

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 30, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- June 30
  - Chicago PMI (Jun)
  - Pending home sales (May)
- July 1: ISM manufacturing index (Jun)
- July 2
  - ADP employment report (Jun)
  - July 3
  - Non-farm payrolls (Jun)

#### EUROZONE

- June 30: CPI Jun
- July 3: ECB policy meeting

### SEE

#### SERBIA

- June 30
  - GDP (Q1, f)
  - Industrial production (May)
  - Trade Balance (May)
  - Retail sales (May)

#### ROMANIA

- July 1
  - International reserves (Jun)
  - MPC meeting
- July 2
  - Retail sales (May)
  - GDP (Q1, f)

#### BULGARIA

- June 30: Budget balance (May)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Amid persisting deflation market worries in the **euro area**, market focus today is on the **June preliminary inflation data**. Consensus is for an increase in the annual inflation to 0.6%YoY from 0.5%YoY in the prior month.

**GREECE:** The **Euro Working Group (EGW)** reportedly convenes later today, near a week ahead of the July 7 Eurogroup, and the progress made by the Greek side on the fulfillment of the six prior actions attached to the next EFSF sub-tranche (€1bn) will likely be high on the official agenda. In other news, the **Economic Sentiment Indicator for Greece** improved in June for the third month in a row coming in at a six-year high of 103.7 from May's 99.1 after surpassing the 100-point mark for the first time since August 2008.

### SOUTH EASTERN EUROPE

**SERBIA:** Prime Minister Aleksandar Vucic, and Head of Emirates' Eagle Hills construction company Mohamed Al Abbar presented a plan of the "Belgrade on Water" project on Friday.

**ROMANIA:** The EUR/RON remained range-bound and money market rates were little changed on Friday.

**BULGARIA:** General elections set for October 5; European Commission reportedly announced that it approved a BGN 3.3bn (\$2.3bn) credit line requested from Bulgaria in support of the domestic banking system.

**CESEE Markets:** **CESEE stock markets** and **regional currencies** closed mixed on Friday. The Ukrainian hryvnia outperformed following news that President Petro Poroshenko signed the economic chapter of the Association Agreement with the EU. In the **local rates markets**, government bonds broadly extended their recent gains on Friday receiving ongoing support from low yields in developed economies. **Monetary policy meetings in Poland and Romania** take centre stage this week. The ECB monetary policy meeting on Thursday also lures market attention.

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## Latest world economic & market developments

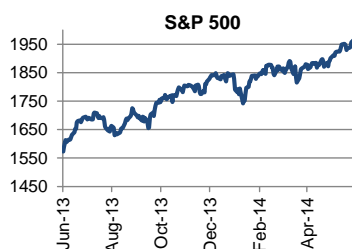
### GLOBAL MARKETS

Amid persisting deflation market worries in the euro area, market focus today is on the June preliminary inflation data. Consensus is for an increase in the annual inflation to 0.6%YoY from 0.5%YoY in the prior month, a development that, if realized, could likely assist the EUR/USD to move higher. This holds especially if the US June Chicago PMI report, due for release later in the day, surprises negatively. The EUR/USD was hovering around 1.3650/60 in European trade at the time of writing with strong resistance lying at 1.3670 (June 20 high).

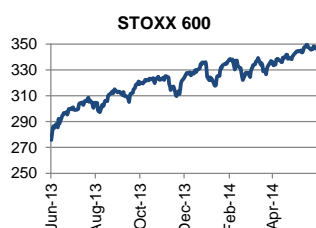
### GREECE

The **Euro Working Group (EGW)** reportedly convenes later today, near a week ahead of the July 7 Eurogroup, and the progress made by the Greek side on the fulfillment of the six prior actions attached to the next EFSF sub-tranche (€1bn) will likely be high on the official agenda. Other important issues that will reportedly dominate discussions will include, among others, potential sources of funding for the Greek government to cover the financing gap ensuing from the Supreme Administrative Court of Greece's decision earlier this year that the 12% wage cut imposed on armed forces and emergency services personnel in 2012 was deemed unconstitutional. The said measure was endorsed by the Hellenic Parliament in early November 2012 and was applied retroactively from August of that year. According to the local press, the ensuring financing shortfall is estimated at ca €500mn, while the fiscal gap for 2014 is projected at ca €200mn. In other news, the **Economic Sentiment Indicator for Greece** improved in June for the third month in a row coming in at a six-year high of 103.7 from May's 99.1 after surpassing the 100-point mark for the first time since August 2008.

