

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 19, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 15
 - Empire State Indec (Sep)
 - Industrial production (Aug)
- September 17
 - CPI (Aug)
 - FOMC meeting
- September 18
 - Initial jobless claims (Sep 13)
 - Housing starts (Aug)
 - Building permits (Aug)
 - Philly Fed (Sep)
- EUROZONE

EUROZONE

- September 16
 - DE: ZEW (Sep)
- September 17: HICP (Aug)
- September 18
 - UK: Scottish referendum

SEE

ROMANIA

- September 15: 2021 T-Bonds auction
- September 18: 2019 T-Bonds auction

BULGARIA

- September 15
 - CPI (Aug)
 - CAD (Aug)
- Bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In **FX markets**, the GBP firmed against major currency peers in European trade on Friday taking comfort from early results of y-day's Scottish referendum which indicated that the "No" vote has won. Elsewhere, the EUR remained under pressure after a lower-than-expected take-up in the ECB's T-LTRO y-day reinforced the view that the prospect of the Central Bank launching a quantitative easing programme in the months ahead cannot be ruled out unless the growth outlook of the euro area economy substantially improves or the upcoming purchase programme of asset backed securities and covered bonds proves larger than currently anticipated.

SOUTH EASTERN EUROPE

SERBIA: Prime Minister announces austerity measures estimated to generate savings of ca EUR 700m in 2015.

ROMANIA: The Ministry of Finance issued yesterday RON 235mn of 5Y bonds, less than half the planned RON 500mn amount, at an average accepted yield of 3.54%.

BULGARIA: The European Bank for Reconstruction and Development downwardly revised its 2014 real GDP growth forecast for Bulgaria to 1.5% from 1.9% previously, primarily in view of mounting domestic political jitters and the banking sector turmoil.

CESEE MARKETS: The majority of **CESEE stock markets, currencies and bonds** firmed in European trade on Friday in the wake of the Scottish referendum and amid market speculation about potential further stimulus measures in China.

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Latest world economic & market developments

GLOBAL MARKETS

In **FX markets**, the GBP firmed against major currency peers in European trade on Friday taking comfort from early results of y-day's Scottish referendum which indicated that the "No" vote has won, with the GBP/USD hitting a two-week high of 1.6525 earlier in the session. Though the final outcome has yet to be officially announced, results so far suggest that the "No" camp won with ca 55%, suggesting that a break-up of the UK has been averted. Against this background, market focus for the GBP now returns to domestic economic fundamentals and the prospect of further appreciation in the coming sessions/weeks cannot be ruled should upcoming macro data surprise positively prompting a hawkish shift in BoE rate hike expectations. As things stand at this point, futures markets price-in the first BoE rate hike to be delivered in Q1 2015. Broad-based GBP strengthening assisted the USD/JPY to extend its recent gains hitting a fresh multi-year of 109.45 while the prevailing market view that the BoJ will probably have to offer further monetary policy stimulus in the months ahead to stimulate the domestic economy continues to weigh on the Japanese currency. Elsewhere, the EUR remained under pressure after a lower-than-expected take-up in the ECB's T-LTRO y-day reinforced the view that the prospect of the Central Bank launching a quantitative easing programme in the months ahead cannot be ruled out unless the growth outlook of the euro area economy substantially improves or the upcoming purchase programme of asset backed securities and covered bonds proves larger than currently anticipated.

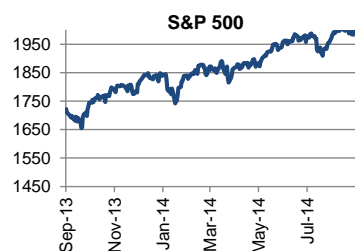
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Latest developments in the CESEE region

