

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 30, 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: Bucking the declining trend in **Wall Street** overnight, **Asian stock markets** extended their recent gains on Wednesday ahead of the FOMC policy rate announcement later on the day. **European stock markets** were mixed in the wake of news about fresh US/EU sanctions against Russia and corporate earnings results. In the **FX markets**, the **EUR** remained under pressure ahead of upcoming inflation data due for release on Thursday, which may support the view about further ECB monetary easing ahead.

SOUTH EASTERN EUROPE

SERBIA: According to the Ministry of Finance public debt stood at around 63.0%-of-GDP in June.

ROMANIA: The leu came under pressure on Tuesday, in line with the trend in other regional currencies amid persisting geopolitical jitters in Ukraine.

BULGARIA: Parliament approved in a preliminary vote on Tuesday an upward revision in the 2014 budget deficit target, to 2.7%-of-GDP from 1.8%-of-GDP initially planned, and a BGN 3.4bn (\$2.3bn) increase to BGN 21bn (\$14.4bn) in the public debt limit in order to finance the budget gap and potentially rescue Corpbank after a depositor run in June.

CESEE MARKETS: The majority of **CESEE stock markets** eased in European trade on Wednesday in the wake of the US/EU announcement about an extension of sanctions against Russia. In the **FX markets**, CESEE currencies were little changed earlier today as caution prevailed ahead of the FOMC announcement and Q2 GDP data from the US.

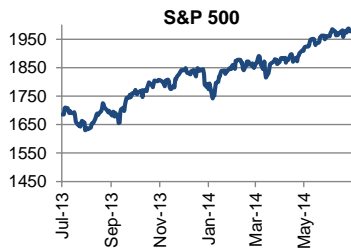
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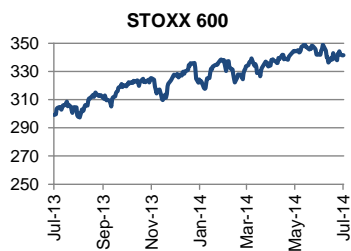
Latest world economic & market developments

GLOBAL MARKETS

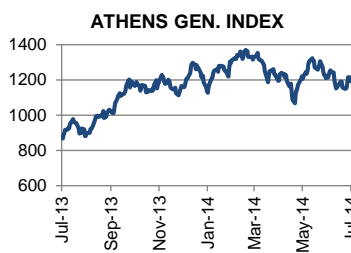
Bucking the declining trend in **Wall Street** overnight, **Asian stock markets** extended their recent gains on Wednesday ahead of the FOMC policy rate announcement later on the day, largely shrugging off news about fresh US/EU sanctions against Russia. Upon the conclusion of its two-day monetary policy meeting later today, the Fed is broadly anticipated to reduce its monthly asset-purchases programme by another \$10bn to \$25bn. The ensuing policy statement (18:00 GMT) will likely be closely scrutinized by market participants for any hints about the Central Bank's monetary policy deliberations ahead. Additionally, the US Q2 GDP advance estimate due for release later on Wednesday also takes centre stage this week. Meanwhile, the European Union and the United States announced on Tuesday further sanctions against Russia in view of the country's response to the crisis in Ukraine. Among the new measures are restrictions on Russia's access to EU capital markets, an embargo on the trade of arms with Russia, prohibition on exports to Russia of dual goods and technology related to defence, while exports on certain energy-related equipment and technology to Russia will be subject to prior authorization by EU authorities. Against this backdrop and in the wake of varied corporate earnings results, **European stock markets** were mixed. In the **FX markets**, the **EUR** remained under pressure ahead of July's upcoming inflation data due for release on Thursday, which may support the view about further ECB monetary easing ahead. As a result, the EUR/USD slid as far as a new 8-month trough of 1.3393 intraday before rebounding towards 1.3400/03 at the time of writing. A slower economic recovery anticipated ahead in the Eurozone compared to that in the US has provided support to the dollar over recent weeks. The **DX** dollar index, which measures the greenback's performance against a basket of six major currencies, stood at 81.286 at the time of writing, within distance from a new 6-month peak of 81.310 hit earlier in the session.



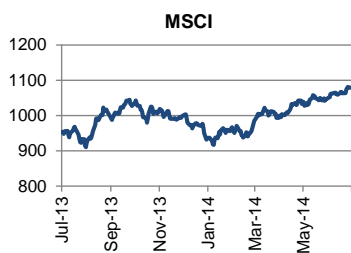
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Latest developments in the CESEE region

CESEE MARKETS

The majority of **CESEE stock markets** eased in European trade on Wednesday in the wake of the US/EU announcements about an extension of sanctions against Russia. Poland's WIG led the losses in the region. Yet, Hungary's BUX and Ukraine's PFTS index bucked the trend to stand in a marginally positive territory at the time of writing. Turkey's domestic stock market is closed for holidays today. In the **FX markets**, CESEE currencies were little changed earlier today as caution prevailed ahead of the FOMC announcement and Q2 GDP data from the US. Most units lost ground on Tuesday in view of the expected announcement on the sanctions against Russia on investor anxiety that the new measures may also take a toll on regional businesses and economies. The Hungarian forint remained under pressure in European trade, consolidating near a 1-1/2-week trough of 311.37/EUR hit earlier on Wednesday. Technically, a break above today's high may pave the way towards 311.65 (July 17 high) and 312.45 (July 1). Meanwhile, the Ukrainian hryvnia recoiled with the USD/UAH standing ca 0.7% higher at 12.16/USD at the time of writing, just off a new 2-1/2 month low of 12.30/USD tested earlier today.

