

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 16, 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: In her semi-annual testimony to the Senate y-day, **FOMC Chair Janet Yellen** acknowledged improving conditions in the domestic labor market noting though that the unemployment rate remains at still elevated levels. Furthermore, she said that FOMC interest rates could rise earlier than currently expected if the labor market continues to improve at a solid pace. As a result, US front-end yields moved higher and the USD firmed against its major currency peers.

GREECE: Greece's Public Debt Management Agency (PDMA) successfully sold on Tuesday €1.625bn in 3-month T-bills including €0.375bn in non-competitive bids to rollover maturing short-term debt on Friday. The auction produced an average yield of 1.75%, the lowest since January 2010. In other news, the total amount of funding taken from the Eurosystem dropped in June for the second month in a row coming in at €45.6bn.

SOUTH EASTERN EUROPE

SERBIA: Minister of Economy and acting Minister of Finance Dusan Vujovic said on Tuesday that Serbia will be seeking a 3Y loan from the IMF in autumn.

ROMANIA: The Ministry of Finance held a supplementary auction for 2019 RON denominated bonds on Tuesday, selling RON 75mn at an average accepted yield of 3.30%.

BULGARIA: Special supervision upon CorpBank and subsidiary extended until September.

CESEE Markets: Emerging stock markets inched up in morning trade on Wednesday, with slightly better-than-expected Q2 GDP data from China providing support. In the **FX markets**, **CESEE currencies** were little changed with the Polish zloty leading the gains after June's CPI slightly overshot expectations.

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Latest world economic & market developments

GLOBAL MARKETS

In her semi-annual testimony to the Senate y-day, FOMC Chair Janet Yellen acknowledged improving conditions in the domestic labor market noting though that the unemployment rate remains at still elevated levels. Furthermore, she said that FOMC interest rates could rise earlier than currently expected if the labor market continues to improve at a solid pace. As a result, US front-end yields moved higher and the USD firmed against its major currency peers. The US 2-yr sovereign bond yield was hovering around 0.47% in early European trade on Wednesday against levels near 0.45% a couple of sessions earlier while the US DXY index was standing close to a near one-month high of 80.456 marked in mid-June. Elsewhere, the GBP was among the main outperformers in FX markets assisted by the unexpected rise in UK June CPI to a five-month high of 1.9%YoY from 1.5%YoY in May which reinforced expectations that the BoE will likely raise interest rates before year-end. In FX markets, the EUR/USD was trading close to a one-month low of 1.3530 at the time of writing. News y-day that Germany's ZEW investor sentiment index dropped in July for the seventh straight month to its lowest level since late 2012, added to EUR-negatives.

GREECE

Greece's Public Debt Management Agency (PDMA) successfully sold on Tuesday €1.625bn in 3-month T-bills including €0.375bn in non-competitive bids to rollover maturing short-term debt on Friday. The auction produced an average yield of 1.75%, the lowest since January 2010 and down 5bps from June when paper of similar maturity was offered. The bid-to-cover ratio was at 2.35, down from 2.99 in June. In other news, the total amount of funding taken from the Eurosystem dropped in June for the second month in a row coming in at €45.6bn, €5.4bn lower compared to May and well below an all-time peak of €159.2bn recorded in February 2012

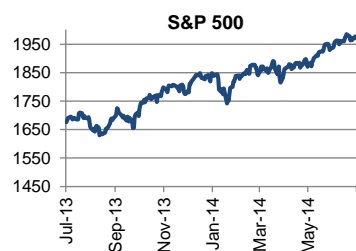
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Latest developments in the CESEE region

