

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 18, 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: Global equity markets weakened on Friday and government bonds in the US and core Eurozone countries firmed amid heightened geopolitical woes. In FX markets, the latest bout of risk aversion enhanced the appeal of 'safe haven' currencies including the JPY and the CHF.

GREECE: According to the local press, Greek authorities have increased their efforts to proceed speedily with the fulfilment of a wide range of quantitative targets and structural benchmarks underlying the next (5th) program review.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Agency sold on Thursday RSD 2.28bn (ca EUR 20m) worth of 3M T-Bills at an accepted yield of 7.00%, down 59bps compared to a previous auction of similar maturity paper two months ago.

ROMANIA: The leu remained under pressure, standing near a 2-month peak of 4.4470 hit earlier in the week.

BULGARIA: Bulgarian parliament commissions reportedly rejected the government's proposal to increase the state debt by up to BGN 3.4bn for the rescue of Corpbank.

CESEE Markets: Emerging stock markets moved broadly lower in European trade on Friday against a backdrop of intensified geopolitical tensions in the Middle East and Ukraine. In the FX markets, **CESEE currencies** broadly firmed in morning European trade, recouping part of yesterday's losses suffered after the US and the EU announced a new wave of sanctions against Russia.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

Global equity markets weakened on Friday and government bonds in the US and core Eurozone countries firmed amid heightened geopolitical woes. A Malaysian Airlines passenger jet was brought down over eastern Ukraine on Thursday, a day after US and EU sanctions against Russia were announced. News that Israel sent ground troops into the Gaza Strip, added to geopolitical woes. In FX markets, the latest bout of risk aversion enhanced the appeal of 'safe haven' currencies including the JPY and the CHF. Indicatively, the USD/JPY was trading close to 101.35/40 in early European trade at the time of writing, within distance from last week's two-month low near 101.00. Market participants keep their focus on geopolitical developments in Ukraine and Gaza amid concerns over a possible further escalation in the coming sessions.

GREECE

According to the local press, Greek authorities have increased their efforts to proceed speedily with the fulfilment of a wide range of quantitative targets and structural benchmarks underlying the next (5th) program review. As per the same sources, their ultimate aim is to reach a staff level agreement with official lenders on all key issues attached to the next review by mid-October so as the October 13 Eurogroup to give the green light for the initiation of official discussions for a potential new debt relief package to Greece. According to a joint EC/IMF/ECB statement issued earlier this week, the troika mission is expected to return to Athens in the second half of September to continue discussions with domestic authorities in the context of the country's next program review.

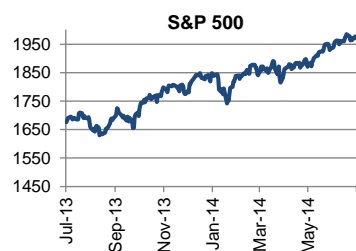
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

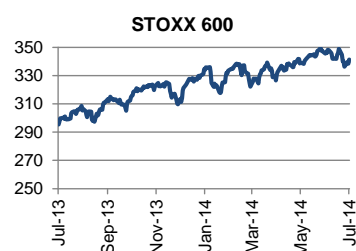
CESEE markets

Emerging stock markets moved broadly lower in European trade on Friday against a backdrop of intensified geopolitical tensions in the Middle East and Ukraine. The broad MSCI emerging markets index was sliding by 0.50% at the time of writing. Yet, the index remained within distance from a 17-month peak hit a couple of sessions earlier as accommodative monetary policies by major as well as regional Central Banks around the globe continue to support capital inflows towards risky assets. In the FX markets, **CESEE currencies** broadly firmed in morning European trade, recouping part of yesterday's losses suffered after the US and the EU announced a new wave of sanctions against Russia. The Turkish lira led the gains at the time of writing with the USD/TRY easing as far as 2.1235 from a 2-week high of 2.1425 hit on Thursday weighed down by growing geopolitical tensions. News that the Central Bank (CBT) cut interest rates in line with market expectations at its MPC meeting yesterday, likely had a rather limited impact on the currency. In more detail, the CBT cut yesterday both its main key policy (1-week repo) and o/n borrowing rates by 50bps each to 8.25% and 7.50% respectively, and kept the ceiling of the interest rate corridor unchanged at 12.00%. Looking ahead, renewed lira weakness in the coming sessions seems to be on the cards in light of lingering risks to the inflation outlook and current account deficit, primarily stemming from higher oil prices. The prospect of further monetary easing in the coming months amid persisting political pressure is also likely to weigh on the TRY. Note that July marks the third consecutive month of CBT rate cuts since the inception of the current monetary easing cycle in May.

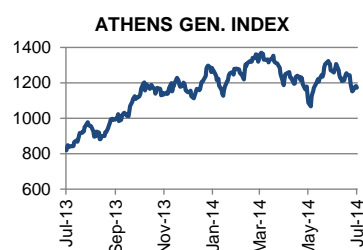
gphoka@eurobank.gr



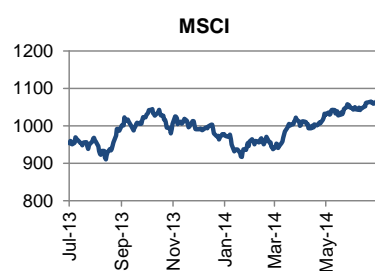
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

| 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, 17/7/2014, 16:40 CET): **Latest Political & Macro Developments:** The Public Debt Agency sold on Thursday RSD 2.28bn (ca EUR 20m) worth of 3M T-Bills at an accepted yield of 7.00%, down 59bps compared to that in a previous auction of similar maturity paper two months ago. The tender came on the heels of a sale of RSD 8.9bn (ca EUR 76m) in 12M T-Bills on Wednesday which produced a yield of 8.20%, in line with that a month earlier.

