

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 9, 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: The USD extended its recent gains in European trade on Tuesday favored by the release of a special study conducted by the Federal Reserve Bank of San Francisco which suggested that the Fed is likely to pursue a more aggressive rate tightening trajectory than currently expected in the months ahead.

GREECE

The next Eurogroup will be held on September 12 and according to the local press the progress made so far by the Greek side in fulfilling a range of agreed quantitative targets and structural benchmarks underlining the next (5th) adjustment program review, will likely be among the main issues on the agenda.

SOUTH EASTERN EUROPE

SERBIA: An IMF delegation met on Monday with government and Central Bank officials in an attempt to lay the ground for a new IMF Stand-By Arrangement.

ROMANIA: The MoF issued RON 100mn of 2027 bonds, as planned at an average accepted yield of 4.35%, which came in below expectations.

BULGARIA: According to Bulgaria's National Employment Agency, the unemployment rate eased for the seventh month running in August, to 10.4%, down by 0.2ppts on a monthly basis and 0.3ppts compared to the same month a year earlier.

CESEE MARKETS: The majority of **emerging stock markets** extended this week's losses on Tuesday and CESEE currencies weakened after the EU announced new sanctions against Russia while a research report published by San Francisco Fed on Monday dented risky assets' carry allure.

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Latest world economic & market developments

GLOBAL MARKETS

The USD extended its recent gains in European trade on Tuesday favored by the release of a special study conducted by the Federal Reserve Bank of San Francisco which suggested that the Fed is likely to pursue a more aggressive rate tightening trajectory than currently expected in the months ahead. The USD dollar index DXY rose to as high as 84.496 earlier today, coming close to the July 2013 multi-month peak of 84.753. Amid renewed broad-based USD strength the EUR/USD was trading close to 1.2870/75 at the time of writing, not far from a new 14-month trough of 1.2865 marked earlier today. The ECB policy decision last week for a 10bps cut in the key interest rates and the purchase, as of October 2014, of a broad portfolio of asset-backed securities (ABSs) as well as euro-denominated covered bonds, also continued to exert a negative impact on market sentiment towards the common currency. In the absence of major euro area and US data releases today, EUR/USD consolidation close to 1.2850/1.2900 will likely prevail. Technically, a sustainable move below 1.2850 could potentially open the way for further weakness towards 1.2800, or even lower on a multi-session basis. Meanwhile, the GBP retained a negative tone after **a new opinion poll for the September 18th Scottish independence referendum** revealed that the "Yes" camp has increased its support over the last few weeks to 38%, just behind the "No" camp which scored 39%. With political concerns surrounding the upcoming Scottish referendum expected to continue playing a key role in FX markets, the GBP is likely to remain under pressure in the coming sessions. The GBP/USD recorded a new multi-month low of 1.6062 earlier today with the next target for GBP-bears standing at 1.6000/1.5900.

GREECE

The next Eurogroup will be held on September 12 and according to the local press the progress made so far by the Greek side in fulfilling a range of agreed quantitative targets and structural benchmarks underlining the next (5th) adjustment program review, will likely be among the main issues on the agenda. In other news, **S&P rating agency** is expected to release on Friday its updated review on Greece's sovereign credit rating. 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.

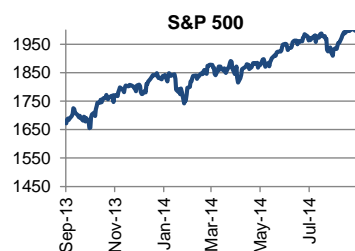
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Latest developments in the CESEE region

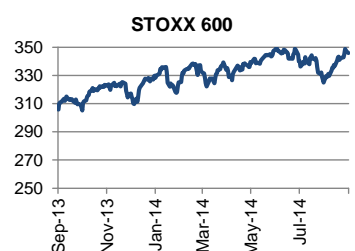
CESEE MARKETS

The majority of **emerging stock markets** extended this week's losses on Tuesday after the EU announced new sanctions against Russia while a research report published by San Francisco Fed on Monday dented risky assets' carry allure. Along similar lines, **CESEE currencies** broadly weakened. The Turkish lira underperformed its regional peers to slid as far as a 2-1/2-week trough of 2.1870/USD earlier today. Technically, a break above today's USD/TRY high may pave the way for a retest of a 5-month peak of 2.1881 recorded in mid-August. On the flipside, the Serbian dinar bucked the region's trend in the wake of Monday's new Central Bank intervention in the FX markets in order to halt the currency's depreciating momentum. Against this backdrop, the EUR/RSD slid by 0.20% compared to Monday's close to stand at 118.66 at the time of writing.

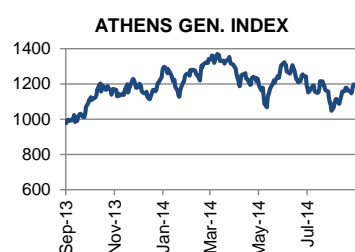
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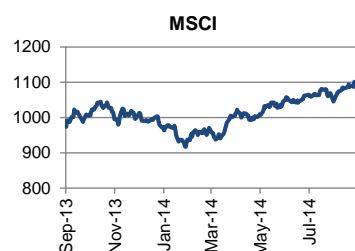
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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: 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, 8/9/2014, 18:00 CET): **Latest Political & Macro Developments:** An IMF delegation led by Kim Daehaeng, met on Monday with Prime Minister Aleksandar Vucic, central bank Governor Jorgovanka Tabakovic, Finance Minister Dusan Vujovic and Economy Minister Zeljko Sertic in an attempt to lay the ground for a new IMF stand-by arrangement. The two sides discussed the government's fiscal consolidation plans. However, the Prime Minister noted that no final decision has been made yet on the level of spending cuts, but reiterated that the measures will be crafted so as the most vulnerable social groups are least affected.

