

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 24, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 22: Existing home sales (Aug)
- September 22/23: Fed's Dudley, Bullard, George speak
- September 24
 - New home sales (Aug)
 - Fed's Evans speaks
- September 25
 - Initial jobless claims (Sep 20)
 - Durable goods orders (Jul)
- September 26
 - GDP (f, Q2)
 - UoM Consumer confidence (Sep)

EUROZONE

- September 22: ECB President Draghi speaks
- September 23: PMI (Sep)
- September 24:
 - DE: Ifo (Sep)

SEE

SERBIA

- September 22/23: Current account (Jul)
- September 23: 3Y EUR T-Bonds auction
- September 25: Real gross wages (Aug)

ROMANIA

- September 22: 2025 T-Bonds auction

BULGARIA

- September 22: National holiday
- September 23:
 - Gross external debt (Jul)
 - 2021 T-Bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

SOUTH EASTERN EUROPE

SERBIA: Serbia sold on Tuesday €40mn worth of 3Y EUR Bonds at a yield of 4.8%.

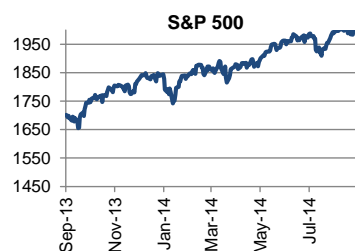
ROMANIA: Short term RON rates spike above the 3.25% key monetary policy rate in the start of the new reserve period.

BULGARIA: Gross external debt increases for the fifth month running on an annual basis to ca 94.4%-of-GDP in July.

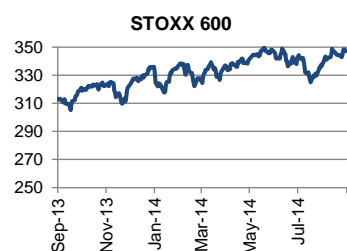
CESEE MARKETS: The majority of **emerging stock markets** moved broadly higher in European trade on Wednesday, with Chinese equities leading the gains. In the **FX markets**, CESEE currencies were mixed, with the Ukrainian hryvnia broadly outperforming its regional peers. In the **local rate markets**, government bonds extended their recent gains in European trade on Wednesday, with Polish paper leading the winners' pack.

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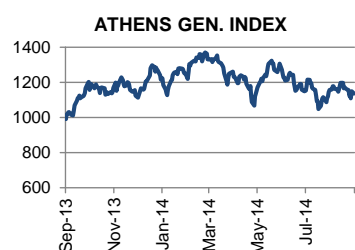
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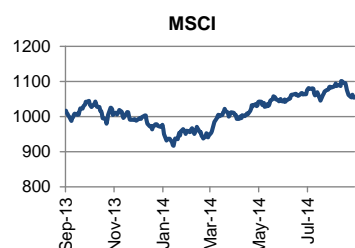
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** moved broadly higher in European trade on Wednesday, with Chinese equities leading the gains in the wake of the better-than-expected September manufacturing data for the world's second largest economy, which somewhat overshadowed geopolitical jitters amid US air strikes in Syria. Against this backdrop, the MSCI emerging equities index firmed modestly at the time of writing compared to its level on Tuesday's settlement, to stand 0.4% higher from a new 4-month low of 1030.63 points hit earlier in the session.

In the **FX markets**, CESEE currencies were mixed, with the Ukrainian hryvnia broadly outperforming its regional peers. The USD/UAH hovered around levels of 12.80 in European trade, sliding further below a lifetime peak of 14.30 hit late last week amid persisting geopolitical tensions. Elsewhere, the Hungarian forint firmed as far as a 2-month peak of 309.90 at some point on Wednesday, after the Central Bank (MNB) said in a statement published in its website that it "would provide to the Hungarian banking system the foreign currency needed to phase out household foreign currency loans". The news came a day after the Central Bank stayed put on interest rates at its MPC meeting, vindicating market expectations that the base rate will be maintained at a record low of 2.10% after 490bps of cumulative monetary policy easing since August 2012. The forint appears to have also received support from Economy Minister Mihali Varga's comments yesterday suggesting the government is seeking to contain spending over the next few years and took market participants aback by adding that it is also mulling on tapping international markets this year.

