

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 30, 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: Eurozone flash HICP resumed its downtrend in September hitting a new cycle low of 0.3%YoY, fuelling expectations that the ECB may eventually embark on a quantitative easing program in the coming months. In response to the above, the EUR moved lower while German Bunds firmed.

GREECE: The heads of the troika mission arrived in Athens y-day, as expected, to hold discussions with domestic authorities in the context of Greece's 5th program review. The first high-level meeting between Greece's Minister of Finance Gikas Hardouvelis and the troika heads is scheduled to take place this morning.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD kicked off the week little changed.

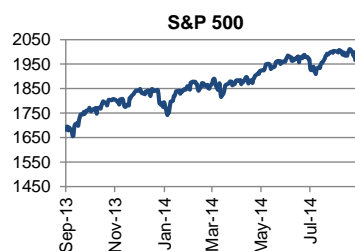
ROMANIA: NBR widely expected to cut the key policy rate by 25bp to 3.00% at today's MPC meeting.

BULGARIA: Business sentiment decreased in September for the fourth month running.

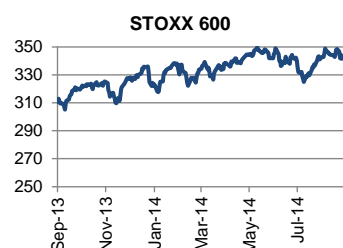
CESEE MARKETS: The majority of **emerging stock markets** extended Monday's losses in early European trade today amid social unrest in Hong-Kong, while China's disappointing HSBC manufacturing data for September added to concerns about the outlook of the world's second largest economy. News that incumbent Brazilian President Dilma Rousseff was the front runner in a new poll ahead of Sunday's election also weighed on emerging bourses. Yet, bucking the negative trend in emerging stock markets most CESEE bourses moved higher earlier today. Separately, regional **currencies** were mixed at the time of writing, with the Turkish lira recovering a small part of its recent losses.

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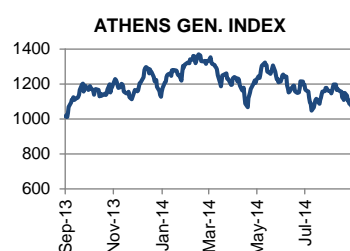
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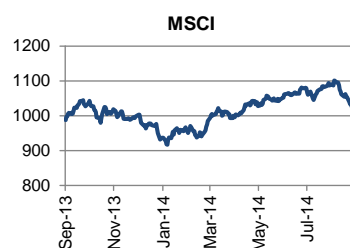
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

GLOBAL MARKETS

Eurozone flash HICP resumed its downtrend in September hitting a new cycle low of 0.3%YoY from 0.4%YoY in the prior month, mainly due to lower energy prices. September core HICP also moved lower coming in at 0.7%YoY from 0.9%YoY in August, fuelling expectations that the ECB may eventually embark on a quantitative easing program in the coming months. Against this background, the **EUR** extended its recent losses hitting a new multi-month low of 1.2600 against the USD in European trade. A higher-than-expected monthly increase in US August consumer spending, also favored the US currency. Reacting to a fresh cycle low of the Eurozone's HICP, **German Bunds** firmed with the 2-yr bond yield hovering around -0.74% at the time of writing after closing at -0.69% on Monday, approaching a multi-year of -0.77% hit earlier this month.

GREECE

The **heads of the troika mission** arrived in Athens y-day, as expected, to hold discussions with domestic authorities in the context of Greece's 5th program review. The first high-level meeting between **Greece's Minister of Finance Gikas Hardouvelis** and the troika heads is scheduled to take place this morning where the execution of the FY-2014 budget and the draft FY-2015 budget will reportedly feature high on the agenda. 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, reportedly arguing that any fiscal shortfall arising in 2015 is not likely to exceed €0.5bn. A consensus on the exact size of the projected fiscal shortfall in FY-2015 has to be reached by October 6th, when the draft budget is scheduled to be submitted to Parliament for approval.

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Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** extended Monday's losses in early European trade today amid social unrest in Hong-Kong, while China's disappointing HSBC manufacturing data for September added to concerns about the outlook of the world's second largest economy. News that incumbent Brazilian President Dilma Rousseff was the front runner in a new poll ahead of Sunday's election fuelled concerns about the country's reform-drive ahead, weighing on emerging bourses. Against this backdrop, the MSCI index of emerging equities was sliding by 0.20% at the time of writing, having hit a near 5-month low earlier in the session and poised to end the month with losses. The prospect of an aggressive FOMC rate tightening cycle as of 2015, also continued to dent risky assets' carry allure. Yet, bucking the negative trend in emerging stock markets most CESEE bourses moved higher earlier today. Separately, regional **currencies** were mixed at the time of writing, with the Turkish lira recovering a small part of its recent losses. The currency has been among the most hit in the EM space, amid concerns that higher US rates will curb foreign capital inflows on which Turkey is highly reliant in order to fund its external financing requirements. The USD/TRY's technical picture suggests that, a sustainable break above yesterday's 2.2900 1-month peak may pave the way towards 2.3170 (January 29, 2014 high), ahead of the more crucial 2.3900 (lifetime peak hit on January 27, 2014).