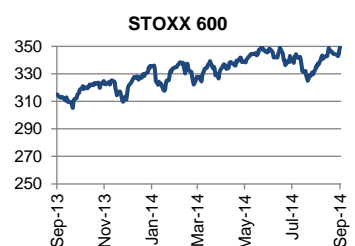
CESEE MARKETS

The majority of **emerging stock markets** moved broadly higher in European trade on Friday, on market speculation about potential further stimulus measures by Chinese authorities aimed at underpinning the world's second largest economy, while Scotland rejected yesterday's referendum, voting in favor of remaining in the UK. In a similar vein, **CESEE currencies** broadly firmed. The Hungarian forint posed among the region's outperformers amid market talk about a potential upward revision on the country's sovereign credit ratings by Standard & Poor's. The agency, which rates Hungary's foreign-currency long-term debt at 'BB' and revised in March its outlook to "stable" from "negative", is expected to publish later today its credit rating review on the country. Along these lines, the EUR/HUF slid to a 1-1/2-month low of 310.10 earlier in the session, before recovering some ground to move just above 311.00 at the time of writing. Technically, a break below today's trough may pave the way for a move towards 308.80 (120-day moving average) ahead of a retest of 306.60 (July 23 low). In a similar mode, the Serbian dinar spiked to a 2-week peak of 117.90/EUR earlier today after Prime Minister Aleksandar Vucic announced late on Thursday fiscal consolidation measures, adding to hopes about a resumption of negotiations with the IMF over a new Stand-By Arrangement. On the flipside, the Ukrainian hryvnia led the losses in the region plummeting to a new lifetime low of 14.30/USD in view of persisting geopolitical tensions. In the **local rates markets**, government bonds recouped part of yesterday's losses suffered in the wake of the FOMC announcement. Turkish paper, which led the losers' pack on Thursday, broadly outperformed its regional peers in European trade with the corresponding 10-year yield easing to 9.20% from a multi-session closing low of 9.25% in the prior session.

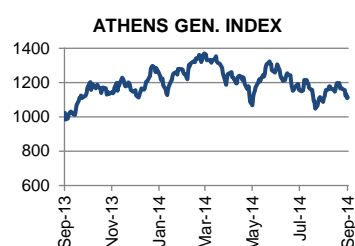
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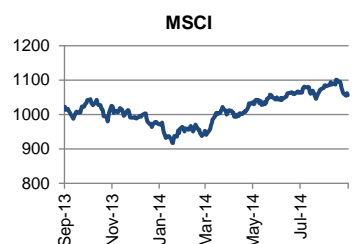
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 18/9/2014, 23:10 CET): **Latest Political & Macro Developments:** Prime Minister Aleksandar Vucic announced during a televised interview on Thursday much awaited fiscal consolidation measures. In detail, the government's plan envisions a 10% linear reduction in pensions over RSD 25,000 (EUR 210) per month and progressive 10-15% cuts in public sector wages in excess of RSD 25,000. The government estimates that the said measure will result in around €400mn in savings, which accounts for ca 5.2% of the aggregate spending on pensions and salaries of state employees. In addition, the Prime Minister also outlined cuts in subsidies for state owned enterprises and additional savings throughout ministries, for a total amount of €300mn. The government estimates that the said measures, which are expected to be formalized in the coming weeks in the 2015 budget draft, will assist in reducing the general government deficit to less than 7.0% of GDP next year from 8.3% anticipated in 2014, depending on the revenue side developments and the final fine tuning of the budget in the National Assembly. **Market Developments:** The EUR/RSD moved lower on Thursday ending at 118.40/60 from 118.65/85 at the session's open, as the dinar received support from the Prime Minister's announcement. We expect consolidation around these levels to persist in the days/weeks ahead as IMF talks on a potential Stand-By Arrangement are likely to resume in the coming weeks, offsetting concerns about the deterioration in the country's fiscal position.

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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, 19/9/2014, 9:25 EET): **Market Developments:** The EUR/RON moved marginally lower on Thursday, closing at 4.4050 from opening levels of 4.4120. Meanwhile, short term RON rates were little changed, remaining near the Central Bank policy rate of 3.25% since the NBR's repo auction on Tuesday. The 1W implied rate from swaps was largely unchanged close to 3.50%, as was the 1M rate which stood at 3.10% on Thursday's settlement. In other news, the Ministry of Finance issued yesterday RON 235mn of 5Y bonds, less than half the planned RON 500mn amount, at an average accepted yield of 3.54%.

