

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 12, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 11
Initial jobless claims
(Sep 6))
- September 12
 - Retail sales (Aug)
 - UoM consumer
confidence (Sep)

EUROZONE

- September 12
Industrial production
(Jul)

SEE

SERBIA

- September 9
 - 7-year RSD bond
auction
- September 11
 - MPC policy
announcement
- September 12
 - HICP (Aug)

ROMANIA

- September 8
 - Industrial sales (Jul)
 - 2027 T-bonds auction
- September 9
 - Trade balance (Jul)
- September 12
 - CPI (Aug)
- September 11
 - Industrial production
(Jul)
 - 2016 T-bonds auction

BULGARIA

- September 8
 - Unemployment rate
(Aug)
- September 9
 - Industrial production
(Jul)
 - Retail sales (Jul)
- September 12
 - Trade balance (Jul)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Amid expectations that the Fed is likely to adopt a slightly more hawkish tone at its monetary policy meeting next week, the **USD** extended its recent gains in European trade on Friday while **US Treasuries** retained a weak tone.

GREECE: The Hellenic Parliament approved y-day certain amendments on the implementation framework of the new uniform tax on **real estate property (ENFIA)** including lower tax rates for socially vulnerable groups as well as vacant properties which are not rented or/and are not connected to the electricity grid. On the data front, **Greece's seasonally adjusted unemployment rate** dropped to 27.0% in June, the lowest rate since January 2013 from 27.1% in the prior month following a cyclical peak of 27.9% last September.

SOUTH EASTERN EUROPE

SERBIA: At its MPC meeting on Thursday, the National Bank of Serbia (NBS) kept its key policy rate unchanged at 8.50%, in line with the market's consensus.

ROMANIA: Industrial production fell by 0.1%MoM in July, with the annual rate of increase decelerating for the second month running, to 6.1%, after registering a multi-year high rise of 13.30% in May.

BULGARIA: According to the European Competitiveness Report 2014 released on Thursday, the European Commission placed Bulgaria in the bottom group of EU countries.

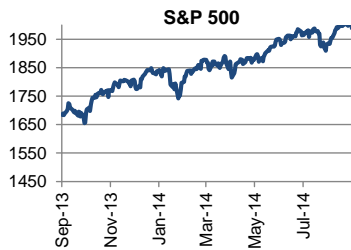
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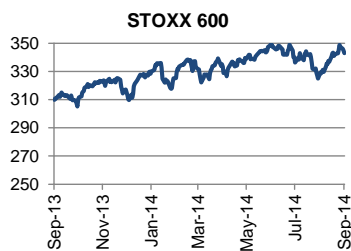
Latest world economic & market developments

GLOBAL MARKETS

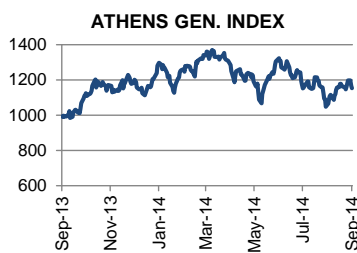
Amid expectations that the Fed is likely to adopt a slightly more hawkish tone at its monetary policy meeting next week, the **USD** extended its recent gains in European trade on Friday while **US Treasuries** retained a weak tone. With the ECB's decision last week for further monetary policy easing still in investors' ears, the EUR/USD was standing close to 1.2925/30 at the time of writing, not far from a 14-month low of 1.2860 touched earlier this week. Looking ahead, the market perception on the divergence in monetary policy direction between the ECB and the Fed is likely to keep the EUR/USD under pressure in the coming sessions with the next major support standing at May's 2013 low of 1.2800/40. Elsewhere, the 10-yr bond yield was hovering around 2.56% at the time of writing, the highest since early July and ca 1bp higher compared to Thursday's settlement. Meanwhile, the yield on the 2-yr note was standing slightly above 0.57%, not far from a three-year high of 0.59% set in late July after ending at 0.56% y-day. Against this background, the **2/10-yr UST yield curve** undertook some further bearish steepening today with the corresponding spread standing close to one-month highs of 199bps in European trade. On the data front, the US August retail sales report lures market attention today.



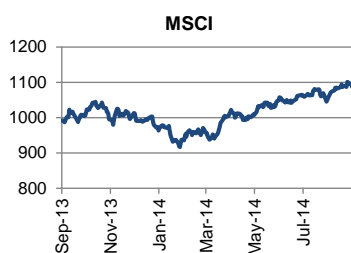
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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GREECE