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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, 29/9/2014, 18:00 CET): **Market Developments:** The EUR/RSD closed marginally higher at 118.85/05 on Monday, remaining though below the 119.00 key psychological level. In our view, a move towards the all-time high of 119.15/35, hit earlier this month, is likely to trigger renewed Central Bank intervention in the FX markets aimed at supporting the domestic currency.

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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, 29/9/2014, 9:10 EET): **Market Developments:** The EUR/RON remained range-bound within 4.4100/150 on Monday, with caution prevailing ahead of today's NBR monetary policy meeting. The central bank is widely expected to cut the key policy rate by 25bps to 3.00% on the back of persistently low inflation and faltering growth. A rate cut will likely be accompanied by a reduction in the symmetrical corridor around the monetary policy rate defined by the interest rates on the NBR standing facilities, which currently stands at +/-300 bps, in order to avoid having a deposit facility rate of 0%. Elsewhere, short term RON interbank deposit rates stood around the 3.25% monetary policy rate, while implied rate from swaps remained at elevated levels amid strong off-shore demand for RON funding. Against this backdrop, the 1W implied rate from swaps rose to 4.00% on Monday from 3.60% at the end of last week. Separately, government bonds were little changed as market participants await the central bank decision and the October issuance calendar due to be released later today.

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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, 29/9/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the total business climate indicator decreased for the fourth month running in September, marking a 2.6 percentage points decline compared to its level in August. The renewed decline was mainly due to the more unfavorable business climate in industry, construction and retail trade. **Market Developments:** Tracking losses in emerging stock markets on Monday, domestic bourses closed in a negative territory, with the main SOFIX index sliding by 0.21% to end at 543.59 points.

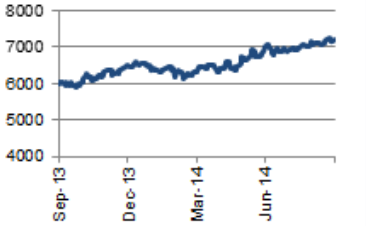
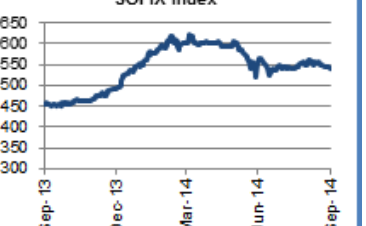
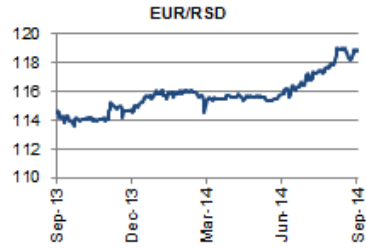

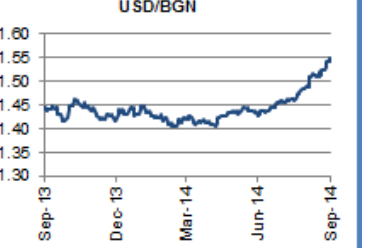
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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1977.80	-0.3%	7.0%	EUR/USD	1.2614	-0.6%	-8.2%	UST - 10yr	2.51	3	-52	GOLD	1213	-0.3%	0.6%
Nikkei 225	16173.52	-0.8%	-0.7%	GBP/USD	1.6204	-0.2%	-2.1%	Bund-10yr	0.96	0	-97	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	341.75	0.2%	4.1%	USD/JPY	109.61	-0.1%	-3.9%	JGB - 10yr	0.53	1	-21	LMEX	3116	0.3%	-1.4%

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	3.49	-21	175	LEONIA	0.02	0	-5
1-week	6.96	-1	-132	1-month	3.22	-3	134	1-month	0.22	0	-10
1-month	7.29	-1	-129	3-month	3.1	-1	66	3-month	0.47	0	-18
3-month	7.78	0	-110	6-month	3.03	-1	4	6-month	0.85	0	-31
6-month	8.06	-1	-109	12-month	3.01	0	-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	9.27	-4	-178	3Y RON	2.79	0	-116	3Y BGN	1.12	-2	2
5Y RSD	10.27	-1	-255	5Y RON	3.29	0	-136	5Y BGN	1.77	-1	-7
7Y RSD	11.29	0	-252	10Y RON	4.19	-1	-111	10Y BGN	3.08	0	-41
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	4.22	-1	-79	EUR Sep-20	2.16	0	-169	USD Jan-15	0.89	-3	30
USD Nov-24	-7.59	-1419	-1450	USD Aug-23	4.06	2	-75	EUR Jul-17	1.15	15	-59
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	265	5	-144	5-year	149	6	-39	5-year	144	3	12
10-year	317	6	-129	10-year	198	7	-34	10-year	194	3	20
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	658.6	-0.37%	18.04%	BET	7234.1	0.43%	11.40%	SOFIX	540.3	-0.61%	9.92%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	118.95	-0.18%	-3.68%	EUR/RON	4.4088	-0.02%	1.45%	USD/BGN	1.5506	-0.57%	-8.22%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:10 EET

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