In the **local rate markets**, government bonds extended their recent gains in European trade on Wednesday, with Polish paper outperforming after a slowdown in retail sales in August and y-day's Central Bank Governor Marek Belka's comments which signaled that an interest rate cut at the MPC's upcoming meeting in October is highly likely, with the prospect of a higher than 25bps reduction also on the cards. Paper of longer maturity outperformed with the 10-year corresponding yield easing ca 9bps just below 3% at the time of writing.

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SERBIA

| 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

(Belgrade, 23/9/2014, 17:00 CET): **Latest Political & Macro Developments:** Serbia's Public Debt Administration sold on Tuesday €39.7mn - below the planned €50mn amount - of EUR denominated 3-year bonds at an average accepted yield of 4.80%, unchanged from that achieved at a prior tender of similar maturity paper in July. Nonetheless, the amount sold compared to that offered was higher from July's auction, when only 40% of the total amount offered was sold, indicating some improvement in investors' sentiment towards the country's financial assets after the Prime Minister announced earlier in the month the government's fiscal consolidation plans. **Market Developments:** The EUR/RSD remained bound within 118.35/55-118.45/65 on Tuesday, standing near a 2-week trough of 118.10/30 hit earlier in the week. We reiterate that, the EUR/RSD's technical picture suggests that a sustained break above 118.50 may pave the way for a resumption of the pair's uptrend. However, any further upside will likely prove limited as the Central Bank is expected to intervene anew in the FX markets to halt the dinar's depreciating momentum, at levels near 119.00. On the downside, strong support lies at 118.10/30 (2-week low hit late last week).

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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 | 3.25 | 3.00 |

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

(Bucharest, 24/9/2014, 9:10 EET): **Market Developments:** The EUR/RON was little changed on Tuesday, remaining bound within a tight 50-pips range around 4.4000. On the money market, short term RON rates extended their recent uptrend yesterday, ahead of the inception of the new reserve period today. The implied 1-week RON rate from swaps closed 40bps higher to 4.00% from 3.60% on Monday. However, any further upside momentum is likely to be capped by a probable NBR repo auction. Separately, government bonds were little changed on Tuesday, with the corresponding yield curve remaining roughly unchanged.

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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, 24/9/2014, 09:30 EET): **Latest Political & Macro Developments:** Bulgaria's gross external debt increased for the fifth month running in July, marking a 1.8%YoY increase to €38.2bn (or ca 94.4% of GDP). The breakdown of the data showed that the general government debt rose by 45%YoY to €4.8bn over the same month, while bank debt continued to shrink, marking a 10.1%YoY decrease to €5.6bn. On the other hand, direct investments in the country in the form of intercompany lending increased by 0.6%YoY to €16.0bn. Long-term debt edged up by 8.4%YoY, representing 76.9% of total debt. **Market Developments:** The domestic stock market erased early gains to eventually close in a negative territory on Tuesday, in the first trading day after Monday's holiday. Against this backdrop, the main SOFIX index lost 0.56% to end at 544.25 points.

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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 | 1982.77 | -0.6% | 7.3% | EUR/USD | 1.2849 | 0.0% | -6.5% | UST - 10yr | 2.54 | 1 | -49 | GOLD | 1226 | 0.2% | 1.7% |
| Nikkei 225 | 16167.45 | -0.2% | -0.8% | GBP/USD | 1.6406 | 0.1% | -0.9% | Bund-10yr | 1.00 | -1 | -93 | BRENT CRUDE | 181 | 0.0% | 8.0% |
| STOXX 600 | 342.01 | 0.0% | 4.2% | USD/JPY | 108.59 | 0.3% | -3.0% | JGB - 10yr | 0.53 | -1 | -21 | LMEX | 3120 | 0.0% | -1.3% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 6.73 | 3 | -128 |
| 1-week | 6.95 | 1 | -133 |
| 1-month | 7.29 | 2 | -129 |
| 3-month | 7.79 | 1 | -109 |
| 6-month | 8.12 | 2 | -103 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|-------|----------|
| 3Y RSD | 9.29 | 0 | -176 |
| 5Y RSD | 10.20 | 0 | -262 |
| 7Y RSD | 11.27 | 0 | -254 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| USD Nov-17 | 3.82 | 0 | -119 |
| USD Nov-24 | -7.87 | -1444 | -1477 |