The **S&P** is scheduled to publish its updated review on Greece's sovereign credit rating later in the day. According to press reports, the prospect of an upgrade in the foreign currency long-term credit rating to B from B- currently, cannot be ruled out. As regards the other two major rating agencies, Fitch rates Greece at B currently, one notch above Moody's Caa3. Separately, the Hellenic Parliament approved y-day certain amendments on the implementation framework of the new uniform tax on **real estate property (ENFIA)** including lower tax rates for socially vulnerable groups as well as vacant properties which are not rented or/and are not connected to the electricity grid. As a result, ENFIA now reportedly assumes assessed taxes of ca €3.15bnm, lower compared to ca €3.54bn earlier, for €2.65bn/annum of projected receipts. In other news, **IMF spokesman Bill Murray** refuted recent reports that the Fund is planning to host a meeting in Washington D.C in mid-November between domestic authorities and Greece's official lenders to discuss on the sustainability of Greek debt. Meanwhile, Greece's Minister of Finance Gikas Hardouvelis is expected to inform his euro area counterparts at the **informal Eurogroup meeting** which takes place today in Milan on the progress made so far by the Greek side in fulfilling a range of agreed quantitative targets and structural benchmarks underlining Greece's next (5th) adjustment program review. As a reminder, a joint ECB/IMF/EC statement issued late last week soon after the completion of recent official talks in Paris between Greek authorities and official lenders, confirmed that the troika mission will return to Athens in late September to continue discussions in the context of Greece's next program review. On the data front, **Greece's seasonally adjusted unemployment rate** dropped to 27.0% in June, the lowest rate since January 2013 from 27.1% in the prior month following a cyclical peak of 27.9% last September. Despite the June drop, the unemployment rate remained more than double compared to the euro area average of 11.5%. Meanwhile, according to the most recent Bank of Greece data, **the total amount of funding taken from the Eurosystem** dropped in August for the fourth month in a row, marking a €0.054bn decrease to come in at a new multi-year low of €44.567bn after hitting an all-time peak of €159.2bn in February 2012.

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

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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, 12/9/2014, 17:40 CET): **Latest Political & Macro Developments:** At its MPC meeting on Thursday, the National Bank of Serbia (NBS) kept its key policy rate unchanged at 8.50%, in line with the market's consensus. The Central Bank cited uncertainties in the domestic and international environment including geopolitical tensions and the Fed's reduced monetary policy accommodation in recent months. Additionally, the NBS expressed belief that the implementation of the "indispensable fiscal consolidation measures and structural reforms", which are yet to be publically announced, will assist in mitigating the aforementioned risks. In other news, the Public Debt Administration announced on Thursday that it sold RSD 2.47bn (€20.82mn) of the RSD 3bn planned amount in 3M local currency T-Bills. The auction produced a yield of 6.90%, little changed from that achieved at a prior tender of similar maturity paper held on August 7th. **Market Developments:** The dinar came under renewed pressure on Thursday amid mounting fiscal consolidation concerns and delays over a financial aid agreement with the IMF. In reaction to the above, the Central Bank intervened anew in the FX markets, selling approximately €10mn, managing to somewhat contain the domestic currency's depreciating momentum.

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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	3.25	3.00

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

ROMANIA

(Bucharest, 12/9/2014, 9:00 EET): **Latest Political & Macro Developments:** Industrial production fell by 0.1%MoM in July, with the annual rate of increase decelerating for the second month running, to 6.1%, after registering a multi-year high rise of 13.30% in May. Over the first seven months of the year output increased by 9.7%YoY cumulatively. **Market Developments:** The EUR/RON was little changed on Thursday, remaining trapped within a tight range of 4.4160/4.4215. Along these lines, 1M-12M money market rates were little changed on the day, while the 1W rate decreased to 3.25% from a multi-session closing high of 3.75% on Wednesday. In other news, the MoF issued yesterday, as planned, RON 400mn in 2Y bonds (Aug 2016) at an average accepted yield of 2.76%, in line with the market's median forecast.

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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, 11/9/2014, 17:50 EET): **Latest Political & Macro Developments:** According to the European Competitiveness Report 2014 released on Thursday, the European Commission placed Bulgaria in the bottom group of EU countries. **Market Developments:** Domestic stock bourses bucked the negative trend in emerging stock markets on Thursday, with the main SOFIX index closing 0.68% higher on the day at 555.18 points.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>S&P 500</td> <td>1997.45</td> <td>0.1%</td> <td>8.1%</td> </tr> <tr> <td>Nikkei 225</td> <td>15948.29</td> <td>0.2%</td> <td>-2.1%</td> </tr> <tr> <td>STOXX 600</td> <td>344.44</td> <td>0.0%</td> <td>4.9%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	S&P 500	1997.45	0.1%	8.1%	Nikkei 225	15948.29	0.2%	-2.1%	STOXX 600	344.44	0.0%	4.9%	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>EUR/USD</td> <td>1.2923</td> <td>0.0%</td> <td>-6.0%</td> </tr> <tr> <td>GBP/USD</td> <td>1.625</td> <td>0.0%</td> <td>-1.8%</td> </tr> <tr> <td>USD/JPY</td> <td>107.19</td> <td>-0.1%</td> <td>-1.8%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	EUR/USD	1.2923	0.0%	-6.0%	GBP/USD	1.625	0.0%	-1.8%	USD/JPY	107.19	-0.1%	-1.8%	<table border="1"> <thead> <tr> <th>(yields)</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tbody> <tr> <td>UST - 10yr</td> <td>2.56</td> <td>1</td> <td>-47</td> </tr> <tr> <td>Bund-10yr</td> <td>1.07</td> <td>3</td> <td>-86</td> </tr> <tr> <td>JGB - 10yr</td> <td>0.58</td> <td>1</td> <td>-16</td> </tr> </tbody> </table>	(yields)	Last	ΔDbps	ΔYTD bps	UST - 10yr	2.56	1	-47	Bund-10yr	1.07	3	-86	JGB - 10yr	0.58	1	-16	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>GOLD</td> <td>1238</td> <td>-0.3%</td> <td>2.7%</td> </tr> <tr> <td>BRENT CRUDE</td> <td>181</td> <td>0.0%</td> <td>8.0%</td> </tr> <tr> <td>LMEX</td> <td>3194</td> <td>-0.6%</td> <td>1.1%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	GOLD	1238	-0.3%	2.7%	BRENT CRUDE	181	0.0%	8.0%	LMEX	3194	-0.6%	1.1%
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SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.75	0	-126
1-week	6.98	1	-130
1-month	7.32	1	-126
3-month	7.79	1	-109
6-month	8.09	2	-106

