

June 17, 2014

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- June 16
  - Empire State (Jun)
  - Industrial production (May)
  - NAHB (Jun)
- June 17
  - CPI (May)
  - Housing starts (May)
  - Housing permits (May)
- June 18: FOMC announcement
- June 19
  - Initial jobless claims (Jun 7)
  - Philly Fed (May)

##### EUROZONE

- June 16: HICP (May, f)
- June 17: DE – ZEW (Jun)

##### SEE

##### SERBIA

- June 20: CAD (Apr)

##### ROMANIA

- June 16: RON 300mn T-bonds auction

##### BULGARIA

- June 16
  - CAD (Apr)
  - U/E rate (May)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of **Asian bourses** moved lower on Tuesday pressured by persisting Iraq jitters. Meanwhile, Russia decided to halt gas supplies to Ukraine after the two countries failed to agree on a payment scheme. **Major European equity markets** were modestly firmer in early trade supported by M&A news and a string of upbeat US data which fuelled market optimism over a strong rebound in domestic activity in the period April-June 2014. In FX markets, the **USD** was little changed against its major currency peers as investors adopted a cautious stance ahead of the two-day FOMC policy meeting which commences later today.

**GREECE:** An unnamed high-level EU official was quoted as saying in local press today that the June 19 Eurogroup is unlikely to give the green light for the disbursement of the next EFSF sub-tranche (€1bn) to Greece, initially scheduled to be released by end-June, as the attached milestones have yet to be fulfilled. In other news, the Greek government is reportedly planning to re-access international capital markets with a 7-year bond issuance aiming to raise ca €3bn to €5bn. As per the same sources, the said issuance is likely to take place by September at the latest, producing a yield lower than 5.0%.

### SOUTH EASTERN EUROPE

**SERBIA:** Central Bank FX reserves amounted to €10.4bn over the first five months of the year, marking a drop of around €800mn on a year-to-date basis.

**ROMANIA:** The MoF sold the planned RON 300mn in November 2018 government bonds at an average accepted yield of 3.32%, roughly in line with expectations.

**BULGARIA:** Standard & Poor's downgraded on Friday its long and short-term sovereign credit rating on Bulgaria to BBB-/ A-3 from BBB/A-2, with outlook stable.

**CESEE Markets: Emerging stock markets** closed broadly lower on Monday amid heightened geopolitical tensions in Iraq. Mounting violence in Ukraine over the weekend and an escalating gas dispute between Moscow and Kiev also weighed on investor sentiment.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses moved lower on Tuesday pressured by persisting Iraq jitters. Meanwhile, Russia decided to halt gas supplies to Ukraine after the two countries failed to agree on a payment scheme. Major European equity markets were modestly firmer in early trade supported by M&A news and a string of upbeat US data which fuelled market optimism over a strong rebound in domestic activity in the period April-June 2014. Specifically, US manufacturing rose more than expected in May, the National Association of Home Builders/Wells Fargo index of homebuilder confidence improved in June for the first time this year while the NY Fed's "Empire State" general business conditions index advanced in May to its highest level in near three years. In FX markets, the USD was little changed against its major currency peers as investors adopted a cautious stance ahead of the two-day FOMC policy meeting which commences later today. The Central Bank is widely expected to reduce the pace of its monthly asset purchases by a further €10bn to €35bn. Focus will be on the updated staff projections and FOMC Chairman Janet Yellen's press conference for any indication whether the Fed is preparing the ground for a rate hike earlier than currently expected.