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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, 1/9/2014, 20:00 EET): **Latest Political & Macro Developments:** The European Bank for Reconstruction and Development downwardly revised its 2014 real GDP growth forecast for Bulgaria to 1.5% from 1.9% previously, primarily in view of mounting domestic political jitters and the banking sector turmoil. EBRD noted that a pick-up in economic activity to 2% is expected in 2015, thanks to an expected recovery of the country's main trade partners.

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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	2011.36	0.5%	8.8%	EUR/USD	1.288	-0.3%	-6.3%	UST - 10yr	2.63	2	-40	GOLD	1223	-0.2%	1.4%
Nikkei 225	16321.17	1.6%	0.2%	GBP/USD	1.6395	0.0%	-1.0%	Bund-10yr	1.10	2	-83	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	350.67	0.8%	6.8%	USD/JPY	108.89	-0.2%	-3.3%	JGB - 10yr	0.56	-1	-18	LMEX	3168	-1.0%	0.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.72	-1	-129
1-week	6.95	1	-133
1-month	7.30	3	-128
3-month	7.81	3	-107
6-month	8.11	1	-104

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.24	-13	-72
5Y RSD	10.20	0	-262
7Y RSD	11.28	0	-252

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.84	-7	-117
USD Nov-24	-6.06	-1263	-1297

CDS

	Last	ΔDbps	ΔYTD bps
5-year	250	0	-159
10-year	300	0	-147

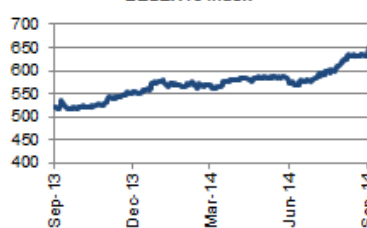
STOCKS

	Last	ΔD	ΔYTD
BELEX15	648.5	1.84%	16.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.28	0.20%	-3.13%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.19	-12	145
1-month	3.01	0	113
3-month	2.89	0	45
6-month	2.96	1	-3
12-month	2.93	1	-22

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.81	0	-114
5Y RON	3.37	-1	-128
10Y RON	4.32	0	-98

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.24	-1	-161
USD Aug-23	4.02	3	-79

CDS

	Last	ΔDbps	ΔYTD bps
5-year	142	1	-44
10-year	187	2	-45

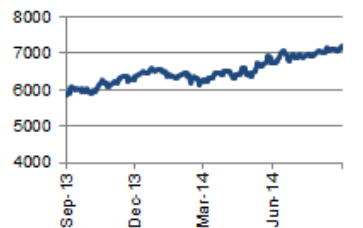
STOCKS

	Last	ΔD	ΔYTD
BET	7257.6	0.62%	11.76%

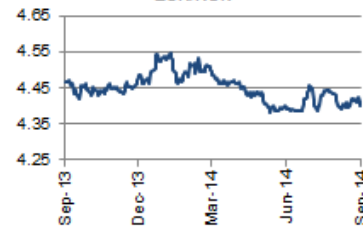
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4023	0.13%	1.60%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-6
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	1.09	0	0
5Y BGN	1.75	-1	-9
10Y BGN	2.99	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.45	-4	-13
EUR Jul-17	1.19	-3	-61

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	9
10-year	177	0	2

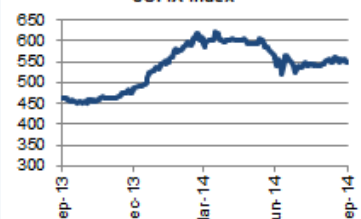
STOCKS

	Last	ΔD	ΔYTD
SOFIX	547.0	0.14%	11.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5186	-0.33%	-6.29%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:25 EET

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