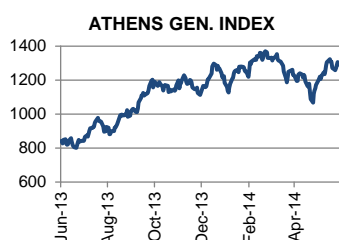
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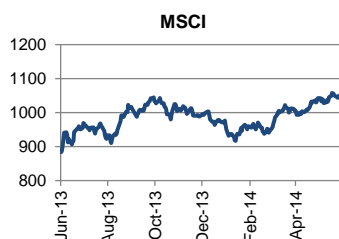
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

## Latest developments in the CESEE region

### CESEE markets

**CESEE stock markets** closed mixed on Friday, with Bulgaria's SOFIX recouping part of its intraday losses to close 0.73% lower. In the **FX markets**, regional currencies closed mixed, with the Ukrainian hryvnia outperforming following news that President Petro Poroshenko signed the economic chapter of the Association Agreement with the EU, envisaging the creation of a free trade area. Elsewhere, the Hungarian forint touched a 2-month low just off 310/EUR at some point on Friday after the country's cabinet submitted to parliament a bill on FX loan contracts extended by banks to borrowers which added to concerns about the financial sector's outlook ahead. In view of the aforementioned compounded with expectations of further Central Bank monetary easing ahead, further forint weakness in the coming sessions cannot be ruled out entirely. In the **local rates markets**, government bonds broadly extended their recent gains on Friday receiving ongoing support from low yields in developed economies. Turkish paper broadly outperformed its regional peers in the wake of the slightly-higher-than-anticipated 75bps reduction in the Central Bank's key policy rate last week and expectations for further monetary CBT easing ahead. Monetary policy meetings in Poland and Romania take centre stage this week. Both Central Banks are anticipated to maintain corresponding key policy rates unchanged at current record low levels of 2.50% and 3.50%. The ECB monetary policy meeting on Thursday also lures market attention.

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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, 27/6/2014, 20:00 CET): **Latest Political & Macro Developments:** Prime Minister Aleksandar Vucic, and Head of Emirates' Eagle Hills construction company Mohamed Al Abbar presented a plan of the "Belgrade on Water" project on Friday. The project encompasses construction of apartment buildings, a landmark Belgrade Tower, two hotels, as well as "the largest shopping mall in the Balkans". According to Mr. Al Abbar, the entire investment will cost around EUR 3bn, with Belgrade Township providing the land. The said project is expected to boost the domestic economic activity, especially the ailing construction sector. **Market Developments:** The EUR/RSD extended its recent modest uptrend on Friday, closing at 115.75/95 after opening at 115.70/90. Yet, any further gains are likely to prove limited amid persisting expectations that a potential move closer to the 116.00 level will likely trigger renewed Central Bank intervention.

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## ROMANIA

(Bucharest, 30/6/2014, 09:10 EET): **Market Developments:** The EUR/RON remained range-bound within 4.3850-4.3900 on Friday. Elsewhere, money market rates were little changed. Those of short-term tenures (up to 1 week) averaged around 2.5% on Friday, while for 1-12 months tenors at 1.75%. In a similar vein, domestic government bonds were little changed on Friday, with the corresponding benchmark yield curve closing largely unchanged.

