

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

October 7, 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: Taking their cue from losses in Wall Street overnight, European stock markets moved broadly lower in morning trade on Tuesday, weighed further down by disappointing industrial production data from Germany, the Eurozone's largest economy.

SOUTH EASTERN EUROPE

SERBIA: The dinar hit a new all-time low against the euro amid persisting fiscal consolidation concerns.

ROMANIA: Yesterday's FinMin 3-year bond auction received strong demand, with the average accepted yield coming in at 2.92%, in slightly below market expectations.

BULGARIA: With 99% of the votes counted, eight parties pass the 4% threshold to enter Parliament but none achieved a majority in the 240-seat National Assembly; coalition negotiations are expected to start in the coming days.

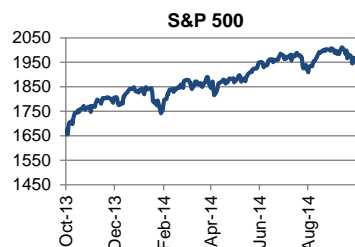
CESEE MARKETS: CESEE stock and bond markets were mixed in European trade on Tuesday, while currencies were little changed with the Turkish lira regaining some further ground, after Friday's sell-off.

DISCLAIMER

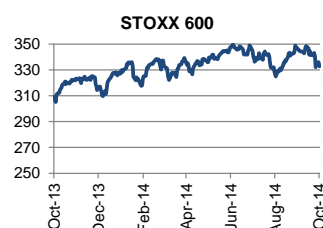
This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

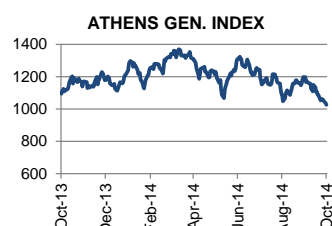
GLOBAL MARKETS



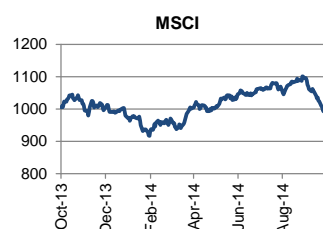
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Taking their cue from losses in Wall Street overnight, European stock markets moved broadly lower in morning trade on Tuesday, weighed further down by disappointing industrial production data from Germany, the Eurozone's largest economy. In more detail, growth in the sector swung into a negative territory in August to mark its largest monthly decline in five years (-4.0%MoM) after a 1.9%MoM increase in the prior month and coming in against a market consensus of -1.5%MoM. The data was released a day after German factory orders showed in August their biggest monthly drop since 2009, adding to concerns about the growth prospects of the Eurozone's economy. Against this backdrop, the euro came under pressure, sliding to a multi-session low of 136.82 against the Japanese yen. On the flipside, the latter received additional support from Prime Minister Abe's comments during a speech in parliament, underscoring that a weaker domestic currency may weigh on households and small firms. Separately, the US dollar lost some ground on profit taking earlier today, with the EUR/USD hovering around levels of 1.2627/28 at the time of writing after hitting a two-year trough of 1.2500 late last week. In the absence of any other major data releases today, consolidation around 1.2600 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.

Latest developments in the CESEE region

CESEE MARKETS

Emerging stock markets were mixed in European trade on Tuesday. Hungary's BUX broadly underperformed its regional peers after disappointing industrial production data for August showed a deceleration of growth in the sector to 2.9%YoY, from 12.3%YoY in the prior month, well below a market median forecast of 12.2%YoY. On the flipside, Bulgaria's main SOFIX index rose modestly, registering a 0.3% increase at the time of writing, after yesterday's 1.1% decline amid growing domestic political uncertainty following an inconclusive general elections outcome on Sunday. Turkish bourses are closed for the third consecutive session today on holiday and are due to reopen tomorrow.

Elsewhere, **CESEE currencies** were little changed in European trade on Tuesday. The Turkish lira regained some further ground, after Friday's sell-off, with the USD/TRY easing as far as a multi-session low of 2.2625 intraday from a multi-month high near 2.3065 hit late last week. The cross's technical picture suggests that a break below today's trough may pave the way towards 2.2590 (14-day moving average) ahead of 2.2345 (September 25, low). Separately, the Hungarian forint was among the region's outperformers firming as far as a 2-½-month high of 306.60/EUR, largely shrugging off the downbeat industrial production data released earlier on the day.

In the **local rate markets**, government bonds were mixed with long term Polish paper broadly outperforming its regional peers. In more detail, the corresponding 2 and 10-year yields eased by ca 3bps each to 1.919% and 2.941% ahead of the conclusion of the 2-day Central Bank monetary policy meeting tomorrow. The market's median forecast is for a 25bps cut which, if delivered, will bring the main policy rate to a new record low of 2.25%.

gphoka@eurobank.gr

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

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

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

SERBIA

(Belgrade 6/10/2014, 17:00 CET): **Market Developments:** In view of persisting concerns about the country's fiscal position, the EUR/RSD extended its recent uptrend on Monday to close marginally higher at a record high of 119.25/45. Yet, further upside for the pair is likely to prove limited as investors remain wary about the prospect of renewed Central Bank intervention to prop up the dinar.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

gphoka@eurobank.gr

ROMANIA

(Bucharest, 7/10/2014, 9:00 EET): **Market Developments:** The EUR/RON was little changed on Monday, remaining range-bound within 4.4080/160. Meanwhile, short term RON rates continued to move lower, with the implied rates from swaps up to 3-months easing ca 10bps each to 2.80% for 1-week tenor, to 2.55% for 1-month and to 2.40% for 3-months. Improving money market conditions and rising demand for regional assets continued to favor Romanian government bonds, with the entire yield curve shifting some 5bps lower on Monday. In other news, the Ministry of Finance's 3-year bond auction (bid-to-cover ratio of around 4) received strong demand, with the planned RON 300mn amount having been fully allotted. Additionally, the tender produced an average accepted yield of 2.92%, which came in slightly below market expectations.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

