

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 29, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- September 29: Pending home sales (Aug)
- September 30: CB cons. confidence (Sep)
- October 1
  - ADP employment (Sep)
  - ISM manuf (Sep)
- October 2
  - Initial jobless claims (Sep 26)
- October 3
  - NFP (Aug)
  - ISM non-manuf (Sep)

#### EUROZONE

- September 30: HICP (flash, Sep)
- October 1: PMI manufacturing (Sep)
- October 2: ECB MPC meeting
- October 3: PMI services (Sep)

#### SEE

##### SERBIA

- September 30
  - GDP (f, Q2)
  - Industrial output (Aug)
  - Retail sales (Aug)
  - Trade Balance (Aug)
  - 2-Y T-bonds auction

##### ROMANIA

- September 30: MPC meeting
- October 1
  - GDP (f, Q2)
  - Intern. reserves (Sep)
- October 2: Retail sales (Aug)

##### BULGARIA

- September 30: Budget balance (Aug)
- October 1: Reserve assets (Sep)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The ECB monetary policy meeting and Eurozone's September inflation, both scheduled for Thursday, as well as the US August non-farm payrolls report the following day, lure market attention this week.

**GREECE:** According to the local press, Greece's Minister of Finance Gikas Hardouvelis is scheduled to meet a number of cabinet officials later in the day, ahead of tomorrow's return of the troika heads to Athens for the inception of official discussions in the context of Greece's 5<sup>th</sup> program review.

### SOUTH EASTERN EUROPE

**SERBIA:** The dinar came under renewed depreciating pressure on Friday.

**ROMANIA:** Money market rates remained near recent highs on Friday despite the NBR's repo auction earlier in last week.

**BULGARIA:** Bulgaria's finance ministry said on Saturday that it anticipates the general government budget deficit to rise to 4.0-4.2%-of-GDP this year, more than double an initial deficit target of 1.8%-of-GDP due to lower-than-previously-anticipated revenues.

**CESEE MARKETS:** Emerging stock markets kicked off the week on a negative footing, led lower by Chinese bourses amid social unrest in Hong-Kong. The US dollar's ongoing appreciation continued to exert a negative impact on risky assets. The majority of **CESEE currencies** recoiled in European trade on Monday as expectations for higher US interest rates ahead dent their carry allure.

**Focus this week** is on the National Bank of Romania monetary policy meeting on Tuesday, while September's CPI release in Turkey (Friday), final Q2 GDP readings in Serbia and Romania (Tuesday & Wednesday) and regional PMI data (Wednesday) also lure market attention.

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## Latest developments in the CESEE region

### GLOBAL MARKETS

The USD retained a positive momentum in European trade on Monday as the majority of domestic macro data surprised positively in recent weeks while the latest FOMC projections over the path of interest rates revealed that the Central Bank is expected to start raising them at a faster than previously expected pace next year. Meanwhile, investors have adopted a cautious stance ahead of this week's ECB monetary policy meeting (Thursday) where the Central Bank is likely to announce the technical modalities of its ABS and covered bonds purchasing programs. Against this background, the EUR/USD marked a near two-year trough of 1.2663 earlier today and the prospect of some further weakness in the coming sessions cannot be ruled out entirely especially if Tuesday's Euro zone inflation data for September surprise negatively and/or Friday's US August non-farm payrolls report comes in stronger than currently expected. Technically, immediate support stands at today's intraday low followed by 1.2630/1.2600.

### GREECE

According to the local press, Greece's Minister of Finance Gikas Hardouvelis is scheduled to meet a number of cabinet officials later in the day, ahead of tomorrow's return of the troika heads to Athens for the inception of official discussions in the context of Greece's 5<sup>th</sup> program review. As per the same sources, official discussions between domestic authorities and the troika will primarily focus on, among others, the draft FY-2015 Budget which is scheduled to be submitted to Parliament on October 6<sup>th</sup>. Reportedly, a first draft has already been sent to the troika heads, projecting a ca 2.4%-of-GDP general government primary surplus against the 3.0%-of-GDP officially agreed target, due to the government's plan for the implementation of certain tax reforms, as the Greek Premier announced in his keynote speech at the Thessaloniki International Fair earlier this month. As per the latest MoU update (June 2014), a fiscal gap worth ca 1.0%-of-GDP (ca €2bn) is projected to arise in 2015. On its part, the Greek side has adopted a relatively more optimistic stance, arguing that any fiscal shortfall arising in 2015 is not likely to exceed €0.9bn.