CDS

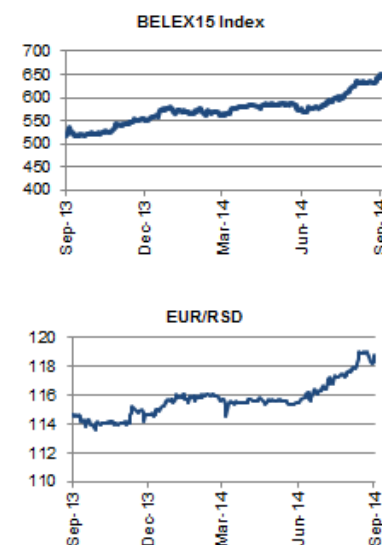
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 257 | 1 | -152 |
| 10-year | 309 | 1 | -138 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 651.6 | 0.22% | 16.78% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| EUR/RSD | 118.85 | -0.41% | -3.59% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 3.7 | 127 | 196 |
| 1-month | 3.25 | 10 | 137 |
| 3-month | 3.05 | 6 | 61 |
| 6-month | 3.05 | 2 | 6 |
| 12-month | 2.99 | -1 | -16 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.84 | 1 | -111 |
| 5Y RON | 3.39 | 1 | -126 |
| 10Y RON | 4.24 | 0 | -106 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 2.16 | -2 | -168 |
| USD Aug-23 | 3.93 | -2 | -88 |

CDS

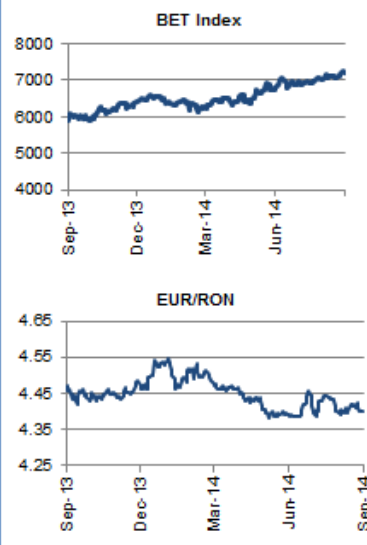
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 143 | 0 | -44 |
| 10-year | 190 | 1 | -42 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|--------|
| BET | 7154.9 | -0.70% | 10.18% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RON | 4.3991 | 0.06% | 1.68% |



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| LEONIA | 0.01 | 0 | -6 |
| 1-month | 0.22 | 0 | -10 |
| 3-month | 0.46 | 0 | -18 |
| 6-month | 0.85 | 0 | -31 |
| 12-month | 1.62 | 0 | -57 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 1.07 | -2 | -2 |
| 5Y BGN | 1.65 | -10 | -20 |
| 10Y BGN | 2.95 | 0 | -54 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Jan-15 | 0.26 | -20 | -33 |
| EUR Jul-17 | 1.17 | -3 | -63 |

CDS

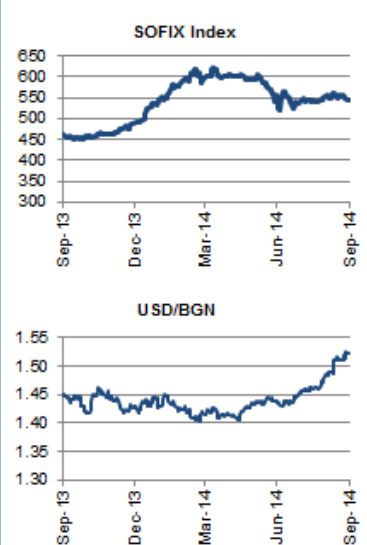
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 138 | -2 | 12 |
| 10-year | 187 | -2 | 13 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|--------|
| SOFIX | 545.0 | 0.14% | 10.89% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.5222 | 0.01% | -6.51% |



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