Market Developments: The dinar remained under pressure on Monday, but its losses were limited closing at 118.95/119.15 against the euro gaining some support from renewed Central Bank intervention in the FX markets in order to halt the currency's depreciating momentum. It is estimated that the size of the said intervention amounted to €30mn and possibly came around EUR/RSD levels near an all-time high of 119.10/30 hit in mid-August 2012. Looking ahead, we expect consolidation around the 118.50-119.00 area in the coming session as the likelihood for renewed intervention by the Central Bank and last week's ECB's decision for further monetary policy easing are expected to offset persisting worries over the country's deteriorating fiscal position. Note that, including yesterday's intervention, the NBS has sold €1.05bn so far this year in order to prop up 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, 9/9/2014, 9:20 EET): **Market Developments:** The EUR/RON moved higher on Monday, to close near the upper bound of the recent 4.3900-4.4200 range held over the last couple of weeks after opening at 4.4040. The pair's technical picture suggests that a break above 4.4200 may pave the way to a retest of multi-month high of 4.4600 recorded in mid-July. In money markets, the RON implied rates in swaps reversed their recent course to move higher, with the 1-week rate moving back towards 2.60% from 2.20% at the end of last week. In other news, the MoF issued RON 100mn of 2027 bonds, as planned at an average accepted yield of 4.35%, which came in below expectations. Given the relatively small amount offered and the identical average and maximum yield, it is likely that the entire amount was acquired by a sole buyer.

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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, 8/9/2014, 17:20 EET): **Latest Political & Macro Developments:** According to Bulgaria's National Employment Agency, the unemployment rate eased for the seventh month running in August, to 10.4%, down by 0.2ppts on a monthly basis and 0.3ppts compared to the same month a year earlier. **Market Developments:** Tracking the negative trend in most emerging market bourses, the domestic stock market closed broadly lower on Monday, with the main SOFIX index shedding 0.24% to end at 555.34 points.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2001.54	-0.3%	8.3%
Nikkei 225	15749.15	0.3%	-3.3%
STOXX 600	345.90	-0.1%	5.4%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.2871	-0.2%	-6.3%
GBP/USD	1.6105	0.0%	-2.7%
USD/JPY	106.34	-0.3%	-1.0%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.49	2	-53
Bund-10yr	0.99	4	-94
JGB - 10yr	0.54	1	-21

Commodities

	Last	ΔD	ΔYTD
GOLD	1256	0.0%	4.2%
BRENT CRUDE	181	0.0%	8.0%
LMEX	3292	0.2%	4.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.71	4	-130
1-week	6.96	7	-132
1-month	7.31	9	-127
3-month	7.77	3	-111
6-month	8.07	3	-108

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.33	0	-63
5Y RSD	10.27	0	-255
7Y RSD	11.24	-1	-257

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.72	-2	-129
USD Nov-24	-3.19	-975	-1009

CDS

	Last	ΔDbps	ΔYTD bps
5-year	250	-2	-159
10-year	300	-3	-147

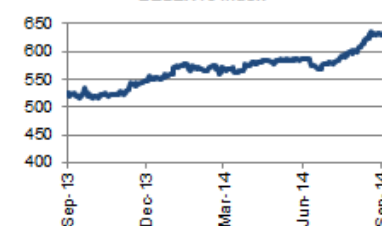
STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.8	0.29%	13.24%

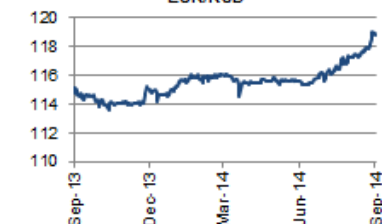
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.05%	-3.49%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.42	92	168
1-month	2.71	34	83
3-month	2.58	19	14
6-month	2.76	10	-23
12-month	2.76	1	-39

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.60	2	-135
5Y RON	3.20	4	-145
10Y RON	4.02	7	-128

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.08	2	-176
USD Aug-23	3.85	6	-95

CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	1	-48
10-year	179	3	-53

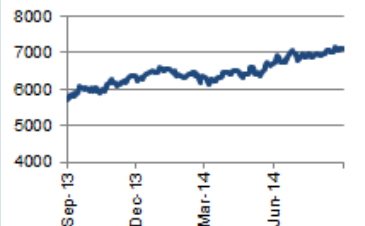
STOCKS

	Last	ΔD	ΔYTD
BET	7114.2	0.00%	9.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4198	-0.02%	1.20%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	0	-2
1-month	0.22	0	-10
3-month	0.47	0	-18
6-month	0.85	0	-30
12-month	1.64	0	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.25	4	16
5Y BGN	1.86	1	1
10Y BGN	3.13	0	-37

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.58	-6	-1
EUR Jul-17	1.22	-2	-58

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	6
10-year	178	0	3

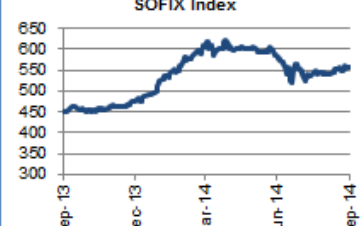
STOCKS

	Last	ΔD	ΔYTD
SOFIX	556.4	0.19%	13.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5197	-0.19%	-6.36%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:40 EET

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