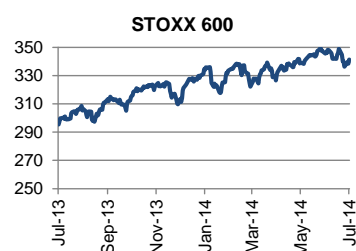
CESEE markets

Emerging stock markets inched up in morning trade on Wednesday, with slightly better-than-expected Q2 GDP data from China overshadowing FOMC Chair Janet Yellen's comments suggesting that interest rates could rise earlier than currently expected if the labor market continues to improve at a solid pace. Turkey's BIST 100 index hit a 1-month peak ahead of the Central Bank monetary policy meeting tomorrow. The market's median forecast is for a reduction of 50bps in the main key policy (1-week repo) rate to 8.25%, while a cut of similar size is also expected in the overnight borrowing rate to 7.50%. Budget data for June, which signaled that the government is on track to meet its fiscal deficit targets this year, also had a positive impact. In the **FX markets**, **CESEE currencies** were little changed in European trade on Wednesday. The Polish zloty led the gains in the region hitting a multi-session peak near 4.1310/EUR earlier on the day after June's CPI slightly overshoot expectations mitigating recently emerged speculation about a potential resumption of monetary easing later in the year to address deflation risks. Comments by MPC member Elzbieta Chojna-Duch that the data provided arguments for potential rate cuts later in the year and by Deputy Finance Minister Artur Radziwill that deflation in Q3 2014 was on the cards were largely shrugged off. In the **local rates markets**, Polish government bonds gave back some of their recent gains in the wake of June's CPI data.

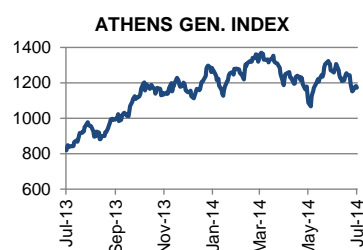
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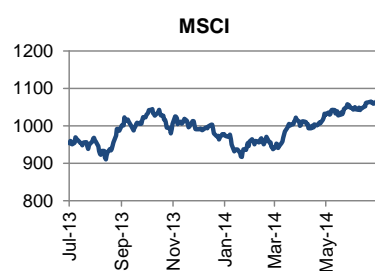
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 15/7/2014, 16:25 CET): **Latest Political & Macro Developments:** Minister of Economy and acting Minister of Finance Dusan Vujovic said on Tuesday that Serbia will be seeking a 3Y loan from the IMF in autumn that would provide assistance in the government's fiscal consolidation process. He expressed belief that negotiations will continue on the hypothesis of a precautionary program but left the door open for a regular Stand-By Arrangement, if needed. He also called for a more accommodative Central Bank monetary policy stance, in light of June's record low inflation (1.3% YoY). **Market Developments:** The EUR/RSD was little changed on Tuesday, remaining bound within 116.30/50. In view of the recently instigated depreciation pressures on the dinar primarily on the back of fiscal concerns and finance minister Lazar Krstic's resignation, further Central Bank abstinence from the FX markets to support the domestic currency may lead the EUR/RSD higher towards 117 in the coming sessions.

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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	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

(Bucharest, 16/7/2014, 09:20 EET): **Market Developments:** The EUR/RON remained range-bound within 4.4150/4.4250 on Tuesday. Money market rates were little changed, consolidating near 1.75% on average for tenors between 1-12 months, while those up to 1-week closed at 0.5%. In other news, the Ministry of Finance held the supplementary auction for 2019 RON denominated bonds on Tuesday, selling RON 75mn at an average accepted yield of 3.30%. Government bonds were largely unchanged compared to their levels in the prior session's settlement, with the 3-year yield ending at 2.72%, the 5-Year at 3.30% and the 10-Year at 4.20%.

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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	-0.2
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

(Sofia, 15/7/2014, 18:00 EET): **Latest Political & Macro Developments:** According to the latest NSI data, CPI came in at -1.9%YoY in June vs. -2.0%YoY a month earlier. This is the eleventh consecutive month of deflation with a peak of -2.6%YoY having been reached in February. Nonetheless, a gradual but modest pick-up in H2 is likely as the impact of favorable base effects wanes and domestic demand gains some momentum. In other news, due to the lack of consensus between political forces and Central Bank, the latter announced on Tuesday that it will continue the special supervision imposed on Corporate Commercial Bank for another two months. Politicians didn't support the bankruptcy plan and transfer of good assets to former Credit Agricole. However, the government expressed its intention to support BNB in its efforts to find a suitable solution.

