday the first primary market auction for this month, for RON 300mn of 3Y (Jun 2017) bonds, expected to produce a yield around 2.95-3.00%, in line with secondary market levels.

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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, 6/10/2014, 11:30 EET): **Latest Political & Macro Developments:** With 97 percent of votes having been counted, centre-right GERB party won Sunday's snap general election with a score of 32.6%, short of an outright parliamentary majority. As such, lengthy negotiations are expected to follow in the coming days with a fragile coalition government appearing to be the most likely outcome. GERB leader Boiko Borisov reportedly said on Sunday that "under this configuration, I do not see how a government can be formed" but added that he would do "everything necessary" in order to avoid a return to the polls. That said, if political parties fail to agree on the formation of a coalition government, then snap elections will have to be called anew. As many as eight political parties appear to have passed the 4% threshold in order to enter parliament, while in reflection of public discontent, the turnout was the lowest in more than two decades. The election's final results are scheduled to be published on Wednesday. **Market Developments:** Bucking the positive trend in emerging bourses in European trade today, domestic markets kicked off the week on a negative footing in the wake of Sunday's general elections. Along these lines, downside pressures in domestic stock indices are likely to persist in the days ahead.

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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	1967.90	1.1%	6.5%	EUR/USD	1.2541	0.2%	-8.7%	UST - 10yr	2.44	1	-59	GOLD	1193	0.2%	-1.0%
Nikkei 225	15890.95	1.2%	-2.5%	GBP/USD	1.598	0.1%	-3.5%	Bund-10yr	0.91	-1	-102	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	336.64	0.4%	2.6%	USD/JPY	109.45	0.3%	-3.8%	JGB - 10yr	0.52	1	-22	LMEX	3069	0.9%	-2.9%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.76	1	-125
1-week	6.97	1	-131
1-month	7.30	2	-128
3-month	7.79	2	-109
6-month	8.06	3	-109

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.11	0	-85
5Y RSD	10.24	0	-258
7Y RSD	11.24	1	-256

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.34	-1	-67
USD Nov-24	4.70	-190	-221

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	270	3	-139
10-year	323	3	-124

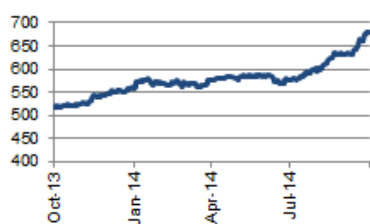
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	679.2	-0.13%	21.73%

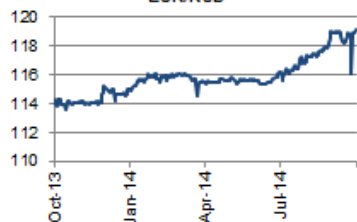
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.18	-0.27%	-3.87%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.9	-13	116
1-month	2.96	-7	108
3-month	2.94	-4	50
6-month	2.95	-3	-4
12-month	2.95	0	-20

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.71	0	-124
5Y RON	3.18	1	-147
10Y RON	4.07	-2	-123

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.15	-2	-170
USD Aug-23	4.03	1	-77

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	0	-39
10-year	196	2	-36

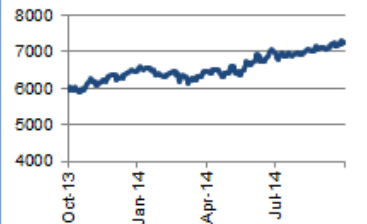
## STOCKS

	Last	ΔD	ΔYTD
BET	7274.9	0.39%	12.03%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4138	-0.02%	1.34%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.22	-1	-10
3-month	0.47	0	-18
6-month	0.85	0	-31
12-month	1.62	0	-57

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.19	4	9
5Y BGN	1.85	2	1
10Y BGN	3.16	0	-33

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.78	0	20
EUR Jul-17	1.22	-3	-59

## CDS

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

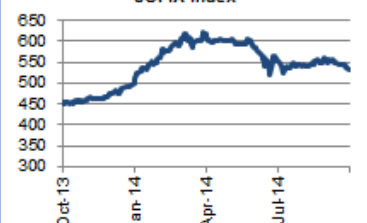
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	533.4	-0.54%	8.51%

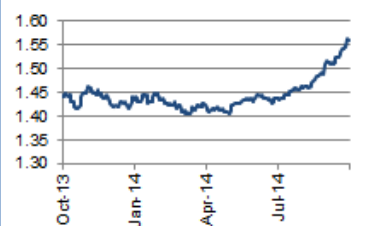
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5597	0.21%	-8.76%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

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