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.27	-5	-69
5Y RSD	10.18	0	-264
7Y RSD	11.29	0	-251

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.83	2	-118
USD Nov-24	-4.10	-1067	-1101

CDS

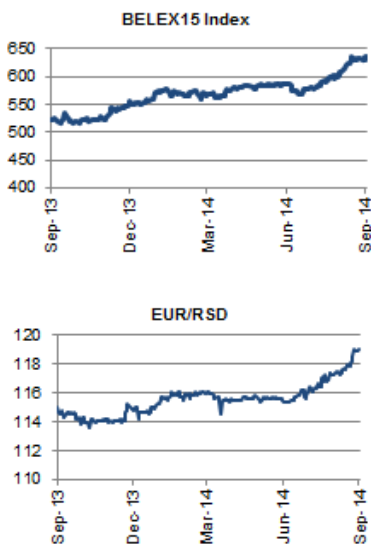
	Last	ΔDbps	ΔYTD bps
5-year	259	9	-150
10-year	309	9	-138

STOCKS

	Last	ΔD	ΔYTD
BELEX15	636.0	-0.02%	13.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-3.73%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.53	4	179
1-month	2.94	8	106
3-month	2.83	7	39
6-month	2.94	5	-5
12-month	2.89	4	-26

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.75	2	-120
5Y RON	3.33	4	-132
10Y RON	4.23	7	-107

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.08	2	-176
USD Aug-23	3.91	2	-90

CDS

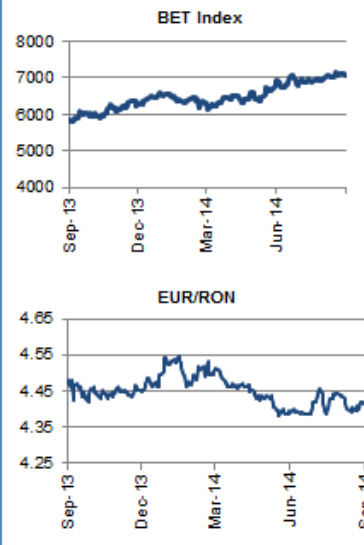
	Last	ΔDbps	ΔYTD bps
5-year	138	3	-47
10-year	184	3	-48

STOCKS

	Last	ΔD	ΔYTD
BET	7077.3	-0.09%	8.99%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4194	-0.06%	1.21%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	-3	-5
1-month	0.22	-1	-10
3-month	0.47	-1	-18
6-month	0.86	0	-30
12-month	1.64	0	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.08	0	-1
5Y BGN	1.76	0	-9
10Y BGN	3.02	0	-48

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.53	-2	-6
EUR Jul-17	1.20	-3	-60

CDS

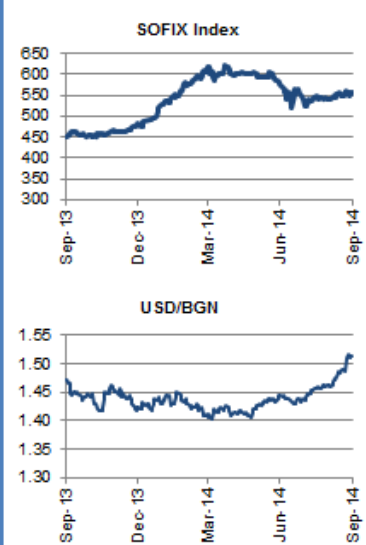
	Last	ΔDbps	ΔYTD bps
5-year	131	1	7
10-year	179	1	4

STOCKS

	Last	ΔD	ΔYTD
SOFIX	555.4	0.04%	12.99%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5136	-0.01%	-5.98%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:15 EET

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