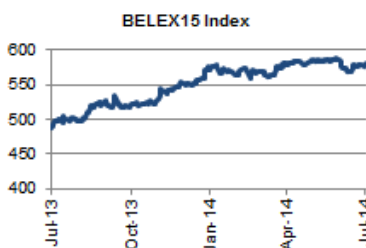
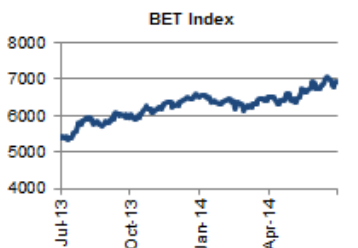
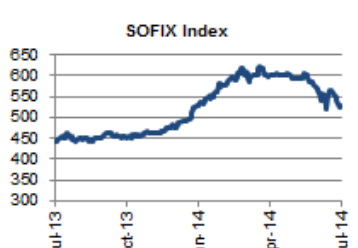
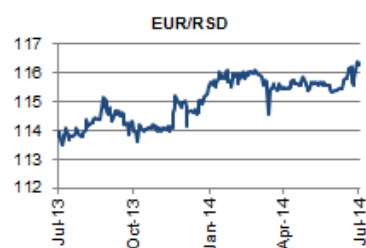
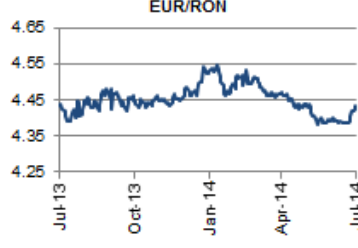
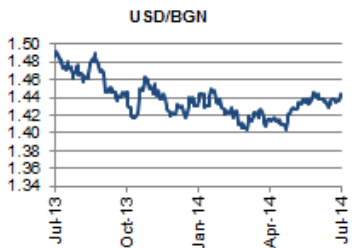
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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1973.28	-0.2%	6.8%	EUR/USD	1.3543	-0.2%	-1.5%	UST - 10yr	2.53	-1	-49	GOLD	1298	0.3%	7.7%
Nikkei 225	15379.30	-0.1%	-5.6%	GBP/USD	1.7125	-0.1%	3.4%	Bund-10yr	1.20	0	-73	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	341.33	0.9%	4.0%	USD/JPY	101.7	0.0%	3.5%	JGB - 10yr	0.55	0	-19	LMEX	3272	0.2%	3.6%

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	6.64	3	-137	O/N	0.84	-9	-90	LEONIA	0.03	0	-4
1-week	6.90	3	-138	1-month	1.54	0	-34	1-month	0.24	0	-8
1-month	7.20	2	-138	3-month	2.17	-1	-27	3-month	0.51	0	-14
3-month	7.68	4	-120	6-month	2.5	-4	-49	6-month	0.96	0	-20
6-month	8.03	2	-112	12-month	2.6	-1	-55	12-month	1.83	0	-36
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.31	-8	-65	3Y RON	2.48	1	-147	3Y BGN	1.21	3	12
5Y RSD	10.30	0	-253	5Y RON	3.02	0	-163	5Y BGN	1.86	6	1
7Y RSD	11.28	0	-252	10Y RON	4.21	1	-109	10Y BGN	3.13	0	-36
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.97	0	-104	EUR Sep-20	2.41	0	-143	USD Jan-15	1.25	7	66
USD Nov-24	1.84	-472	-506	USD Aug-23	4.00	-1	-81	EUR Jul-17	1.69	-1	-11
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	270	0	-139	5-year	143	0	-50	5-year	130	0	-5
10-year	317	0	-130	10-year	191	0	-41	10-year	175	0	0
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	580.2	0.06%	3.99%	BET	6915.1	-0.27%	6.49%	SOFIX	527.2	0.61%	7.26%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.07%	-1.46%	EUR/RON	4.4329	-0.24%	0.90%	USD/BGN	1.4442	-0.19%	-1.46%
											
											

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:00 EET

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