### GREECE

An unnamed high-level EU official was quoted as saying in local press today that the June 19 Eurogroup is unlikely to give the green light for the disbursement of the next EFSF sub-tranche (€1bn) to Greece, initially scheduled to be released by end-June, as the attached milestones have yet to be fulfilled. As laid out explicitly in the latest EU Commission report on Greece (April 2014), the agreed prior actions attached to the June 2014 EFSF sub-tranche – part of the €8.3bn loan installment approved by the April 1st Eurogroup- include, among others: (i) review of the list of nuisance charges; (ii) adoption of a ministerial decree for integration of debt collection to tax administration; and (iii) adoption of the required legislation ensuring access to medicines and diagnostics for the non-insured. In other news, the Greek government is reportedly planning to re-access international capital markets with a 7-year bond issuance aiming to raise ca €3bn to €5bn. As per the same sources, the said issuance is likely to take place by September at the latest, producing a yield lower than 5.0%.

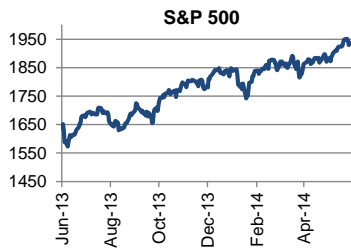
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

## Latest developments in the CESEE region

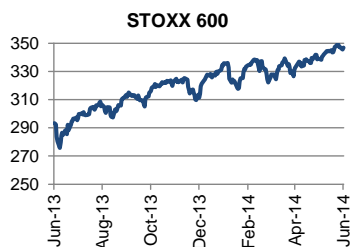
### CESEE markets

**Emerging stock markets** closed broadly lower on Monday amid heightened geopolitical tensions in Iraq. Mounting violence in Ukraine over the weekend and an escalating gas dispute between Moscow and Kiev also weighed on investor sentiment. Russia cut off gas supplies to Ukraine on Monday after the latter missed this week's deadline to settle payments overdue and corresponding negotiations over future gas prices faltered. Russian gas company Gazprom said that Ukraine will have to pay in advance for any future gas supplies. It also reportedly highlighted that it would continue to provide gas to its European customers at "full volume". According to Ukrainian Naftogaz, Ukraine has reportedly enough gas reserves to last until December. Elsewhere, a leaked recordings scandal involving Polish Central Bank Governor Marek Belka had a negative impact on the country's assets. As a result, the **Polish zloty** spiked to a near 2-week low of 4.1525/EUR on Monday, and government bond yields rose to multi-session highs amid growing uncertainty over the incumbent Governor's future in his current post.

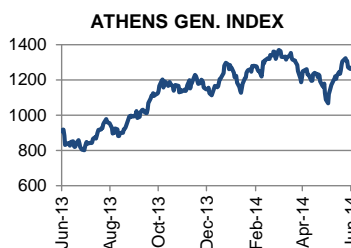
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)



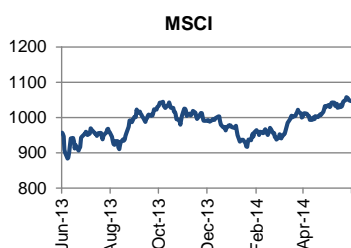
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	2013	current	2014f
Policy Rate (eop)	9.50	9.00	9.00

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

## SERBIA

(Belgrade, 16/6/2014, 16:30 CET): **Latest Political & Macro Developments:** Central Bank FX reserves amounted to €10.4bn over the first five months of the year, marking a drop of around €800mn on a year-to-date basis. The said amount covers approximately seven months of the country's imports. Net reserves (ex. IMF drawing rights and commercial banks' mandatory reserves) totaled €7.3bn. **Market Developments:** The EUR/RSD remained within its recent range of 115.30/50-115.40/60 on Monday, with strong local currency demand being offset by renewed Central Bank (NBS) intervention, where the NBS bought approximately EUR 10mn in the FX markets.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

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

## ROMANIA

(Bucharest, 17/6/2014, 09:05 EET): **Market Developments:** The EUR/RON remained stuck within its recent range of 4.3920/4.4010 on Monday. Elsewhere, the 1W RON implied rate from swaps stood at 1%, while longer rates above 1M moved broadly lower. ROMGBs were little changed in thin trade on Monday, with the corresponding yield curve remaining largely unchanged. On the primary market, the MoF sold the planned RON 300mn in November 2018 government bonds at an average accepted yield of 3.32%, which came in roughly in line with expectations.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