BULGARIA

(Sofia, 6/10/2014, 5:30 EET): **Latest Political & Macro Developments:** With 99% of the votes counted, main opposition, centre-right GERB party won Sunday's snap general elections with a score of 32.7%. The prior government's coalition partners, Bulgarian Socialist Party (BSP) and mainly ethnic Turk Movement for Rights and Freedoms (DPS) followed suit amassing support of 15.4% and 14.8% respectively. Five more political parties passed the 4% threshold to enter Parliament. Namely, the Reformist Bloc coalition (8.9%), the nationalist Patriotic Front coalition (7.3%), Bulgaria Without Censorship (5.7%), the nationalist Ataka party (4.5%) and ABV party led by former President Georgi Parvanov (4.2%). As no party managed to achieve an outright parliamentary majority in the 240-seat National Assembly, lengthy negotiations are expected to follow in the coming days with a fragile coalition government appearing to be the most likely outcome. GERB officials signaled on Monday that they are ready to start talks with other parties, but excluded the prospect of a coalition with BSP or DPS. After the announcement of the final results, due on Wednesday, President Plevneliev has 30 days to convene parliament and afterwards begin consultations with political parties as well as give Sunday's winner the mandate to form a government. **Market Developments:** Bucking the positive trend in emerging bourses on Monday, domestic markets came under pressure following the inconclusive outcome of Sunday's general elections. Against this backdrop, downside pressures in domestic stock indices are likely to persist in the days ahead.

YKoseva@postbank.bg

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	1964.82	-0.2%	6.3%	EUR/USD	1.2608	-0.4%	-8.3%	UST - 10yr	2.41	-1	-62	GOLD	1207	0.0%	0.1%
Nikkei 225	15783.83	-0.7%	-3.1%	GBP/USD	1.6062	-0.1%	-3.0%	Bund-10yr	0.91	0	-102	BRENT CRUDE	179	0.0%	7.3%
STOXX 600	332.79	-1.0%	1.4%	USD/JPY	108.69	0.1%	-3.1%	JGB - 10yr	0.51	-1	-23	LMEX	3101	1.0%	-1.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
7/N	6.76	0	-125
1-week	6.97	0	-131
1-month	7.31	1	-127
3-month	7.75	-4	-113
6-month	8.02	-4	-113

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.41	0	-55
5Y RSD	10.24	0	-259
7Y RSD	11.24	0	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.34	1	-67
USD Nov-24	4.54	-204	-236

CDS

	Last	ΔDbps	ΔYTD bps
5-year	270	0	-139
10-year	323	0	-124

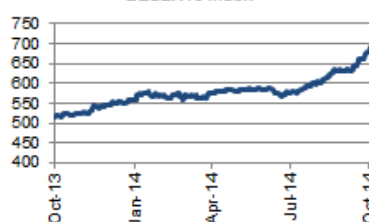
STOCKS

	Last	ΔD	ΔYTD
BELEX15	689.7	1.59%	23.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.39	-0.07%	-4.04%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.89	-1	115
1-month	2.95	-1	107
3-month	2.93	-1	49
6-month	2.94	-1	-5
12-month	2.94	-1	-21

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.68	-1	-127
5Y RON	3.15	-3	-150
10Y RON	4.05	-2	-125

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.12	-1	-172
USD Aug-23	4.00	-1	-81

CDS

	Last	ΔDbps	ΔYTD bps
5-year	148	-2	-38
10-year	194	-2	-39

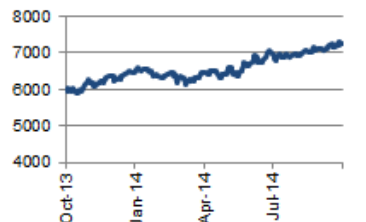
STOCKS

	Last	ΔD	ΔYTD
BET	7247.9	0.11%	11.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4079	0.02%	1.47%

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	1.62	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.19	3	10
5Y BGN	1.89	6	4
10Y BGN	3.06	1	-43

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.76	4	17
EUR Jul-17	1.21	-4	-59

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	12
10-year	179	0	4

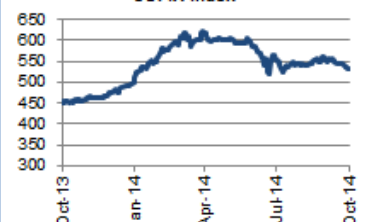
STOCKS

	Last	ΔD	ΔYTD
SOFIX	532.2	0.37%	8.27%

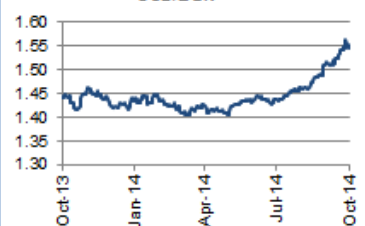
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5513	-0.37%	-8.26%

SOFIX Index



USD/BGN



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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>