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

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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
	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, 29/7/2014, 16:10 CET): **Latest Political & Macro Developments:** According to the Ministry of Finance the public debt of the Republic of Serbia was almost flat in June (up by some €10mn) compared to the prior month, amounting to €20.7bn. At this level, Serbia's Debt/GDP ratio stands near 63.0%. **Market Developments:** The EUR/RSD's recent upside momentum was extended on Tuesday's session, with the cross closing at 116.55/75 after opening at 116.45/65. In the absence of any significant domestic data in the coming days, we expect range-trading to continue within 116.30-116.80. We reiterate that new Central Bank intervention in the FX markets is likely if the cross breaks either boundary of the said range.

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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
	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, 30/7/2014, 09:00 EET): **Market Developments:** The leu came under pressure on Tuesday, in line with the trend in other regional currencies amid persisting geopolitical jitters in Ukraine. In more detail, the EUR/RON closed at 4.3980, having hit a multi-session peak of 4.4120 intraday. In money markets, the recently witnessed downtrend in short-term rates appeared to be stalling on Tuesday. However excess RON liquidity in the market, especially after the Monday's RON 6bn government bond redemption, is likely act in favor of a resumption of the downward trend in the sessions ahead. Government bonds enjoyed a relatively quiet day yesterday, with mixed flows and no significant changes in yields.

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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	
	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, 29/7/2014, 17:25 EET): **Latest Political & Macro Developments:** At an extraordinary session on Tuesday afternoon Parliament approved in a preliminary vote an upward revision in the 2014 budget deficit target, to 2.7%-of-GDP from 1.8%-of-GDP initially planned, with BGN225mn earmarked to cover shortfalls in the National Health Insurance Fund. Outgoing Parliament also voted in favor of a BGN 3.4bn (\$2.3bn) increase to BGN 21bn (\$14.4bn) in the public debt limit in order to finance the budget gap and potentially rescue Corpbank after a depositor run in June. Changes to the budget will have to be approved again in a second hearing on Monday. They are expected to be among the last issues discussed under the 42nd National Assembly, which is due to be dissolved on August 6, two weeks after Prime Minister Plamen Oresharski's government stepped down and ahead of the October 5 snap elections. **Market Developments:** The domestic stock market snapped a five-session rising streak on Tuesday, with the main SOFIX index shedding some 0.41% to close at 545.61 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	1969.95	-0.5%	6.6%	EUR/USD	1.3406	0.0%	-2.5%	UST - 10yr	2.47	1	-56	GOLD	1299	0.0%	7.8%
Nikkei 225	15646.23	0.2%	-4.0%	GBP/USD	1.6933	-0.1%	2.3%	Bund-10yr	1.12	0	-81	BRENT CRUDE	179	-1.7%	6.8%
STOXX 600	342.14	0.0%	4.2%	USD/JPY	102.15	0.0%	3.1%	JGB - 10yr	0.53	1	-21	LMEX	3275	-0.8%	3.7%

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	6.66	1	-135	O/N	1.83	0	9	LEONIA	0.05	-1	-2		
1-week	6.91	1	-137	1-month	1.95	0	7	1-month	0.24	0	-8		
1-month	7.26	-1	-132	3-month	2.16	0	-28	3-month	0.51	0	-14		
3-month	7.73	1	-115	6-month	2.51	0	-48	6-month	0.96	0	-20		
6-month	8.00	-1	-115	12-month	2.61	0	-54	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	9.34	0	-61	3Y RON	2.36	0	-159	3Y BGN	1.23	-8	14		
5Y RSD	10.28	-2	-255	5Y RON	3.00	0	-165	5Y BGN	1.94	0	10		
7Y RSD	11.29	0	-252	10Y RON	4.00	0	-130	10Y BGN	3.21	0	-28		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.67	-3	-134	EUR Sep-20	2.23	2	-161	USD Jan-15	0.93	-6	34		
USD Nov-24	0.18	-636	-673	USD Aug-23	3.89	2	-92	EUR Jul-17	1.43	-2	-37		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	285	23	-124	5-year	140	0	-50	5-year	130	0	-5		
10-year	335	23	-112	10-year	188	1	-44	10-year	176	0	1		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	594.7	0.57%	6.58%	BET	6883.5	-0.14%	6.00%	SOFIX	545.5	-0.01%	10.99%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	115.4	0.05%	-1.73%	EUR/RON	4.3994	0.18%	1.67%	USD/BGN	1.4591	-0.03%	-2.47%		

BELEX15 Index		BET Index		SOFIX Index	

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 10:30 EET

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