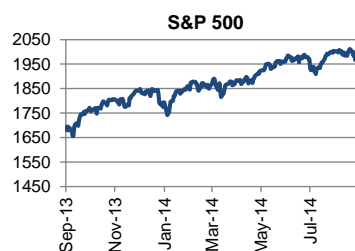
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## Latest developments in the CESEE region

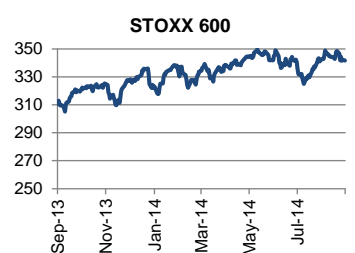
### CESEE MARKETS

**Emerging stock markets** kicked off the week on a negative footing, led lower by Chinese bourses amid social unrest in Hong-Kong. The US dollar's ongoing appreciation continued to exert a negative impact on risky assets. Most indices in the CESEE region bucked the trend with Hungary's BUX leading the gains. On the other hand, the majority of **CESEE currencies** recoiled in European trade on Monday as expectations for higher US interest rates ahead dent their carry allure. The Turkish lira broadly underperformed its regional peers easing to a new 8-month trough of 2.2850/USD intraday. The USD/TRY's technical picture suggests that, a break above today's peak may pave the way towards 2.29050 (January 31, 2014 high), ahead of the more crucial 2.3900 (lifetime peak hit on January 27, 2014). **Focus this week** is on the National Bank of Romania monetary policy meeting on Tuesday, where we anticipate a 25bps cut on the key policy rate to 3.00%, in line with the market's median forecast, as inflation pressures remain subdued (CPI stood near June's record low of 0.7% in July and August) and risks to the domestic growth outlook persist. September's CPI release in Turkey (Friday), final Q2 GDP readings in Serbia and Romania (Tuesday & Wednesday) and regional PMI data (Wednesday) also lure market attention.

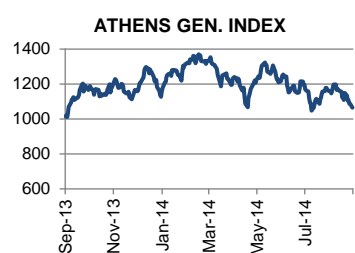
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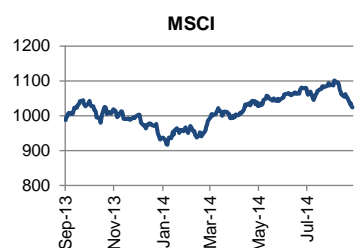
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

## 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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.50	8.00

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

(Belgrade, 26/9/2014, 16:25 CET): **Latest Political & Macro Developments:** EU Commissioner Stefan Füle said on Friday that Serbia "can count on" EUR 1.5bn from the EU IPA Funding (Instruments for Pre-accession Assistance) during 2015-2020. The funds are aimed at improving cross-border cooperation and structural reforms. Serbia is the largest beneficiary in SEE from the IPA programmes. **Market Developments:** The EUR/RSD extended its recent uptrend on Friday, closing at 118.82/02 after breaking above a key resistance level (118.80/00) intraday, in a move suggesting that the door is open for further dinar weakness in the coming sessions. Yet, any sustainable EUR/RSD move above 119.00 is likely to trigger renewed NBS action. Recall that, the National Bank of Serbia has sold a total amount of €1.1bn so far this year in the foreign exchange market to prop up the dinar. In our view, additional sales of €300mn are likely by end-2014.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.25	3.00

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

(Bucharest, 29/9/2014, 9:10 EET): **Market Developments:** The EUR/RON drifted slightly higher towards 4.4100 on Friday, moving above the 4.4000 level around where it was stuck for most of last week. Separately, money market rates remained at relatively elevated levels despite Thursday's Central Bank 1-week repo auction, which injected RON 2bn of additional liquidity into the markets at the 3.25% key policy rate. Increased off-shore demand for RON funding pushed the implied 1-week and 1-month rates from swaps to 3.90% and 3.50% respectively, on Friday, above the central bank key policy rate. On the other hand, government bonds ended little changed, ahead of the Central Bank MPC meeting on September 30 and the announcement of the October issuance calendar details.

