

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 28, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 27
 - Durable goods orders (Apr)
 - CB cons conf (May)
- May 29
 - Initial jobless claims (May 24)
 - GDP (Q1, 2nd)
 - Pending home sales (Apr)
- May 30
 - Personal spending (Apr)
 - Core PCE (Apr)
 - Chicago PMI (May)
 - UoM cons conf (May)

SEE SERBIA

- May 26: Real wages (Apr)
- May 29: 3-Y EURT-Bonds auction
- May 30
 - IP (Apr)
 - Trade balance (Apr)
 - Retail sales (Apr)

ROMANIA

- May 26: M2 money supply

BULGARIA

- May 26: T-Bonds auction (2021)
- May 27: Gross external debt (Mar)
- May 30:
 - PPI (Apr)
 - Budget Balance (Apr)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking gains on Wall Street overnight, **Asian bourses** firmed on Wednesday mainly supported by increased market optimism about the prospects of the US economy. Positive US data assisted the **USD** move higher with the US dollar Index (DXY) hovering around 80.425 at the time of writing, within distance from a six-week high of 80.470 hit in the prior session.

GREECE

According to local press reports, independent MPs (and former PASOK members) **Andreas Loverdos and Christos Aidonis** announced their intention to join the parliamentary group of the junior government coalition partner PASOK. Should this be the case, PASOK will control 29 seats in the 300-seat Parliament (from 27 currently), increasing the coalition government's majority in Parliament to 4 (from 2 currently).

SOUTH EASTERN EUROPE

SERBIA: The ratification of the first tranche (\$1bn) of a loan already agreed with the United Arab Emirates was discussed in Parliament on Tuesday.

ROMANIA: The EUR/RON broke the 4.4000 psychological support on Tuesday recording a 10-month low of 4.3875.

BULGARIA: According to BNB data, deposits of the non-government sector increased by 8.8% YoY in April, while total loans to the non-government sector also rose, by 1.6% YoY,

CESEE Markets: Emerging stock markets advanced in European trade on Wednesday supported by upbeat US macro data which added to the view that the world's biggest economy has regained momentum over the last couple of months. On the flipside, **CESEE currencies** broadly weakened in early European trade on Wednesday.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking gains on Wall Street overnight, **Asian bourses** firmed on Wednesday mainly supported by increased market optimism about the prospects of the US economy. According to US data released y-day, durable goods orders unexpectedly rose in April, house prices continued to appreciate in March while the Conference Board's Consumer Index rose in May mainly helped by an improvement in the present situation component. Positive US data assisted the USD move higher with the US dollar Index (DXY) hovering around 80.425 at the time of writing, within distance from a six-week high of 80.470 hit in the prior session following a drop to multi-session lows of 80.171 earlier this week. Meanwhile, the EUR remained under pressure amid heightened market expectations that the ECB will likely adopt further measures at its June 5 policy meeting aiming to address deflation risks and boost liquidity for SMEs. Indicatively, the EUR/USD stood close to 1.3615/20 in European trade, within distance from y-day's 3 ½ month low of 1.3611.

GREECE

According to local press reports, independent MPs (and former PASOK members) **Andreas Loverdos and Christos Aidonis** announced their intention to join the parliamentary group of the junior government coalition partner PASOK. Should this be the case, PASOK will control 29 seats in the 300-seat Parliament (from 27 currently), increasing the coalition government's majority in Parliament to 4 (from 2 currently). As a reminder, ruling conservative New Democracy presently occupies 125 seats. In other news, Prime Minister Antonis Samaras and PASOK leader Evangelos Venizelos will reportedly meet on Thursday to discuss, among others, a reshuffle of the Cabinet as well as policy measures aiming to support vulnerable social groups.

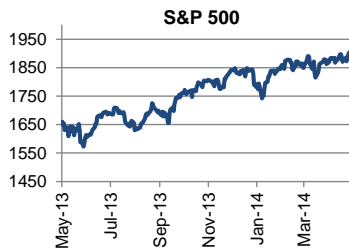
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Latest developments in the CESEE region

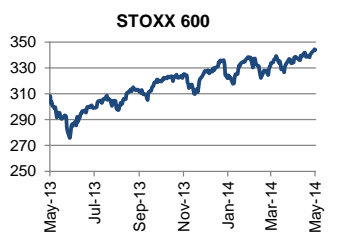
CESEE markets

Emerging stock markets advanced in European trade on Wednesday supported by upbeat US macro data which added to the view that the world's biggest economy has regained momentum over the last couple of months. The MSCI emerging equities index was trading 0.40% higher at 1,036.95 at the time of writing, halting a 2-day easing streak and approaching anew a 7-month peak of 1,043.54 hit late last week. Elsewhere, the majority of **CESEE stock markets** firmed in European trade, with Turkey's BIST 100 index leading the gains registering a 1.05% rise. **CESEE currencies** broadly weakened in early European trade on Wednesday. The Hungarian forint remained under pressure after the Central Bank cut y-day its key policy rate by 10bps to a new record low of 2.40%, in line with the market's median forecast. In more detail, the EUR/HUF hit a multi-session peak of 304.60 earlier today after closing at 303.50 y-day. Elsewhere, the Turkish lira remained under pressure on the back of Prime Minister Tayyip Erdogan's recent comments suggesting that the size of last week's Central Bank interest rate cut was deemed too small. Against this backdrop, the USD/TRY spiked to a 1-week peak of 2.1122 earlier today after closing near 2.1020 on Tuesday, approaching anew a 3-week high of 2.1193 touched a few sessions earlier. On the flipside, Ukraine's hryvnia outperformed as a decisive presidential elections outcome on Sunday raised hope about an eventual resolution of geopolitical tensions overshadowing escalating violence domestically. As a result, the USD/UAH eased by 0.42% to 11.81. Yet, the cross remained not too far from a 13.61 lifetime peak hit at the height of the crisis last month.

