

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 8, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- July 9: FOMC June 18-19 meeting minutes
- July 2: Initial jobless claims (Jul 5)

#### EUROZONE

- July 7 (DE): Industrial production (Jun)

### SEE

#### SERBIA

- July 10: MPC rate announcement
- July 11: HICP (Jun)

#### ROMANIA

- July 7
  - Industrial sales (May)
  - Net wages (May)
  - 2020 T-bonds auction
- July 10
  - CPI (Jun)
  - Industrial production (May)
  - Trade balance (May)
  - 2016 T-bonds auction

#### BULGARIA

- July 7: International reserves (Jun)
- July 8
  - Industrial production (May)
  - Retail sales (May)
- July 10: Trade balance (May)
- July 11: U/E rate (May)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Tracking losses in Wall Street overnight, the majority of **Asian equity markets** fell on Tuesday and European bourses moved broadly lower in morning trade, as investor caution prevailed ahead of the corporate earnings season which kicks off later today. In the **FX markets**, the **USD's** recent rally appears to have run out of steam, while the **EUR** received some support in the wake of recent ECB member comments.

**GREECE:** As was broadly expected, the Board of Directors of the European Financial Stability Facility gave the green light for the release of the €1bn tranche to Greece on Monday, after the full implementation of all six prior actions attached.

### SOUTH EASTERN EUROPE

**SERBIA:** EUR/RSD consolidation around the key psychological 116 level in the coming sessions is likely as fresh Central Bank interventions are probable should the pair resume its upside momentum.

**ROMANIA:** The MoF sold on Monday RON 400mn in 6Y government bonds, at an average accepted yield of 3.50%, which came in below market expectations.

**BULGARIA:** President Rosen Plevneliev urged the government to revise the budget.

**CESEE Markets:** The majority of **emerging stock markets** were in the black in European trade on Tuesday, with Indonesian and Russian indices leading the way higher. Meanwhile, **CESEE bourses** tread water, with Turkey's BIST 100 outperforming its regional peers thanks to lower oil prices. In **the FX markets**, CESEE currencies modestly firmed in European trade on Tuesday.

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## Latest world economic & market developments

### GLOBAL MARKETS

Tracking losses in Wall Street overnight, the majority of **Asian equity markets** fell on Tuesday and European bourses moved broadly lower in morning trade, as investor caution prevailed ahead of the corporate earnings season which kicks off with Alcoa later today in the US. Today's focus is also on the upcoming speeches by Fed policymakers Jeffrey Lacker and Narayana Kocherlakota. Additionally, market participants eagerly await the FOMC June 18-19 meeting minutes due for release on Wednesday, for any hints on the FOMC's monetary policy deliberations ahead. In the **FX markets**, the **USD's** recent rally appears to have run out of steam, while the **EUR** received some support in the wake of ECB Executive Board member Sabine Lautenschlaeger's comments on Monday, who suggested that QE should only be used in the event of an emergency, such as "the case of the immediate prospect of deflation". Against this backdrop, the EUR/USD hovered around levels of 1.3597/99 at the time of writing having modestly bounced from a 2-week trough of 1.3574 hit at some point on Monday but remained below a six-week high near 1.3700 hit earlier in the month.

### GREECE

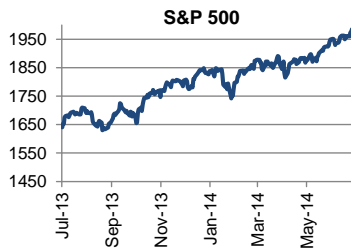
As was broadly expected, the Board of Directors of the European Financial Stability Facility (EFSF) gave the green light for the release of the €1bn tranche to Greece on Monday, after the full implementation of all six prior actions attached. This is the second tranche of the €8.3bn EFSF installment approved upon the conclusion of the fourth review mission of Greece's macroeconomic adjustment programme. Its disbursement will bring the total amount of EFSF financial assistance released to Greece to €140.9bn.

## Latest developments in the CESEE region

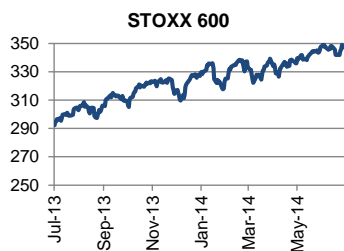
### CESEE markets

The majority of **emerging stock markets** were in the black in European trade on Tuesday, with Indonesian and Russian indices leading the way higher. As a result, the broad MSCI index of emerging equities stood 0.20% firmer at the time of writing having spiked to a 16-½-month peak earlier today. Meanwhile, **CESEE bourses** tread water, with Turkey's BIST 100 outperforming its regional peers as oil prices eased, hence somewhat mitigating concerns about the country's elevated current account deficit which is heavily augmented by energy imports. **In the FX markets**, CESEE currencies modestly firmed in European trade on Tuesday. The Hungarian forint led the gains in the region, recovering part of the recent losses suffered in view of government plans (and the ensuing the parliamentary endorsement of a bill) which envision compensation of borrowers for unfair loan practices and are expected to hurt the banking sector's profits ahead. Along these lines, the EUR/HUF eased to a multi-session trough near 309.05 in Europe today, easing below the key psychological level of 310 and recoiling further from a 3-month peak of 312.50 hit early last week. Nonetheless, lingering concerns about the outlook of Hungary's banking sector ahead, uncertainties surrounding the recently endorsed loans legislation and the prospect of further monetary easing this year, after 470bps or rate cuts since August 2012, may cap any significant gains for the currency.