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

## BULGARIA

(Sofia, 16/6/2014, 17:30 EET): **Latest Political & Macro Developments:** Standard & Poor's downgraded on Friday its long and short-term sovereign credit rating on Bulgaria to BBB-/A-3 from BBB/A-2, with outlook stable. The ratings agency cited domestic political uncertainty which poses risks to the implementation of much-needed reforms, while growth is expected "to remain lackluster and unemployment high". **Market Developments:** The domestic stock market kicked off the week on a negative footing, with the main SOFIX index extending its recent downtrend to close 0.63% lower at 568.24 points.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

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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	1937.78	0.1%	4.8%	EUR/USD	1.3558	-0.1%	-1.3%	UST - 10yr	2.60	0	-43	GOLD	1266	-0.5%	5.0%
Nikkei 225	14975.97	0.3%	-8.1%	GBP/USD	1.6977	0.0%	2.5%	Bund-10yr	1.36	1	-57	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	346.85	0.4%	5.7%	USD/JPY	102.03	-0.2%	3.2%	JGB - 10yr	0.60	-1	-15	LMEX	3088	0.7%	-2.2%

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	6.80	-1	-121	O/N	0.87	-4	-87	LEONIA	0.02	0	-5		
1-week	7.07	-2	-121	1-month	1.73	1	-15	1-month	0.26	0	-5		
1-month	7.41	-4	-117	3-month	2.4	1	-4	3-month	0.55	0	-10		
3-month	7.83	-3	-105	6-month	2.78	0	-21	6-month	1.03	0	-13		
6-month	8.08	-3	-107	12-month	2.89	0	-26	12-month	1.95	0	-24		
<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	9.71	#N/A N/A	-25	3Y RON	2.91	0	-104	3Y BGN	0.85	2	-25		
5Y RSD	10.93	0	-189	5Y RON	3.37	0	-128	5Y BGN	1.49	2	-35		
7Y RSD	11.65	0	-215	10Y RON	4.44	1	-86	10Y BGN	3.00	0	-50		
<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	3.52	2	-149	EUR Sep-20	2.35	0	-150	USD Jan-15	0.87	-2	29		
USD Nov-24	1.36	-513	-554	USD Aug-23	3.96	0	-85	EUR Jul-17	1.38	-1	-42		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	250	-12	-159	5-year	135	#N/A N/A	-50	5-year	119	#N/A N/A	-5		
10-year	295	-12	-152	10-year	#N/A N/A	#N/A N/A	#VALUE!	10-year	#N/A N/A	#N/A N/A	#VALUE!		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	585.9	0.12%	5.01%	BET	6785.6	-1.11%	4.49%	SOFIX	567.0	-0.23%	15.35%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	115.4	0.00%	-0.65%	EUR/RON	4.4064	-0.26%	1.51%	USD/BGN	1.4427	-0.12%	-1.36%		
<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 11:15 EET

## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

### Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

### Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

[galatia.phoka@eurobank.gr](mailto:galatia.phoka@eurobank.gr)

### Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

[ivan.radovic@eurobank.rs](mailto:ivan.radovic@eurobank.rs)

### Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Global Markets Research

### Global Markets Research Team

#### Dr. Platon Monokroussos:

Chief Market Economist

[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Paraskevi Petropoulou:** G10 Markets Analyst

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka:** Emerging Markets Analyst

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

### Global Markets Sales

**Nikos Laios:** Head of Treasury Sales

[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou:** Head of Institutional Sales

[apathanasiou@eurobank.gr](mailto:apathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis:** Head of Corporate Sales

[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou:** Head of Private Banking Sales

[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis:** Head of Shipping Sales

[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis:** Head International Sales

[vgioulbaxiotis@eurobank.gr](mailto: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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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