

June 18, 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

The majority of **Asian bourses** moved lower on Wednesday, while **European stock markets** broadly edged higher as investors await the conclusion of the Fed's two-day monetary policy meeting later today (statement due at 18:00 GMT, followed by Chair Janet Yellen's press conference at 18:30 GMT). In **FX markets**, the **USD** retained a firm tone after a higher-than-anticipated CPI reading for May fanned speculation that any potential Fed rate hikes may be brought forward. Meanwhile, the EUR remained under pressure as the recent decision by the ECB to proceed with the adoption of a package of measures aiming to address deflation risks and boost liquidity, continued to weigh on the single currency.

### SOUTH EASTERN EUROPE

**SERBIA:** The Serbian Debt Agency sold on Tuesday RSD 9.6bn worth of 12 Month T-Bills. The achieved yield was 8.20%, 62bps below a tender of similar maturity paper in late May.

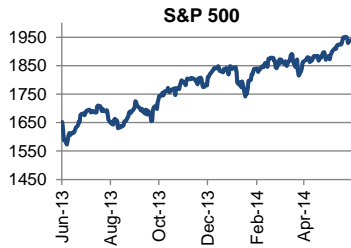
**ROMANIA:** The EUR/RON remained trapped within the 4.3800/4.4100 range seen since April.

**BULGARIA:** Bulgarian President Rosen Plevneliev announced that political leaders had reached an agreement on early parliamentary elections. The approved possible dates are September 28, October 5 and October 12.

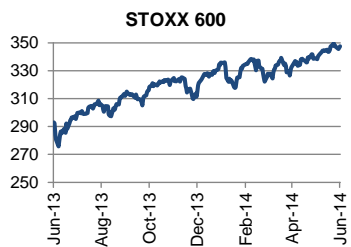
**CESEE Markets: Emerging stock markets** extended their recent losses on Tuesday, **CESEE currencies** modestly recoiled, ahead of the FOMC announcement later on Wednesday. Heightened geopolitical tensions in Iraq, increased violence in Ukraine over the weekend and an escalating gas dispute between Moscow and Kiev have taken a toll on regional bourses over the last few sessions.

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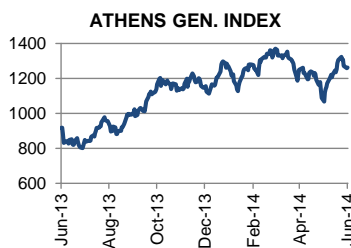
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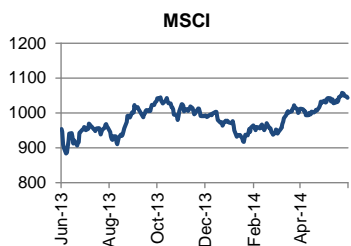
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

## Latest world economic & market developments

### GLOBAL MARKETS

The majority of **Asian bourses** moved lower on Wednesday, while **European stock markets** broadly edged higher as investors await the conclusion of the Fed's two-day monetary policy meeting later today (statement due at 18:00 GMT, followed by Chair Janet Yellen's press conference at 18:30 GMT). 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 Chair's comments for any indication whether the Fed is preparing the ground for a rate hike earlier than currently expected. In **FX markets**, the **USD** retained a firm tone after a higher-than-anticipated CPI reading for May fanned speculation that any potential Fed rate hikes may be brought forward. Meanwhile, the EUR remained under pressure as the recent decision by the ECB to proceed with the adoption of a package of measures aiming to address deflation risks and boost liquidity, continued to weigh on the single currency. Along these lines, the EUR/USD was trading close to 1.3549/52 in European trade today, coming close to a multi-month low near 1.35 hit earlier this month.

## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** extended their recent losses on Tuesday ahead of the FOMC announcement later on Wednesday. Heightened geopolitical tensions in Iraq, increased violence in Ukraine over the weekend and an escalating gas dispute between Moscow and Kiev have taken a toll on regional bourses over the last few sessions. Against this backdrop, the MSCI index of emerging equities fell for the fifth session running on Tuesday to close 0.26% lower, standing 1.4% weaker from a 1-year peak of 1,058 points hit last week. Poland's WIG bucked the region's trend to close 0.62% higher amid easing concerns about a potential resignation of Central Bank Governor Marek Belka. In the FX markets, **CESEE currencies** modestly recoiled on Tuesday, as investors focused on this week's Fed monetary policy meeting. The **Polish zloty** recovered some ground after the Central Bank Governor said he would not resign and Prime Minister Donald Tusk defended Mr. Belka following a leaked tapes scandal which raised uncertainty about his future in office. The EUR/PLN closed at 4.1435 having eased from a 2-week high near 4.1525 in the prior session. Elsewhere, the **Hungarian forint** remained under pressure following a Supreme Court ruling over FX loans that could weigh on commercial banks' balance sheets. Along these lines and in view of ongoing expectations for further Central Bank rate cuts ahead following 460bps of MNB monetary easing since August 2012., the EUR/HUF hit a 2-week peak of 307.95 at some point on Tuesday before closing marginally higher on the day near 307.70. Mounting geopolitical tensions in neighboring Iraq and a firmer USD in the wake of higher than anticipated CPI reading from the US boded ill for the Turkish lira which slid to a 2-½ month trough near 2.1540/USD in Europe on Tuesday. In the **local rates markets**, government bonds broadly weakened in line with waning risk appetite.

