

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 28, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- July 28: Pending home sales (Jun)
- July 29: CB consumer confidence (Jul)
- July 30
  - ADP employment (Jul)
  - GDP (A, Q2)
  - FOMC interest rate announcement
- July 31: Initial jobless claims (Jul 26)
- August 1
  - NF Payrolls (Jul)
  - U/E rate (Jul)
  - UoM consumer sentiment (Aug)
  - ISM manufacturing (Jul)

#### EUROZONE

- July 31: HICP (Jul)
- August 1: PMI (Jul)

### SEE

#### SERBIA

- July 29: 2-Y EUR T-bonds auction
- July 31
  - GDP (Q2, p)
  - Industrial production (Jun)
  - Trade balance (Jun)
  - Retail sales (Jun)

#### ROMANIA

- Jul 28: RON 687mn 4.75% 2025 T-bond auction
- August 1: International reserves (Jul)

#### BULGARIA

- July 31: Budget balance (Jun)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Shrugging off losses in **Wall Street** on Friday, **Asian stock markets** broadly advanced today extending last week's gains led higher by firming Chinese bourses after robust industrial profits data for June stirred optimism about the prospects of the world's second largest economy. On the other hand, **European stock markets** reversed early gains with the majority of indices standing in a negative territory at the time of writing after Germany's Wincor Nixdorf revised lower its sales forecast and geopolitical tensions in Ukraine and the Middle East persist. In the **FX markets**, the **USD** retained a firm tone in European trade on Monday ahead of key data releases and events this week. In the US, focus this week is on the FOMC policy decision and Q2 GDP advance reading on Wednesday and non-farm payrolls report on Friday, while July's inflation data on Thursday takes centre stage in the Eurozone.

### SOUTH EASTERN EUROPE

**SERBIA:** The City of Sabac announced late last week that it plans to issue €3.5mn of a municipal bond, which will be the first municipal security to be listed in the Belgrade Stock Exchange.

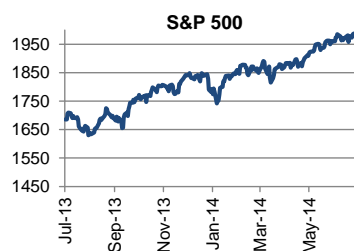
**ROMANIA:** The MoF holds two primary market auctions on Monday, for RON 1bn of 12M T-Bills and RON 0.5bn of a new 10Y benchmark bond.

**BULGARIA:** Bulgarian President Rosen Plevneliev is expected to give a mandate to the Movement for Rights and Freedoms (DPS), a junior coalition partner in the outgoing cabinet, to form a caretaker government that will lead the country to the upcoming general elections in October.

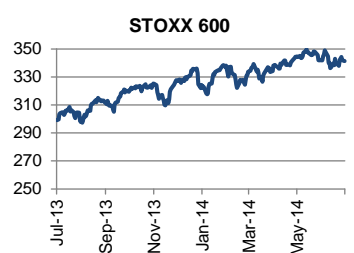
**CESEE Markets:** The majority of **CESEE stock markets** fell in European trade today amid investor anxiety ahead of a EU decision on new sanctions against Russia. In the **FX markets**, CESEE currencies broadly weakened in European trade amid persisting geopolitical tensions in Ukraine.

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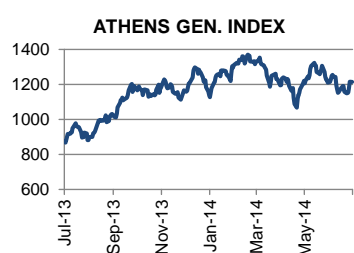
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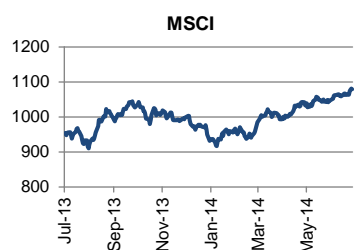
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