Market Developments: The Serbian dinar bucked the weakening trend witnessed in regional peers on Thursday on news that the EU will provide financial aid of €995mn for the damages suffered in the country as a result of adverse weather conditions in May. The well-received T-Bill auction on Thursday and comments by recently appointed finance minister Dusan Vujovic suggesting that the government will stick to its reform agenda also appeared to exert a positive impact on the domestic currency. Along these lines, the EUR/RSD returned within its recent range of 115.50-116.10 yesterday following a short-lived spike to 116.50 earlier this week.

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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, 18/7/2014, 09:10 EET): **Market Developments:** The EUR/RON remained under pressure over the last couple of sessions, closing at 4.4415 on Thursday after hitting a 2-month peak of 4.4470 earlier in the week. Money markets also weakened with the impact mostly witnessed at the long part of the yield curve. On the other hand, short rates up to 1-week remained largely unchanged hovering around levels of 0.5% on average as the end of the current reserve period is looming. In other news, the government sold RON 300mn in October 2015 bonds, as planned, at an average accepted yield of 2.29%.

Romulus-Daniel.Georgescu@bancpost.ro

gphoka@eurobank.gr

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, 17/7/2014, 17:20 EET): **Latest Political & Macro Developments:** The government approved on Wednesday certain amendments to the 2014 Budget Law aiming to cover additional financing needs stemming from the rescue of Corporate Commercial Bank and the required plugging of a budgetary shortfall in the National Health Insurance Fund. Against this backdrop, the 2014 budget deficit target was revised higher to 2.7% of GDP from 1.8% initially planned, while the public debt limit was raised by BGN 3.425bn. The revised budget will have to secure parliament approval on its first and second readings.

Market Developments: The main SOFIX stock index closed in a marginally positive territory of 0.04% on Thursday, recovering part of earlier losses, on reports suggesting that three Bulgarian parliament commissions rejected the government's proposal to increase the state debt by up to BGN 3.4bn for the rescue of Corpbank.

VBoteva@postbank.bg

gphoka@eurobank.gr

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 | 1958.12 | -1.2% | 5.9% | EUR/USD | 1.353 | 0.0% | -1.5% | UST - 10yr | 2.48 | 4 | -54 | GOLD | 1310 | -0.7% | 8.7% |
| Nikkei 225 | 15215.71 | -1.0% | -6.6% | GBP/USD | 1.7111 | 0.1% | 3.4% | Bund-10yr | 1.15 | 1 | -78 | BRENT CRUDE | 182 | 0.0% | 8.6% |
| STOXX 600 | 338.08 | -0.5% | 3.0% | USD/JPY | 101.38 | -0.2% | 3.9% | JGB - 10yr | 0.55 | 1 | -20 | LMEX | 3265 | 0.1% | 3.3% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 6.60 | -3 | -141 |
| 1-week | 6.88 | -4 | -140 |
| 1-month | 7.21 | -5 | -137 |
| 3-month | 7.68 | -5 | -120 |
| 6-month | 8.01 | -2 | -114 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|-------|----------|
| 3Y RSD | 9.35 | 1 | -61 |
| 5Y RSD | 10.30 | -2 | -252 |
| 7Y RSD | 11.30 | 2 | -251 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 4.03 | 1 | -98 |
| USD Nov-24 | 1.82 | -475 | -509 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 268 | 3 | -142 |
| 10-year | 315 | 4 | -131 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|-------|
| BELEX15 | 581.4 | -0.03% | 4.19% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| EUR/RSD | 115.4 | -0.10% | -1.32% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.81 | 0 | -93 |
| 1-month | 1.7 | 6 | -18 |
| 3-month | 2.2 | 1 | -24 |
| 6-month | 2.55 | 1 | -44 |
| 12-month | 2.66 | 1 | -49 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.55 | 1 | -140 |
| 5Y RON | 3.08 | 1 | -157 |
| 10Y RON | 4.24 | 0 | -106 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 2.39 | 2 | -146 |
| USD Aug-23 | 3.96 | 4 | -85 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 139 | 2 | -50 |
| 10-year | 187 | 2 | -46 |

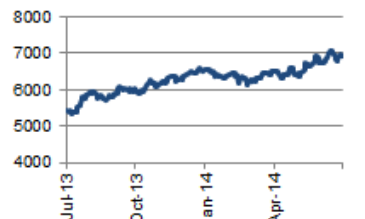
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 6871.2 | -0.79% | 5.81% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RON | 4.4413 | 0.02% | 0.71% |

BET Index



EUR/RON



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| LEONIA | 0.03 | 0 | -4 |
| 1-month | 0.24 | -1 | -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 | 1.22 | 0 | 13 |
| 5Y BGN | 1.95 | 1 | 10 |
| 10Y BGN | 3.14 | 0 | -35 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Jan-15 | 1.21 | -1 | 62 |
| EUR Jul-17 | 1.69 | -1 | -11 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 132 | -1 | -5 |
| 10-year | 177 | -1 | 3 |

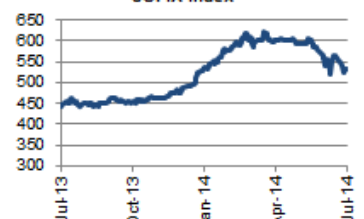
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|-------|-------|
| SOFIX | 532.7 | 0.31% | 8.37% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.4455 | 0.03% | -1.55% |

SOFIX Index



USD/BGN



Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Romulus-Daniel Georgescu

Senior Dealer

+4021 3656292

romulus-daniel.georgescu@bancpost.ro

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>