

June 27, 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, 3<sup>rd</sup> 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:** European bourses opened higher on Friday favored by increased market expectations that the Fed will probably not rush to push interest rates higher. In FX markets, weak US data pushed the USD lower with the **DXY dollar index** hovering around 80.165 in European trade at the time of writing, within distance from a four-week trough of 80.075 recorded earlier in the day.

**GREECE:** The **Euro Working Group (EGW)** reportedly convenes on Monday, June 29 and the progress made so far by the Greek side on the fulfillment of the prior actions attached to the next EFSF sub-tranche (€1bn) will likely be high on the agenda.

### SOUTH EASTERN EUROPE

**SERBIA:** The Debt Management Agency sold on Wednesday 57.5% of the planned 5-year RSD re-tapped T-bonds.

**BULGARIA:** Bulgaria proceeded with the planned sale of €1.5bn September 2024 Eurobond on Thursday, reportedly bearing a yield 3.055% or 160bps over mid-swaps.

**CESEE Markets:** The majority of **CESEE stock markets** inched up in European trade on Friday with Bulgaria bucking the trend.

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## Latest world economic & market developments

### GLOBAL MARKETS

**European bourses opened higher** on Friday favored by increased market expectations that the Fed will probably not rush to push interest rates higher. US May consumer spending data released y-day raised questions over whether the domestic economy is heading for a robust recovery in the second quarter of this year, as previously hoped, after real GDP growth contracted by 2.9%qoq annualized in the January-March period, the worst performance in near five years, mainly due to adverse weather conditions. In FX markets, weak US data pushed the USD lower with the **DXD dollar index** hovering around 80.165 in European trade at the time of writing, within distance from a four-week trough of 80.075 recorded earlier in the day. The latest bout of USD weakness was more propounded against the JPY with the USD/JPY breaking below its pivotal 200-day MA level of 101.70 marking a one-month low of 101.30. Technically, key support stands at 100.80 (May 21 low) with investors eagerly awaiting next week's US ISM-manufacturing and non-farm payrolls data for the month of June for more clues about the US' economic recovery momentum.

### GREECE

The **Euro Working Group (EGW)** reportedly convenes on Monday, June 29 and the progress made so far by the Greek side on the fulfillment of the prior actions attached to the next EFSF sub-tranche (€1bn) will likely be high on the agenda. As things stand at this point, the Greek government has reportedly fully met two prior actions including: (i) the adoption of an outdoor trade law; and (ii) the adoption of investment licensing law and spatial planning. As per the same sources, additional milestones including (i) approval of code of conduct for members of Government; (ii) endorsement of legislation entailing access of non-insured citizens to diagnostics centers and use of medicines, (iii) issuance of ministerial decree for integration of debt collection to tax administration; and (iv) update of the nuisance charges list, are expected to be finalized in the coming sessions. With regard to the prior action related to the planned reduction in the profit margin of pharmacists (from 19% currently) local press reports suggested that domestic authorities will likely request official lenders to reassess the level of reduction to 17.5% vs. 15.0% initially agreed in the context of the 4<sup>th</sup> program review.

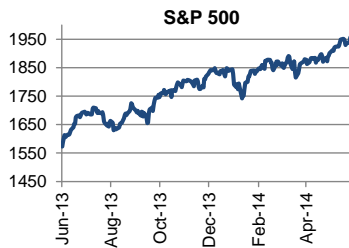
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

## Latest developments in the CESEE region

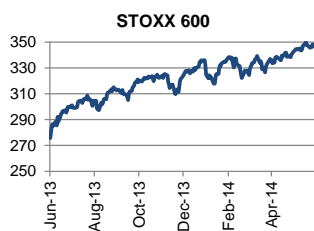
### CESEE markets

The majority of **CESEE stock markets** inched up in European trade on Friday with Bulgaria bucking the trend. The country's main SOFIX index extended its recent downtrend, plummeting by 5.5% at the time of writing and standing at its lowest level since early January. The losses were possibly exacerbated by thin trade volumes and were primarily driven by local media reports quoting ruling Socialist Party member Anton Kutev as saying that "someone is trying to pull down another bank", after last week's depositor run on the country's fourth largest lender Corporate Commercial Bank (Corpobank) prompted the Central Bank taking control of Corpobank and temporarily suspending its operations. Notwithstanding the aforementioned, we do not expect Corpobank's crisis to have a significant impact on the domestic banking system, as this appears to be an isolated case of corruption allegations. In spite of the recent S&P downgrade, Corpobank's troubles and the upcoming snap elections in autumn, Bulgaria proceeded with the planned sale of €1.5bn September 2024 Eurobond on Thursday, reportedly bearing a yield of 3.055% or 160bps over mid-swaps.

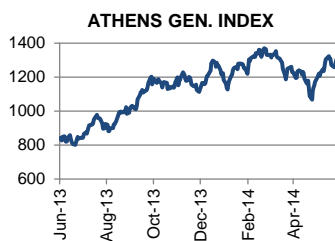
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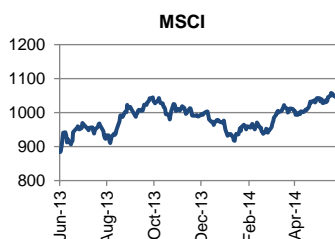
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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	9.00	9.00

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

## SERBIA

(Belgrade, 26/6/2014, 17:45 CET): **Latest Political & Macro Developments:** The Debt Management Agency sold on Wednesday 57.5% of the planned 5-year RSD re-tapped T-bonds. The bid to cover ratio came in at ca 0.7 in spite of the bullish investor sentiment towards local paper witnessed over last two months. Nonetheless, the said auction produced a yield of 10.80%, below 11.48% recorded at February's auction of similar maturity paper. **Market Developments:** The EUR/RSD moved modestly higher on Thursday, to close at 115.56/85 after breaking the upper boundary of the 115.35-115.70 recent range. With summer vacations looming, range-bound trading will likely persist in the coming sessions as lingering concerns over the country's public finances are likely to be counterbalanced by the possibility of renewed Central Bank interventions in the FX markets and strong demand for domestic government securities.