## Latest world economic & market developments

### GLOBAL MARKETS

Shrugging off losses in **Wall Street** on Friday, **Asian stock markets** broadly advanced today extending last week's gains led higher by firming Chinese bourses after robust industrial profits data for June stirred optimism about the prospects of the world's second largest economy. On the other hand, **European stock markets** reversed early gains with the majority of indices standing in a negative territory at the time of writing after Germany's Wincor Nixdorf revised lower its sales forecast and geopolitical tensions in Ukraine and the Middle East persist. On Friday, the EU extended its list of individuals and companies under travel bans and asset freezes deemed as responsible for the escalating crisis in Ukraine, after a Malaysian Airlines aircraft from Amsterdam was downed allegedly by pro-Russian separatists in the Eastern part of the country earlier in July. According to media reports, the EU also reached a preliminary agreement on the imposition of the first economic sanctions on Russia with a final decision expected to be announced on Tuesday. Among them, reportedly are limitations of state-owned Russian banks' access to EU capital markets and an embargo on arms sales to Moscow. The measures do not appear to include any sanctions on the energy sector. The US has signaled it may follow suit with similar action. In the **FX markets**, the **USD** retained in a positive tone in European trade on Monday ahead of key data releases and events this week, with the DXY dollar index holding near a 6-month peak of 81.084 hit in the prior session. Meanwhile, the EUR/USD was hovering around 1.3438/40 at the time of writing, within distance from an 8-month low of 1.3420 recorded on Friday. In the US, focus this week is on the FOMC policy decision and Q2 GDP advance reading on Wednesday and non-farm payrolls report on Friday, while July's inflation data on Thursday takes centre stage in the Eurozone.

## Latest developments in the CESEE region

### CESEE MARKETS

The majority of **CESEE stock markets** fell in European trade today amid investor anxiety ahead of a EU decision on new sanctions against Russia. On the flipside, Poland's WIG bucked the region's trend on upbeat Q2 earnings reports. Moreover, the broader MSCI emerging markets index hit new 17-month highs thanks to rising Chinese shares. The prevailing market view that the Fed is in no hurry to raise interest rates and the adoption by the ECB of a package of measures aiming to address deflation risks and boost liquidity in the June policy meeting have supported capital inflows towards regional stock markets over recent months. Accommodative monetary policies by CESEE Central Banks have also favored. In the **FX markets**, CESEE currencies broadly weakened in European trade on Monday amid persisting geopolitical tensions in Ukraine. Against this backdrop, the Ukrainian hryvnia led the losses in the region, falling by more than 1% against the dollar and hitting a 2½ month low of 12/USD earlier today. On the other hand, the Romanian leu outperformed its regional peers touching a 2½-week peak at 4.3800 intraday, in the wake of a well-received government bond auction (4.75%, 2025).

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.50	8.00

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

## SERBIA

(Belgrade, 25/7/2014, 16:20 CET): **Latest Political & Macro Developments:** The City of Sabac announced late last week that it plans to issue €3.5mn of a municipal bond, which will be the first municipal security to be listed in the Belgrade Stock Exchange. The paper will be EUR-indexed with a 7 year maturity, a fixed interest rate of 6% per annum and a nominal value of RSD 10,000 (EUR 85). **Market Developments:** The EUR/RSD moved lower towards 116.35/55 on Friday's settlement from 116.45/65 in the prior session's close amid thin volumes in view of the summer holidays. Yet, an extension of the recent easing trend towards 116.00/20 is possible in the coming days, where reignited demand for hard currency may slow it down or even overturn it.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 28/7/2014, 09:18 EET): **Market Developments:** The EUR/RON continued to move lower on Friday, touching an intraday low of 4.3885 and closing at 4.3940, some 140 pips below the previous day's settlement. Meanwhile, in money markets, the O/N and T/N implied RON rates remained elevated around 2.75%. However 1W rates decreased from 2.00% on Thursday to around 1.75% on Friday ahead of upcoming bond redemptions and coupon payments of over RON 6bn on Monday. In a similar vein, the 1M rate decreased from 2.00% to 1.60%. Separately, the MoF holds on Monday two primary market auctions, for RON 1bn of 12M T-Bills and RON 0.5bn of a new 10Y benchmark bond. Given the large amount of paper maturing on Monday and recent strong off-shore demand for long-maturity bonds, the auction is likely to be well received from accounts looking to reinvest. Market participants broadly anticipate that the auction will produce a yield of around 2-2.10%.

