

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

July 15, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- July 15
 - Empire state index (Jul)
 - Retail sales (Jun)
 - Business inventories (May)
- July 16
 - IP (Jun)
 - NAHB housing index (Jul)
- July 17
 - Initial jobless claims (Jul 12)
 - Housing starts (Jun)
 - Housing permits (Jun)
 - Philly Fed (Jul)
- July 18: UoM consumer confidence (Jul)

EUROZONE

- July 14: ECB President Draghi speech before the ECON committee of the EU Parliament
- July 15 (DE): ZEW (Jul)
- July 17: HICP (Jun)

CHINA

- July 16: GDP (Q2)

SEE

ROMANIA

- July 14
 - CAD (May)
 - 2019 T-bonds auction
- July 17: 2015 T-bonds auction

BULGARIA

- July 14: CAD (May)
- July 15: CPI (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries moved higher in European trade on Tuesday on market perception that the tone FOMC Chair Janet Yellen will adopt in the first part of her semi-annual testimony to the Senate later today will not differ notably from the context of last week's FOMC minutes of the June policy meeting. In FX markets, the EUR/USD continued to consolidate within its 1.3550-1.3650 recent range.

GREECE: According to the latest data for the execution for the State budget, the primary balance recorded a surplus of €0.712bn in the first six months of 2014 compared to a shortfall of €1.511bn realized in the same period a year earlier and a deficit target of €0.635bn envisioned in the 2015-2018 Medium Term Fiscal Strategy.

SOUTH EASTERN EUROPE

SERBIA: The dinar came under some selling pressure on Monday in the wake of news about finance minister Lazar Krstić's resignation.

ROMANIA: The current account swung to a deficit of €351mn over the first five months of the year from a €191mn surplus recorded over the same period of 2013.

BULGARIA: Following consultations with political parties on Monday, Bulgarian President Rosen Plevneliev reiterated that bank deposits up to EUR 100k are guaranteed adding that it was agreed to allow the government to propose an increase in the budget deficit up to 3.0% of GDP.

CESEE Markets: Emerging stock markets closed broadly higher on Monday, but sentiment remained fragile as geopolitical tensions in Ukraine linger, political noise persists in Serbia after finance minister Lazar Krstić's resignation. Separately, **CESEE currencies** were little changed, with the Hungarian forint broadly outperforming its regional peers.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from the positive tone in Wall Street overnight, major Asian bourses firmed on Tuesday while the majority of European bourses were standing in positive territory in early trade following Citigroup's better-than-expected Q2 earnings results y-day. Elsewhere, US Treasuries moved higher today on market perception that the tone FOMC Chair Janet Yellen will adopt in the first part of her semi-annual testimony to the Senate later today will not differ notably from the context of last week's FOMC minutes from the June 17-18 policy meeting. The latter suggested that the Fed is in no rush to push interest rates higher even though the current asset purchases program will be completed in October 2014. In FX markets, the JPY edged lower against the US currency in European trade following the release of the BoJ's updated staff projections which revealed a downward revision in the 2014/2015 real GDP forecast to 1.0% from 1.1% previously. Meanwhile, the EUR/USD continued to consolidate within its 1.3550-1.3650 recent range, shrugging off comments by ECB President Mario Draghi before the EU Parliament y-day that, under current conditions, a stronger euro exchange rate is a risk to the sustainability of the euro area economic recovery.

GREECE

According to the latest data for the execution for the State budget, the primary balance recorded a surplus of €0.712bn in the first six months of 2014 compared to a shortfall of €1.511bn realized in the same period a year earlier and a deficit target of €0.635bn envisioned in the 2015-2018 Medium Term Fiscal Strategy (MTFS). State budget net revenue stood at €23.6bn, outperforming by €0.246bn the corresponding 6-month target in the updated MTFS. Speaking to reporters soon after the release of the data, Alternate Minister of Finance Christos Staikouras was quoted as saying in the local press that "for a third straight year the fiscal targets have been achieved" and that "this lays the necessary groundwork for the recovery of the real economy and the promotion of employment, for a reduction to social security contributions and the gradual slashing of the tax burden on corporations and households".