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

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

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

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

## BULGARIA

(Sofia, 26/6/2014, 5:40 EET): **Latest Political & Macro Developments:** According to the latest BNB data, rates on new deposits to non-financial corporations with agreed maturity remained on a downward trend on an annual basis in May, with those denominated in BGN and EUR- falling by 0.47ppts to 3.59% and 0.30ppts to 3.44%, respectively. Separately, consumer loans extended to the household sector and denominated in BGN rose by 0.41ppts to 11.16%, while those in EUR fell by of 0.75ppts to 8.89%. **Market Developments:** Further weakness in the domestic stock market in the coming days cannot be ruled out entirely as the recent Corpobank crisis appears to still bear a negative impact on investor sentiment. Political uncertainty in the run-up to the early general elections this autumn is likely to add to market jitters. Yet, any further losses will likely prove limited as the Corpobank incident appears to be idiosyncratic, in line with a view recently expressed by Fitch in an official statement released on Thursday.

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

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

**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	1957.22	-0.1%	5.9%	EUR/USD	1.3614	0.0%	-0.9%	UST - 10yr	2.52	-1	-51	GOLD	1316	-0.1%	9.1%
Nikkei 225	15095.00	-1.4%	-7.3%	GBP/USD	1.7025	0.0%	2.8%	Bund-10yr	1.25	1	-68	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	341.94	0.0%	4.2%	USD/JPY	101.4	0.3%	3.9%	JGB - 10yr	0.56	-1	-18	LMEX	3187	0.4%	0.9%

**SEE MARKETS**

**SERBIA**

*Money Market*

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.70	-2	-131
1-week	6.98	-1	-130
1-month	7.27	-1	-131
3-month	7.76	-1	-112
6-month	8.07	-3	-108

*RS Local Bonds*

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.20	0	-75
5Y RSD	11.09	0	-173
7Y RSD	11.89	-1	-191

*RS Eurobonds*

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.85	0	-116
USD Nov-24	2.04	-449	-486

*CDS*

	Last	ΔDbps	ΔYTD bps
5-year	269	2	-140
10-year	317	3	-130

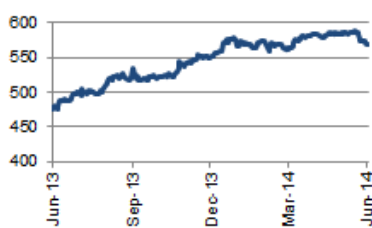
*STOCKS*

	Last	ΔD	ΔYTD
BELEX15	569.9	0.31%	2.14%

*FOREX*

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.02%	-0.97%

BELEX15 Index



EUR/RSD



**ROMANIA**

*Money Market*

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.26	-52	52
1-month	2.03	-5	15
3-month	2.41	-2	-3
6-month	2.74	-3	-25
12-month	2.82	-5	-33

*RO Local Bonds*

	Last	ΔDbps	ΔYTD bps
3Y RON	2.73	-1	-122
5Y RON	3.20	0	-145
10Y RON	4.40	1	-90

*RO Eurobonds*

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.36	1	-148
USD Aug-23	3.95	1	-85

*CDS*

	Last	ΔDbps	ΔYTD bps
5-year	135	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

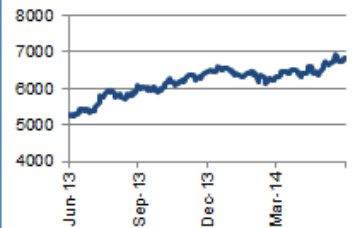
*STOCKS*

	Last	ΔD	ΔYTD
BET	6871.0	0.29%	5.81%

*FOREX*

	Last	ΔD	ΔYTD
EUR/RON	4.3895	-0.01%	1.90%

BET Index



EUR/RON



**BULGARIA**

*Money Market*

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.24	0	-8
3-month	0.53	0	-12
6-month	1.00	0	-16
12-month	1.91	0	-28

*BG Local Bonds*

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.01	9	-8
5Y BGN	1.59	0	-25
10Y BGN	3.11	0	-39

*BG Eurobonds*

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.86	1	27
EUR Jul-17	1.45	-2	-36

*CDS*

	Last	ΔDbps	ΔYTD bps
5-year	119	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

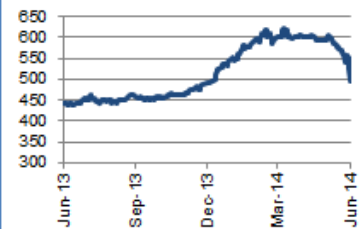
*STOCKS*

	Last	ΔD	ΔYTD
SOFIX	494.8	-5.77%	0.66%

*FOREX*

	Last	ΔD	ΔYTD
USD/BGN	1.4367	0.01%	-0.95%

SOFIX Index



USD/BGN



## Contributors to this issue

### Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

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

### Romulus-Daniel Georgescu

Senior Dealer

+4021 3656292

[romulus-daniel.georgescu@bancpost.ro](mailto:romulus-daniel.georgescu@bancpost.ro)

### 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 Beogra

+381 11 30 27 533

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

## 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

[apapathanasiou@eurobank.gr](mailto:apapathanasiou@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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