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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
	<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

(Sofia, 30/6/2014, 10:40 EET): **Latest Political & Macro Developments:** Following consultations with parliamentary political parties on Sunday, President Rosen Plevneliev confirmed that the current parliament will be dissolved on August 6 and a caretaker government will subsequently take office until the October 5 snap general elections. Recall that, President Plevneliev announced earlier in June that political leaders had reached an agreement on early national polls. The news came shortly after the current coalition government survived its fifth no-confidence motion in Parliament in its one year in office and fared poorly in the EP elections in May. **Market Developments:** Bulgarian stocks came under selling pressure late last week in the wake of comments by a ruling Socialist Party member suggesting that another bank may come under pressure after Corpbank's depositor run a week earlier. The Central Bank said in a statement on Friday that the country was facing an organized criminal action against the domestic banking sector and pledged to use all means in its disposal to safeguard people's deposits. On its part, the European Commission reportedly announced earlier today that it approved a BGN 3.3bn (\$2.3bn) credit line requested from Bulgaria in support of domestic banks. The Commission highlighted that the country's sector is "well capitalized" compared to other Member states, deeming the said assistance as "precautionary" aimed at further enhancing liquidity and safeguarding the domestic financial system. In view of persisting domestic banking sectors' jitters and political uncertainty in the run-up to the early general elections this autumn, further downside pressures in the domestic stock market in the near term cannot be ruled out entirely. Yet, any further losses will likely prove limited as the Corpbank crisis is unlikely to have a significant impact on the domestic banking system.

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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	
	<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

## 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	1960.96	0.2%	6.1%	EUR/USD	1.3652	0.0%	-0.7%	UST - 10yr	2.53	-1	-50	GOLD	1315	-0.1%	9.1%
Nikkei 225	15162.10	0.4%	-6.9%	GBP/USD	1.7025	-0.1%	2.8%	Bund-10yr	1.25	-1	-68	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	342.21	0.1%	4.2%	USD/JPY	101.36	0.0%	3.9%	JGB - 10yr	0.57	0	-18	LMEX	3181	-0.2%	0.7%

## 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	11.85	-1	-196

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.77	-6	-123
USD Nov-24	1.99	-455	-491

## CDS

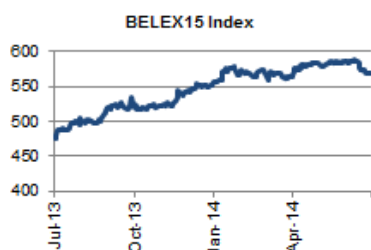
	Last	ΔDbps	ΔYTD bps
5-year	260	-9	-149
10-year	307	-9	-140

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	568.4	-0.19%	1.87%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.09%	-0.98%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.4	14	66
1-month	2.08	5	20
3-month	2.42	1	-2
6-month	2.73	-1	-26
12-month	2.82	0	-33

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.74	2	-121
5Y RON	3.19	0	-146
10Y RON	4.41	1	-89

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.36	-1	-148
USD Aug-23	3.99	-1	-82

## CDS

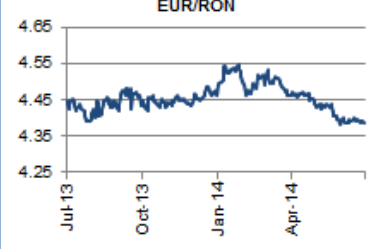
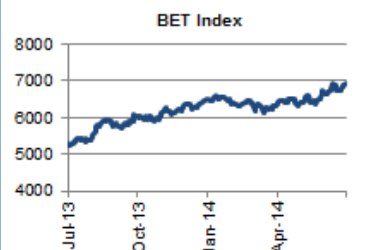
	Last	ΔDbps	ΔYTD bps
5-year	135	#N/A	-50
10-year	#N/A	#N/A	#VALUE!

## STOCKS

	Last	ΔD	ΔYTD
BET	6926.6	0.70%	6.67%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3847	0.12%	2.01%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	1	-4
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	0.99	2	-10
5Y BGN	1.59	0	-25
10Y BGN	3.08	0	-42

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.04	16	45
EUR Jul-17	1.75	-31	-5

## CDS

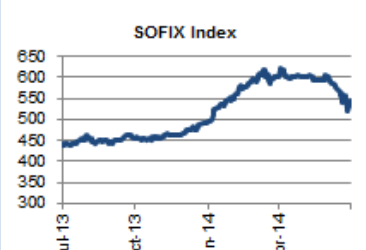
	Last	ΔDbps	ΔYTD bps
5-year	119	#N/A	-5
10-year	#N/A	#N/A	#VALUE!

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	543.5	4.29%	10.58%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4329	0.00%	-0.68%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:20 EET

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