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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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 28/7/2014, 10:45 EET): **Latest Political & Macro Developments:** Bulgarian President Rosen Plevneliev is expected to give a mandate to the Movement for Rights and Freedoms (DPS), a junior coalition partner in the outgoing cabinet, to form a caretaker government that will lead the country to the upcoming general elections in October. The two largest parties in Parliament, GERB and the Bulgarian Socialist Party (BSP), refused to take over the said post. **Market Developments:** The domestic stock market closed in the black for the fourth consecutive session on Friday, receiving support from positive quarterly earnings results. In view of the aforementioned, the major SOFIX index closed 0.9% higher to 544.99 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	1978.34	-0.5%	7.0%	EUR/USD	1.3437	0.1%	-2.2%	UST - 10yr	2.48	1	-55	GOLD	1306	-0.1%	8.3%
Nikkei 225	15529.40	0.5%	-4.7%	GBP/USD	1.6984	0.1%	2.6%	Bund-10yr	1.14	0	-79	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	341.42	-0.2%	4.0%	USD/JPY	101.81	0.0%	3.4%	JGB - 10yr	0.54	0	-21	LMEX	3299	-0.5%	4.4%

## SEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
7/N	6.65	6	-136
1-week	6.90	2	-138
1-month	7.27	2	-131
3-month	7.72	4	-116
6-month	8.01	1	-114

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.32	1	-64
5Y RSD	10.32	2	-250
7Y RSD	11.30	2	-250

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.77	-2	-124
USD Nov-24	0.57	-597	-633

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	292	0	-117
10-year	344	3	-102

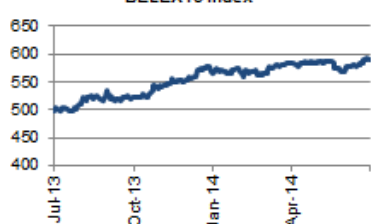
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	591.3	-0.43%	5.97%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.04%	-1.71%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.18	-32	44
1-month	2.02	-6	14
3-month	2.17	-3	-27
6-month	2.52	-2	-47
12-month	2.62	-5	-53

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.38	-9	-157
5Y RON	3.03	-5	-162
10Y RON	4.02	-7	-128

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.22	3	-162
USD Aug-23	3.86	1	-94

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	139	3	-50
10-year	187	4	-45

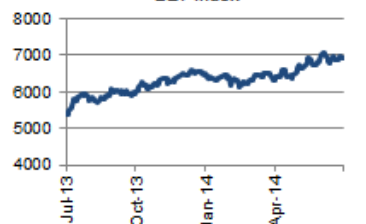
## STOCKS

	Last	ΔD	ΔYTD
BET	6910.1	-0.64%	6.41%

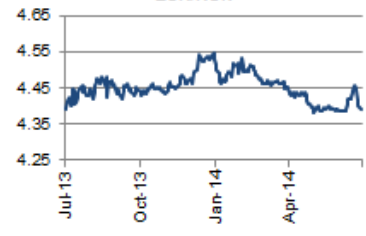
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3902	0.07%	1.88%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.06	2	-1
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	1.38	11	29
5Y BGN	1.96	0	11
10Y BGN	3.17	0	-33

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.02	1	43
EUR Jul-17	1.47	-6	-33

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	-5
10-year	176	0	1

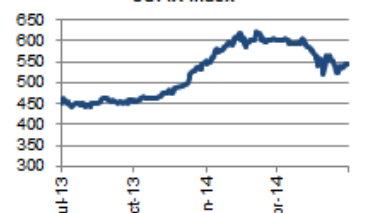
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	543.6	-0.25%	10.60%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4556	0.06%	-2.23%

SOFIX Index



USD/BGN



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