

June 23, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 24
 - Case-Shiller index (Apr)
 - Cons Conf CB (Jun)
 - New home sales (May)
- June 25
 - GDP (Q1, 3rd estimate)
 - Durable goods orders (May)
- June 26
 - Personal spending (May)
 - Initial jobless claims (Jun 21)

EUROZONE

- June 23: PMI (Jun)
- June 24: DE – IFO (Jun)

SEE

SERBIA

- June 24: 2-Year RSD floating bonds auction
- June 25
 - Real wages (May)
 - 5-Year RSD bonds auction

ROMANIA

- June 23: RON 200mn T-bonds auction

BULGARIA

- June 23: BGN 50mn T-bonds auction
- June 24: Gross external debt (Apr)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian bourses kicked off the week on a firm footing supported by signs of stabilization in China, the world's second biggest economy. . The updated Summary of FOMC Economic Projections released last week which tilted towards the dovish side of market expectations, also continued to have a positive impact on market sentiment. In FX markets, the AUD was among the main outperformers supported by firmer-than-expected Chinese data. Elsewhere, the EUR came under renewed pressure after a press report published on Sunday quoted ECB President Mario Draghi as saying that large-scale asset purchases are part of the Central Bank's toolkit.

GREECE: According to provisional Bank of Greece's BoP statistics, the current account balance remained in an improving trend over the first four months of this year, recording a deficit of ca €2.22bn vs. a shortfall of €3.39bn in the same period a year earlier.

SOUTH EASTERN EUROPE

SERBIA: January-May non-consolidated budget deficit at 63% of the full year government target.

ROMANIA: The MoF to sell RON 200mn of April 2023 treasury bonds on Monday.

BULGARIA: Bulgaria's fourth largest lender, Corporate Commercial Bank placed under Central Bank "conservatorship" after depositor run amid media reports about the bank's poor finances.

CESEE Markets: Emerging stock markets closed broadly lower on Friday amid persisting geopolitical risks in Iraq and a rise in US Treasury yields. In the FX markets, **CESEE currencies** were little changed on Friday; **Polish zloty** remained under pressure as a leaked tapes scandal implicating the Governor of the Central Bank continued to weigh.

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Latest world economic & market developments

GLOBAL MARKETS

The majority of Asian bourses kicked off the week on a firm footing supported by signs of stabilization in China, the world's second biggest economy. According to data released earlier today, China's June HSBC/Market Flash PMI moved above the boom-or-bust level of 50.0 for the first time this year coming in at a six-month high of 50.8 from May's 49.4 mainly supported by higher new orders. The updated Summary of FOMC Economic Projections released last week which tilted towards the dovish side of market expectations, also continued to have a positive impact on market sentiment. In FX markets, the AUD was among the main outperformers supported by firmer-than-expected Chinese data. Elsewhere, the EUR came under renewed pressure after a press report published on Sunday quoted ECB President Mario Draghi as saying that large-scale asset purchases are part of the Central Bank's toolkit. The EUR/USD was hovering around 1.3595/1.3600 in European trade at the time of writing, ca 0.3% lower from a multi-session peak near 1.3635 touched at some point late last week.

GREECE

According to provisional Bank of Greece's BoP statistics, the current account balance remained in an improving trend over the first four months of this year, recording a deficit of ca €2.22bn vs. a shortfall of €3.39bn in the same period a year earlier. This development was mainly attributed to: (i) a €0.66bn (31.6%YoY) increase in the services surplus to €2.75bn on the back strong tourism receipts; (ii) a €0.49bn (30.5%YoY) increase in the current transfer surplus to ca €2.1bn on higher general government net receipts (primarily from the EU); and (iii) a €0.25bn (24.7%YoY) drop in the income account deficit primarily due to a ca 10%YoY fall in net interest payments. The trade deficit came in at €6.26bn, 3.6% wider on an annual basis.

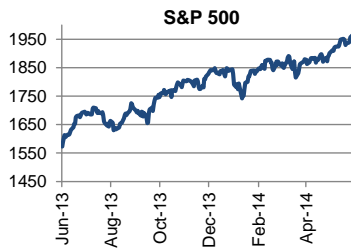
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Latest developments in the CESEE region

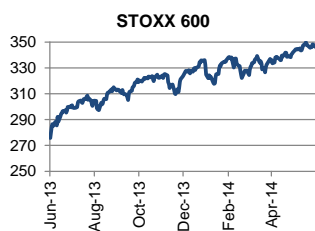
CESEE markets

Emerging stock markets closed broadly lower on Friday amid persisting geopolitical risks in Iraq and a rise in US Treasury yields. Speculation about a possible restructuring of Ukraine's foreign currency debt also had a negative impact. However, an IMF official rebuffed the said rumors highlighting that Ukraine is unlikely to require a debt restructuring. Along these lines, the MSCI index of emerging equities ended 0.58% lower on the day, while on a weekly basis it posted losses to the tune of 0.50% snapping a 2-week rising streak. Bulgaria's SOFIX underperformed its CESEE peers after the Central Bank reportedly took control of the country's fourth largest lender Corporate Commercial Bank (Corpobank) for a period of three months after a bank run which was instigated by media corruption reports. In the FX markets, **CESEE currencies** were little changed on Friday. The **Polish zloty** retained a negative tone, hitting a 1-month trough at 4.1740/EUR intraday on Friday, as a leaked tapes scandal implicating the Governor of the Central Bank continued to weigh on the currency. In view of the aforementioned, the country's Prime Minister Donald Tusk warned late last week that snap general elections are a possibility "if the crisis of confidence becomes too deep". The **Turkish lira** remained under pressure on expectations for further Central Bank rate cuts as soon as the next MPC meeting on June 24, while higher oil prices amid heightened geopolitical tensions in Iraq added to worries over the country's elevated current account deficit. Against this backdrop, the EUR/TRY hit a session high near 2.15 at some point on Friday, approaching anew a 2½ -month peak of 2.1540 temporarily touched a few days ago.