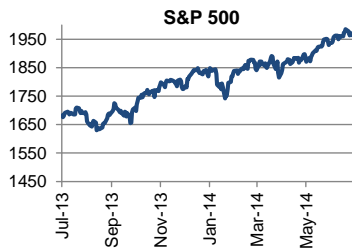
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Latest developments in the CESEE region

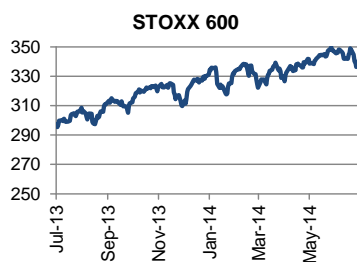
CESEE markets

Emerging stock markets closed broadly higher on Monday, but sentiment remained fragile as geopolitical tensions in Ukraine linger. Furthermore, political jitters mounted in Serbia after the resignation of the finance minister while in Slovenia fiscal worries persist in the wake of a snap election held over the weekend. Separately, **CESEE currencies** were little changed on Monday, with the Hungarian forint broadly outperforming its regional peers. The EUR/HUF slid to an intraday multi-session trough just below 309 on Monday after May's final industrial production data indicated that the domestic economy remains on a recovery path. Technically, immediate support lies at yesterday's intraday low of 308.94 ahead of 308.61 (July 8 low). Even so, the currency may come under renewed pressure in the near term as a deflation environment provides leeway for further monetary easing ahead. We anticipate 30bps of additional rate cuts by the end of the year, which will bring the base rate to a new 3.00% record low, following 470bps of cumulative reduction since August 2012. Elsewhere, the Polish zloty remained range-bound within 4.1360-4.1445/EUR as lingering geopolitical tensions in Ukraine and a smaller-than-anticipated current account surplus for May capped the currency's upside potential.

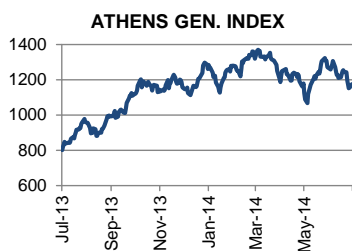
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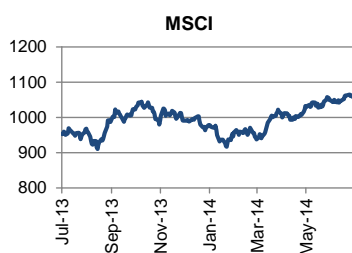
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-7.5	-5.8	-7.1
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	116.50
	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, 14/7/2014, 16:15 CET): **Latest Political & Macro Developments:** Finance minister Lazar Krstic announced on Saturday his resignation citing lack of backing from the Prime Minister on tough measures he envisioned in order to contain the country's elevated fiscal shortfall. For this year the government targets a fiscal deficit of 7.1%-of-GDP. However, it may surpass 8.0% as the recent adverse weather conditions are expected to have taken a significant toll on the domestic economy and government finances. In order to curtail government expenditure outgoing finance minister supported a 15% cut in public wages and a 20% reduction in pensions. Acting finance minister Dusan Vujovic, said on Monday that he opts for a 10% cut in both. Nonetheless, the government adopted over the weekend certain measures backed by outgoing finance minister aimed at containing public spending, such as an increase in the retirement age for women. **Market Developments:** The dinar came under some selling pressure on Monday in the wake of news about finance minister Lazar Krstic's resignation. As a result, the EUR/RSD drifted higher to close at 116.30/50 after opening at 116.15/35. That said, further upside potential for the pair in the coming sessions is likely to be capped by possible renewed Central Bank intervention.

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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	2.3
Budget Balance/GDP	-3.0	-2.3	2.2
Current Account/GDP	-4.4	-1.1	-1.2
EUR/RON (eop)	4.44	4.46	4.40
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

ROMANIA

(Bucharest, 15/7/2014, 09:25 EET): **Latest Political & Macro Developments:** The current account swung to a deficit of €351mn over the first five months of the year from a €191mn surplus recorded over the same period of 2013. FDIs totaled €1.09bn, 13.9% higher on an annual basis. **Market Developments:** The EUR/RON traded in a tight range between 4.4170/230 on Monday, remaining within distance from a six week high of 4.4210 reached a session earlier. Meanwhile, money market rates eased after a short-lived spike at the end of last week. In more detail, the 1M implied rate from swaps inched down to around 1.70% compared to levels near 2.00% on Friday. Elsewhere, yesterday's 5Y finance ministry auction was well received, with the government allotting the entire RON 500mn planned amount at an average accepted yield of 3.30%.