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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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

(Sofia, 29/9/2014, 10:35 EET): **Latest Political & Macro Developments:** Bulgaria's finance ministry said on Saturday that it anticipates the general government budget deficit to rise to 4.0-4.2%-of-GDP this year, more than double an initial deficit target of 1.8%-of-GDP due to lower-than-previously-anticipated revenues. The ministry also proposed to raise €3bn of new debt in order to fill any projected budgetary shortfall and support the domestic banking system. It is worth noting that parliamentary approval is required for the issuance of new debt. However, a similar proposal was rejected in Parliament in August. Additionally, the finance ministry revised lower its real GDP forecast for 2014 to 1.5%YoY from 1.8%YoY before amid persisting deflation. **Market Developments:** Bucking the negative trend in emerging stock markets, domestic bourses closed in a positive territory on Friday, with the main SOFIX index registering gains to the tune of 0.23%.

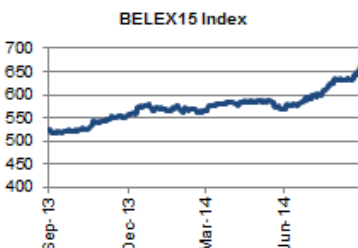
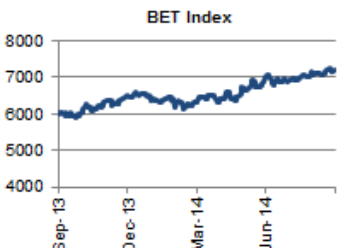
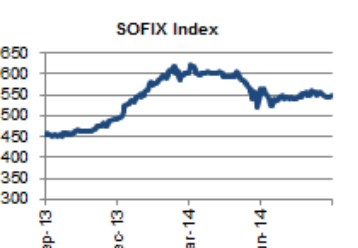
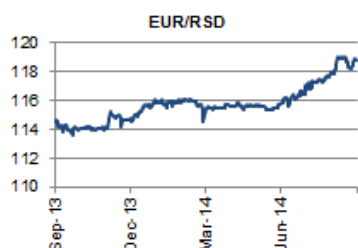

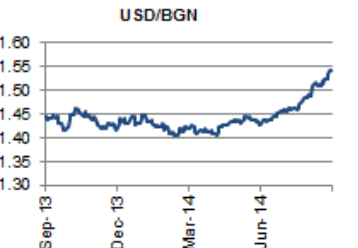
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## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1982.85	0.9%	7.3%	EUR/USD	1.2679	0.0%	-7.7%	UST - 10yr	2.53	0	-50	GOLD	1220	0.1%	1.2%
Nikkei 225	16310.64	0.5%	0.1%	GBP/USD	1.6228	-0.1%	-2.0%	Bund-10yr	0.97	0	-96	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	341.71	-0.2%	4.1%	USD/JPY	109.58	-0.3%	-3.9%	JGB - 10yr	0.52	0	-22	LMEX	3107	-0.1%	-1.7%

## SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.73	-1	-128	O/N	3.7	12	196	LEONIA	0.02	0	-5
1-week	6.96	-1	-132	1-month	3.25	0	137	1-month	0.23	0	-9
1-month	7.29	-1	-129	3-month	3.11	2	67	3-month	0.47	0	-18
3-month	7.78	0	-110	6-month	3.04	0	5	6-month	0.85	0	-31
6-month	8.06	-1	-109	12-month	3.01	1	-14	12-month	1.63	0	-57
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.43	0	-53	3Y RON	2.80	-3	-115	3Y BGN	1.11	1	1
5Y RSD	10.28	-1	-254	5Y RON	3.30	-3	-135	5Y BGN	1.75	5	-10
7Y RSD	11.28	-1	-252	10Y RON	4.20	1	-110	10Y BGN	3.01	0	-49
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.19	9	-82	EUR Sep-20	2.16	-5	-168	USD Jan-15	0.87	22	28
USD Nov-24	-7.38	-1397	-1428	USD Aug-23	4.00	1	-81	EUR Jul-17	1.21	-1	-60
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	260	10	-149	5-year	143	1	-42	5-year	141	11	8
10-year	312	10	-135	10-year	191	1	-41	10-year	191	13	16
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	656.8	-0.94%	17.71%	BET	7201.5	0.44%	10.90%	SOFIX	546.2	0.27%	11.12%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	118.84	0.10%	-3.59%	EUR/RON	4.4135	0.14%	1.35%	USD/BGN	1.5426	-0.04%	-7.75%
											
											

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:45 EET

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