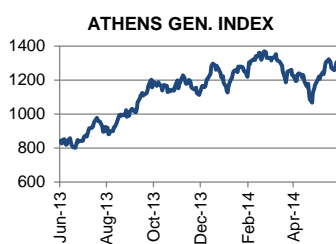
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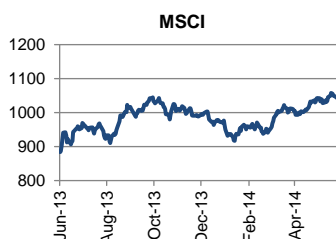
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 20/6/2014, 10:10 CET): **Latest Political & Macro Developments:** According to the latest Ministry of Finance data, Serbia's (non-consolidated) budget deficit came in at RSD 22.8bn (€197m) in May on approximate revenues of RSD 60bn and expenses of RSD 83bn. Slightly lower VAT and excise taxes revenues pushed the monthly deficit a bit higher than expected. For the January-May period, the fiscal shortfall totaled RSD 114.6bn (ca €992m) corresponding to 63% of the full year projection. **Market Developments:** The EUR/RSD inched slightly up on Friday closing at 115.48/68 from 115.40/60 at the session's open.

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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	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, 23/6/2014, 09:00 EET): **Market Developments:** The EUR/RON remained trapped within its recent range of 4.3900/4.4000 on Friday. In government bonds, the MoF holds today a primary market auction for RON 200mn of 9Y (April 2023) bonds. Given the strong recent rally in ROMGBs, as well as supportive money market rates and the relatively small offered amount, demand will likely be strong, with the average yield expected to come in at around 4.50-4.45%.

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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	-0.2
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, 23/6/2014, 10:10 EET): **Latest Political & Macro Developments:** Bulgaria's fourth-largest lender, Corporate Commercial Bank, was hit by a depositors run late last week amid media reports about the bank's poor finances. On Friday, the bank announced it had stopped all payments and operations due to a liquidity drain, leading the Central Bank (BNB) to put it under "conservatorship". In more detail, BNB appointed two administrators, dismissed the lender's management and divested the shareholders' rights. Same measures were applied for CCB subsidiary ex-Credit Agricole, whose purchase was finalized on June 12. The Central Bank will secure the needed liquidity support using funds from the state-owned Bulgarian Bank for Development and Deposit Guarantee Fund. The administrators of both lenders will hire external auditors to evaluate their balance sheets in the next 10 days. All actions related to the group's recapitalization will be taken by July 20. National Bank Governor Ivan Iskrov stressed out that the bank was not bankrupt and appealed to depositors to keep calm. **Market Developments:** Reflecting the Corporate Commercial Bank crisis, domestic stock indices came under selling pressure with the main SOFIX index closing 3.72% lower at 538.0 points, having recouped part of earlier losses after the Central Bank intervention.

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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	1962.87	0.2%	6.2%	EUR/USD	1.359	-0.1%	-1.1%	UST - 10yr	2.60	0	-42	GOLD	1315	0.0%	9.1%
Nikkei 225	15369.28	0.1%	-5.7%	GBP/USD	1.7026	0.1%	2.8%	Bund-10yr	1.33	-2	-60	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	346.27	-0.5%	5.5%	USD/JPY	101.88	0.2%	3.4%	JGB - 10yr	0.58	0	-16	LME X	3141	0.8%	-0.6%

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	6.77	2	-124	O/N	0.72	-11	-102	LEONIA	0.02	0	-5
1-week	7.06	2	-122	1-month	1.9	9	2	1-month	0.24	0	-7
1-month	7.37	3	-121	3-month	2.4	1	-4	3-month	0.54	0	-10
3-month	7.77	-5	-111	6-month	2.77	1	-22	6-month	1.02	0	-13
6-month	8.05	-3	-110	12-month	2.87	2	-28	12-month	1.95	0	-24
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.54	-6	-151	3Y RON	2.89	0	-106	3Y BGN	0.83	2	-26
5Y RSD	10.98	0	-184	5Y RON	3.30	0	-135	5Y BGN	1.50	-2	-35
7Y RSD	11.69	0	-212	10Y RON	4.46	0	-84	10Y BGN	3.02	0	-47
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	1	-139	EUR Sep-20	2.37	7	-147	USD Jan-15	0.88	5	29
USD Nov-24	1.66	-485	-525	USD Aug-23	4.00	8	-81	EUR Jul-17	1.34	1	-46
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	248	-9	-161	5-year	135	#N/A N/A	-50	5-year	119	#N/A N/A	-5
10-year	295	-7	-152	10-year	#N/A N/A	#N/A N/A	#VALUE!	10-year	#N/A N/A	#N/A N/A	#VALUE!
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	574.3	0.14%	2.92%	BET	6747.9	0.00%	3.91%	SOFIX	545.0	1.13%	10.88%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.13%	-0.71%	EUR/RON	4.4006	-0.06%	1.64%	USD/BGN	1.4393	-0.06%	-1.13%

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

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:00 EET

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