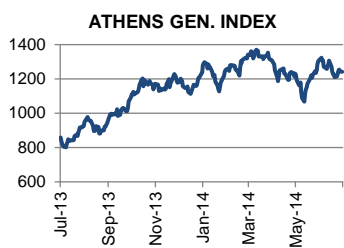
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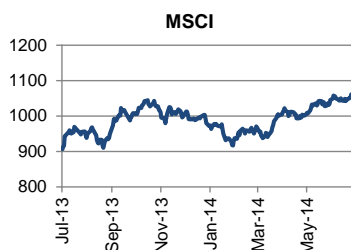
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	8.50	9.00

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	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
	<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

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	
	<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

## SERBIA

(Belgrade, 7/7/2014, 09:00 CET): **Market Developments:** The EUR/RSD closed little changed at 116.05/25 on Monday, with a modest uptick towards 116.25/45 late last week having been capped by ensuing Central Bank intervention. Consolidation around Monday's levels will likely prevail in the coming sessions, with a small retreat towards 115.80/00 also on the cards, as fresh Central Bank interventions are likely should the pair resume its recent modest upside momentum. Technically, immediate resistance lies at 116.40, where we expect the NBS to intervene anew.

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## ROMANIA

(Bucharest, 8/7/2014, 09:20 EET): **Market Developments:** The EUR/RON was little changed on Monday, hovering around levels of 4.3870 for most of the session. Short term RON rates up to one week remained close to the deposit facility rate of 0.5% amid ample market liquidity. In other news, the MoF sold on Monday RON 400mn in 6Y government bonds, at an average accepted yield of 3.50%, which came in below market expectations. Government bonds rallied in the wake of the auction, with yields of maturities up to 5 years easing some 5 bps in response.

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## BULGARIA

(Sofia, 7/7/2014, 21:00 EET): **Latest Political & Macro Developments:** The European Bank for Reconstruction and Development signed an agreement for EUR 540mn with bourses of Bulgaria, FYROM and Croatia to create an integrated electronic system for all securities listed on the three markets. In turn, each stock exchange will provide EUR 80k for capital increase of the joint company SEE Link. The project will allow a single point of access with submission of orders through a standardized interface. The cooperation aims to reinforce efficiency and transparency of the stock exchanges. It will be possible for other regional bourses to join the process later on. **Market Developments:** Following last week's rally, the domestic stock market lost ground on Monday, pressured by news that President Rosen Plevneliev urged the government to revise the budget. In more detail, the main SOFIX index retreated by 2.41% to 551.08 points, with Sopharma, Bulgartabac Holding and First Investment Bank leading the way lower.

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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	1977.65	-0.4%	7.0%	EUR/USD	1.3591	-0.1%	-1.1%	UST - 10yr	2.59	-2	-43	GOLD	1319	0.0%	9.4%
Nikkei 225	15314.41	-0.4%	-6.0%	GBP/USD	1.7107	-0.1%	3.3%	Bund-10yr	1.24	-2	-69	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	342.53	-0.7%	4.3%	USD/JPY	101.74	0.1%	3.5%	JGB - 10yr	0.56	-1	-18	LMEX	3253	-0.2%	3.0%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	6.63	4	-138	O/N	0.84	-9	-90	LEONIA	0.03	0	-4
1-week	6.88	1	-140	1-month	1.54	-5	-34	1-month	0.25	0	-7
1-month	7.22	3	-136	3-month	2.22	-7	-22	3-month	0.53	0	-11
3-month	7.70	4	-118	6-month	2.61	0	-38	6-month	1.00	0	-15
6-month	8.02	2	-113	12-month	2.66	-3	-49	12-month	1.92	0	-28
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.36	2	-60	3Y RON	2.51	-5	-144	3Y BGN	1.20	0	11
5Y RSD	10.29	0	-253	5Y RON	2.97	-2	-168	5Y BGN	1.74	-3	-11
7Y RSD	11.27	2	-253	10Y RON	4.21	-2	-109	10Y BGN	3.11	0	-38
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.75	1	-126	EUR Sep-20	2.38	-2	-146	USD Jan-15	1.07	-2	48
USD Nov-24	1.61	-493	-530	USD Aug-23	4.02	2	-78	EUR Jul-17	1.43	6	-37
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	265	-2	-144	5-year	135	0	-50	5-year	140	0	-5
10-year	315	-1	-132	10-year	183	-1	-50	10-year	190	-1	15
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	578.1	0.36%	3.61%	BET	6941.6	-0.35%	6.90%	SOFIX	549.8	-0.24%	11.85%
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.10%	-1.19%	EUR/RON	4.3907	-0.05%	1.87%	USD/BGN	1.4392	-0.09%	-1.12%

SERBIA		ROMANIA		BULGARIA	
<b>BELEX15 Index</b>		<b>BET Index</b>		<b>SOFIX Index</b>	
<b>EUR/RSD</b>		<b>EUR/RON</b>		<b>USD/BGN</b>	

Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 13:00 EET

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