

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 29, 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: Taking their lead from advancing Chinese bourses, **Asian stock markets** extended their recent uptrend on Tuesday. However, caution prevailed in view of lingering geopolitical tensions in Ukraine and the Middle East as well as ahead of a string of key data and events from the US and the Eurozone due in the coming days. **European stock markets** were mixed as market anxiety over the prospect of new US/EU sanctions against Russia overshadowed better-than-anticipated corporate earnings reports. In the **FX markets**, the **USD** retained a firm tone in European trade on Tuesday, ahead of key US data releases and events, such as the FOMC policy decision, Q2 GDP advance estimate and non-farm payrolls report, all due later this week. PMI surveys for China and the Eurozone and inflation data for the latter also lure market attention this week.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD continued its range-trading on Monday.

ROMANIA: The MoF issued on Monday the planned RON 1bn in 12M T-Bills at an average accepted yield of 1.93%, below the market's median forecast. The new 10Y benchmark government bond also received strong investor demand, with the MoF selling RON 687mn (above the initially announced RON 500mn amount) at an average accepted yield of 4.23%.

BULGARIA: According to the latest NSI data, the total business climate indicator decreased by 3.2 percentage points on a monthly basis in July.

CESEE MARKETS: **Emerging stock markets** broadly rose in European trade on Tuesday, led higher by firming car manufacturing and technology shares. In a similar vein, the majority of **CESEE bourses** rose earlier today. In the **FX markets**, CESEE currencies broadly weakened on investor anxiety that potential new sanctions against Russia may also take a toll on regional businesses and economies.

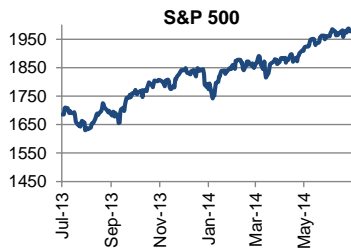
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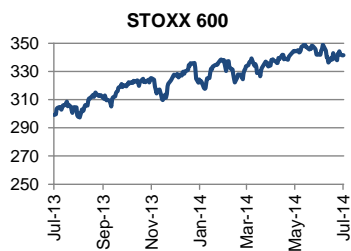
Latest world economic & market developments

GLOBAL MARKETS

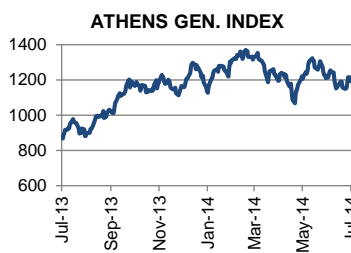
Taking their lead from advancing Chinese bourses, **Asian stock markets** extended their recent uptrend on Tuesday. However, caution prevailed in view of lingering geopolitical tensions in Ukraine and the Middle East as well as ahead of a string of key data and events from the US and the Eurozone due in the coming days. **European stock markets** were mixed as market anxiety over the prospect of new US/EU sanctions against Russia overshadowed better-than-anticipated corporate earnings reports. The leaders of the US, Germany, Britain, France and Italy reportedly agreed in a conference call on Monday to impose new sanctions on Russia's financial, defence and technology-related sectors, while EU member states are anticipated to reach a final decision later on Tuesday. According to media reports, the measures may include limitations of state-owned Russian banks' access to EU capital markets, an embargo on arms sales and restrictions on energy as well as defence technology. In the **FX markets**, the **USD** retained a firm tone in European trade on Tuesday, ahead of key US data releases and events, such as the FOMC policy decision, Q2 GDP advance estimate and non-farm payrolls report, all due later this week. PMI surveys for China and the Eurozone and inflation data for the latter also lure market attention this week. Along these lines, the **DX** dollar index stood at 81.020 at the time of writing, within distance from a 6-month peak of 81.084 hit late last week. In a similar vein, the EUR/USD consolidated around 1.3438/40 in European trade, within distance from an 8-month low of 1.3420 recorded on Friday. Elsewhere, the New Zealand dollar underperformed its developed-market peers, easing to a 1-½-month low near 0.8510/USD earlier today, weighed down by concerns about the country's dairy sector.



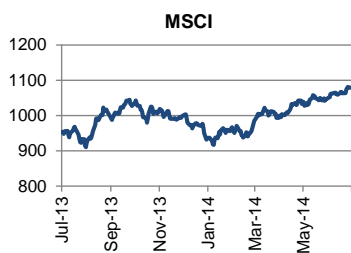
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Latest developments in the CESEE region

CESEE MARKETS

Emerging stock markets broadly rose in European trade on Tuesday, led higher by firming car manufacturing and technology shares. In a similar vein, the majority of **CESEE bourses** rose earlier today, with Ukraine's PFTS index outperforming its regional peers with a 3.17% rally and outpacing a 0.28% advance in the broader MSCI emerging markets index. On the flipside, Hungary's BUX was among the main losers, falling by 0.42% at the time of writing as it includes several companies which have operations in Russia or are closely linked with the Russian economy. In the **FX markets**, CESEE currencies broadly weakened earlier today on investor anxiety that potential new sanctions against Russia may also take a toll on regional businesses and economies. The Hungarian forint broke below key support levels sliding to a 1-½-week trough of 310.72/EUR intraday. The EUR/HUF's technical picture suggests that a break above today's peak may pave the way towards 311.65 (July 17 high). Elsewhere, the Ukrainian hryvnia was little changed on a daily basis at the time of writing, hovering around levels of 12.15/USD after easing by around 2% against the USD in the prior session and hitting a 2-½ month low near 12.29/USD earlier today.