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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

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

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

## SERBIA

(Belgrade, 17/6/2014, 17:00 CET): **Latest Political & Macro Developments:** The Serbian Debt Agency sold on Tuesday RSD 9.6bn worth of 12 Month T-Bills. The achieved yield was 8.20%, 62bps below a tender of similar maturity paper in late May. **Market Developments:** The EUR/RSD remained bound within its recent range of 115.30/50-115.40/60 on Tuesday.

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## ROMANIA

(Bucharest, 17/6/2014, 09:20 EET): **Market Developments:** The EUR/RON moved modestly higher on Tuesday to stand at 4.4000 at the settlement of the session slightly above opening levels of 4.3950. Recall that, the pair has remained trapped within the 4.3800/4.4100 range seen since April. Meanwhile, government bonds weakened on profit taking in light trade volumes, with the entire yield curve shifting around 3bps higher.

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## BULGARIA

(Sofia, 17/6/2014, 17:20 EET): **Latest Political & Macro Developments:** Following Tuesday's extraordinary meeting of the Consultative Council on National Security, Bulgarian President Rosen Plevneliev announced that political leaders had reached an agreement on early parliamentary elections. The approved possible dates are September 28, October 5 and October 12, while the final decision will be taken at one of the next consultations between the President and political parties. Depending on the outcome, the cabinet of Prime Minister Plamen Oresharski will in turn set the date for their resignation. According to BNB figures, the current account swung into a deficit of €211.6mn (or 0.5%-of-projected GDP) in January-April 2014, from a €54.2mn (0.1%-of-GDP) surplus recorded over the same period a year earlier. The said development mainly came on the back of a widening trade deficit which nearly doubled to €1,176.7mn. Foreign Direct Investment in Bulgaria dropped by 28.4%YoY to €218.5mn. **Market Developments:** The domestic stock market extended its recent losses on Tuesday with the main SOFIX index falling by 0.62% to 564.71 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	1941.99	0.2%	5.1%	EUR/USD	1.3558	0.1%	-1.3%	UST - 10yr	2.64	-1	-39	GOLD	1268	-0.2%	5.2%
Nikkei 225	15115.80	0.9%	-7.2%	GBP/USD	1.6945	-0.1%	2.3%	Bund-10yr	1.39	-1	-54	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	347.49	0.3%	5.9%	USD/JPY	102.25	-0.1%	3.0%	JGB - 10yr	0.60	1	-14	LME X	3103	0.5%	-1.8%

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	6.77	-3	-124	O/N	0.85	-2	-89	LEONIA	0.02	0	-5
1-week	7.06	-1	-122	1-month	1.77	4	-11	1-month	0.25	-1	-7
1-month	7.39	-2	-119	3-month	2.38	-2	-6	3-month	0.54	-1	-11
3-month	7.82	-1	-106	6-month	2.78	0	-21	6-month	1.02	0	-13
6-month	8.08	0	-107	12-month	2.87	-2	-28	12-month	1.95	0	-25
<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	9.51	0	-45	3Y RON	2.92	1	-103	3Y BGN	0.81	1	-28
5Y RSD	10.92	-2	-191	5Y RON	3.37	0	-128	5Y BGN	1.49	0	-35
7Y RSD	11.67	0	-213	10Y RON	4.47	2	-83	10Y BGN	3.03	0	-47
<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	0	-149	EUR Sep-20	2.37	-1	-148	USD Jan-15	0.82	-5	24
USD Nov-24	1.38	-511	-552	USD Aug-23	3.99	0	-82	EUR Jul-17	1.39	0	-41
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	250	0	-159	5-year	135	#N/A N/A	-50	5-year	119	#N/A N/A	-5
10-year	294	0	-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	575.9	-1.33%	3.22%	BET	6741.7	0.06%	3.82%	SOFIX	554.2	-1.85%	12.76%
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.02%	-0.69%	EUR/RON	4.4067	-0.17%	1.50%	USD/BGN	1.4429	0.06%	-1.37%

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 12:00 EET

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