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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	-0.2
Budget Balance/GDP	-0.8	-1.5	-1.8
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, 15/7/2014, 9:30 EET): **Latest Political & Macro Developments:** Following consultations with political parties on Monday, Bulgarian President Rosen Plevneliev reiterated that bank deposits up to EUR 100k are guaranteed highlighting that the deposit insurance fund and the government have enough resources to cover such payouts. It was also agreed that the Central Bank will request a review from the European Banking Authority into its banking supervision. Moreover, political parties reportedly agreed to allow the government to propose an increase in the budget deficit up to 3.0% of GDP (from a target of 1.8%). Consensus was also reached on joining the European Single Supervisory Mechanism as a first step towards joining the EU's 'banking union'. **Market Developments:** The main SOFIX index extended its recent downtrend, recoiling for the sixth session running on Monday and plummeting by 2.84% to 524.39 points amid news that the Central Bank will allow Corpbank to collapse.

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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	1977.10	0.5%	7.0%	EUR/USD	1.3591	-0.2%	-1.1%	UST - 10yr	2.53	-2	-50	GOLD	1313	0.4%	8.9%
Nikkei 225	15395.16	0.6%	-5.5%	GBP/USD	1.7136	0.3%	3.5%	Bund-10yr	1.19	-2	-74	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	339.80	0.0%	3.5%	USD/JPY	101.55	0.0%	3.7%	JGB - 10yr	0.54	0	-20	LMEX	3266	-0.3%	3.4%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.61	-1	-140
1-week	6.87	-2	-141
1-month	7.18	-2	-140
3-month	7.64	0	-124
6-month	8.01	-1	-114

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	-10	-67
5Y RSD	10.29	-2	-253
7Y RSD	11.29	2	-251

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.94	0	-107
USD Nov-24	1.79	-476	-511

CDS

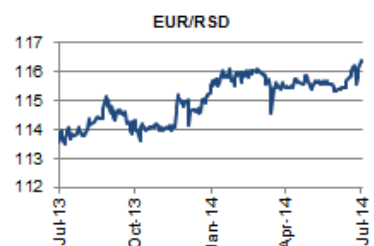
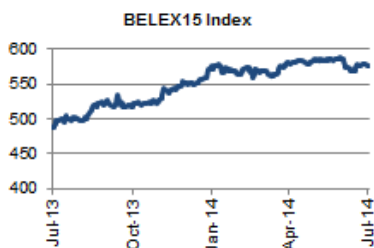
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-139
10-year	317	0	-130

STOCKS

	Last	ΔD	ΔYTD
BELEX15	577.5	0.00%	3.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.02%	-1.55%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.93	-9	-81
1-month	1.54	-3	-34
3-month	2.18	-3	-26
6-month	2.54	-2	-45
12-month	2.61	-3	-54

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.49	0	-146
5Y RON	3.02	0	-163
10Y RON	4.20	-3	-110

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.40	-1	-144
USD Aug-23	4.00	0	-80

CDS

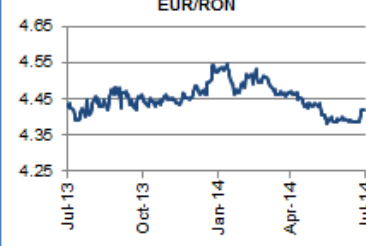
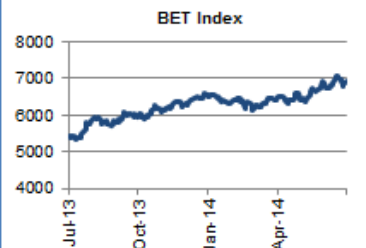
	Last	ΔDbps	ΔYTD bps
5-year	143	0	-50
10-year	191	0	-41

STOCKS

	Last	ΔD	ΔYTD
BET	6941.6	-0.09%	6.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4177	-0.01%	1.25%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.03	0	-4
1-month	0.24	0	-8
3-month	0.51	0	-14
6-month	0.96	0	-20
12-month	1.83	0	-36

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.17	0	8
5Y BGN	1.79	5	-6
10Y BGN	3.11	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.13	1	54
EUR Jul-17	1.69	-35	-12

CDS

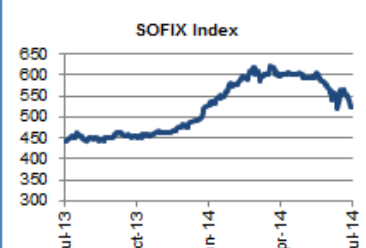
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-5
10-year	175	0	0

STOCKS

	Last	ΔD	ΔYTD
SOFIX	523.4	-0.19%	6.48%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4391	-0.21%	-1.11%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:150 EET

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