L-T ccy	Credit Ratings		
	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

gphoka@eurobank.gr

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

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	3.50	3.50

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

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

SERBIA

(Belgrade, 28/7/2014, 16:45 CET): **Market Developments:** The EUR/RSD tread water on Monday, hovering around levels of 116.40 for most of the session. Looking ahead, we expect range-trading to continue within 116.30-116.80 in the coming days as the Central Bank is likely to intervene anew in the FX markets if the cross breaks either boundary of the said range.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

ROMANIA

(Bucharest, 29/7/2014, 09:15 EET): **Market Developments:** The EUR/RON closed little changed near 3.3840 on Monday, with its recent downtrend appearing to be waning after the pair tested a 2-½-week peak of 4.3800 earlier in the session. In money markets, RON implied rates from swaps moved around 5 bps lower. The MoF issued on Monday the planned RON 1bn in 12M T-Bills at an average accepted yield of 1.93%, around 10 bps lower than the market's median forecast, reflecting ample RON liquidity in the market. The new 10Y benchmark bond also received strong investor demand, with the MoF selling RON 687mn (above the initially announced RON 500mn amount) at an average accepted yield of 4.23%, which also came in some 10bps below expectations. In the wake of the said tenders, the secondary government bond market rallied, with the move more pronounced for shorter-term paper. In more detail, yields up to 2Y closed ca 20bps lower on the day, while 5-10Y yields eased around 5-10bps.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

BULGARIA

(Sofia, 28/7/2014, 17:10 EET): **Latest Political & Macro Developments:** According to NSI data, the total business climate indicator decreased by 3.2 percentage points on a monthly basis in July, with more unfavorable sentiment witnessed in all observed sectors (industry, construction, retail trade and services). The highest drop was seen in retail trade which fell by 6.2 percentage points, followed by construction (3.0ppt), services (2.8ppt) and industry (2.1ppt). **Market Developments:** The domestic stock market kicked of the week in the black, with the main SOFIX index closing 0.53% higher at 547.87 points on Monday.

VBoteva@postbank.bg

gphoka@eurobank.gr

July 29, 2014

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	1978.91	0.0%	7.1%	EUR/USD	1.3433	-0.1%	-2.3%	UST - 10yr	2.47	-2	-56	GOLD	1307	0.2%	8.4%
Nikkei 225	15618.07	0.6%	-4.1%	GBP/USD	1.6955	-0.2%	2.4%	Bund-10yr	1.12	-3	-81	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	341.46	0.0%	4.0%	USD/JPY	101.99	-0.1%	3.3%	JGB - 10yr	0.52	-1	-22	LMEX	3303	0.1%	4.6%

SEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.66	1	-135
1-week	6.91	1	-137
1-month	7.26	-1	-132
3-month	7.73	1	-115
6-month	8.00	-1	-115

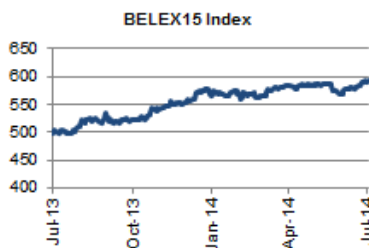
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.32	1	-64
5Y RSD	10.28	-2	-254
7Y RSD	11.29	0	-252

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.71	-5	-130
USD Nov-24	0.39	-615	-651

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	263	-30	-147
10-year	312	-33	-135

STOCKS			
BELEX15	Last	ΔD	ΔYTD
BELEX15	591.6	0.06%	6.03%

FOREX			
EUR/RSD	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-1.69%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.83	-35	9
1-month	1.95	-7	7
3-month	2.16	-1	-28
6-month	2.51	-1	-48
12-month	2.61	-1	-54

RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	2.36	-3	-159
5Y RON	2.99	-3	-166
10Y RON	3.99	-2	-131

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.23	1	-161
USD Aug-23	3.88	1	-92

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	140	1	-50
10-year	187	0	-45

STOCKS			
BET	Last	ΔD	ΔYTD
BET	6897.1	0.03%	6.21%

FOREX			
EUR/RON	Last	ΔD	ΔYTD
EUR/RON	4.4032	-0.37%	1.58%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.06	0	-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

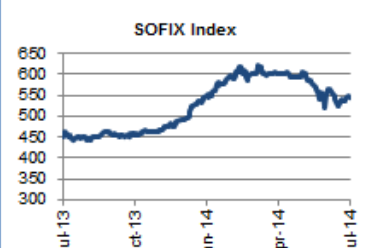
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.32	-1	23
5Y BGN	1.95	2	11
10Y BGN	3.23	0	-27

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.00	0	41
EUR Jul-17	1.43	11	-37

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

STOCKS			
SOFIX	Last	ΔD	ΔYTD
SOFIX	545.1	-0.51%	10.89%

FOREX			
USD/BGN	Last	ΔD	ΔYTD
USD/BGN	1.4561	-0.04%	-2.27%



Contributors to this issue

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Yoneta Koseva

Chief Expert, Trading desk, Postbank|Eurobank Bulgaria

+359 28166482

ykoseva@postbank.bg

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokrousos@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

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