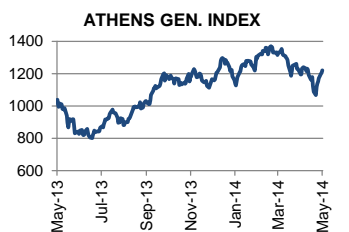
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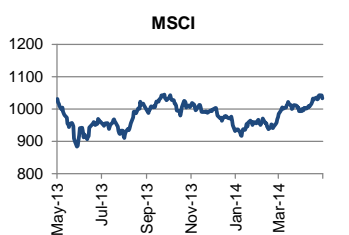
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 27/5/2014, 17:20 CET): **Latest Political & Macro Developments:** The Public Debt Agency sold RSD 8.8bn (€76m) worth of 1Y T-Bills on Tuesday. The average accepted yield stood at 8.82%, unchanged from a tender of similar maturity paper held 1 ½ month ago. In other news, the ratification of the first tranche (\$1bn) of a loan already agreed with the United Arab Emirates was discussed in Parliament on Tuesday. The said loan has a 10-year duration. It carries an interest rate of 2% (payable semi-annually) while, under the agreement terms, the principal is due at expiration. Minister of Finance, Lazar Krstic, said that the second tranche would be available in the second half or near the end of the year. It is yet unknown whether the third and final tranche will be disbursed within this year. **Market Developments:** The EUR/RSD was little changed on Tuesday closing at 115.46 compared to 115.55 on Monday's settlement.

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ROMANIA

(Bucharest, 28/5/2014, 09:10 EET): **Market Developments:** The EUR/RON broke the 4.4000 psychological support on Tuesday recording a 10-month low of 4.3875 before closing at 4.3950 with investors citing potential Central Bank intervention in FX markets. Elsewhere, RON interest rates were little changed.

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BULGARIA

(Sofia, 27/5/2014, 17:35 EET): **Latest Political & Macro Developments:** According to BNB data, deposits of the non-government sector amounted to BGN 57.500 bn at the end of April, up by 8.8% YoY against 8.6% YoY a month earlier. Total loans to the non-government sector also increased by 1.6% YoY to BGN 55.346 bn, following respective advances of 1.4% YoY and 0.7% YoY in March and February. Meanwhile, non-performing and restructured loans (worth of EUR 4.936 bn) as a share of total loans (excluded financial institutions and overdrafts) declined by 0.70 percentage points to 22.29% in April, the lowest in more than a year. **In other news,** external debt amounted to EUR 37.895 bn (92.9% of GDP) at the end of March, increasing by 0.03% on a year-on-year basis. **Market Developments:** Domestic stock markets regained some ground on Tuesday with the main SOFIX index rising 0.44% to end at 595.62 points.

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May 28, 2014

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	1911.91	0.6%	3.4%	EUR/USD	1.362	-0.1%	-0.9%	UST - 10yr	2.49	-2	-53	GOLD	1264	-0.1%	4.8%
Nikkei 225	14670.95	0.2%	-9.9%	GBP/USD	1.6766	-0.3%	1.3%	Bund-10yr	1.37	-2	-56	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	343.95	-0.2%	4.8%	USD/JPY	101.87	0.1%	3.4%	JGB - 10yr	0.58	-1	-16	LME X	3167	0.2%	0.2%

SEE MARKETS

SERBIA

Money Market			
	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	7.27	-1	-74
1-week	7.66	0	-62
1-month	8.06	0	-52
3-month	8.46	0	-42
6-month	8.58	0	-57

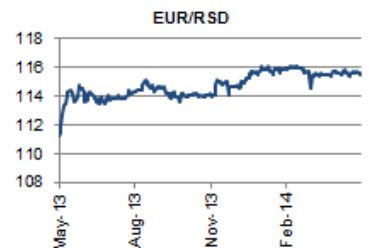
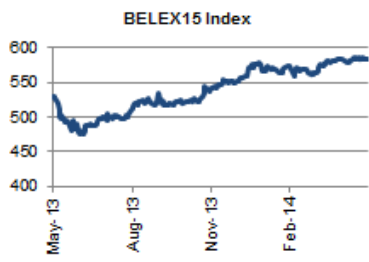
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.86	-7	-10
5Y RSD	10.90	0	-192
7Y RSD	11.60	0	-221

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.74	-4	-127
USD Nov-24	2.35	-416	-455

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	285	-9	-124
10-year	323	-10	-124

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	582.7	-0.01%	4.42%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-0.85%



ROMANIA

Money Market			
	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.53	-10	79
1-month	2.26	-3	38
3-month	2.67	-4	23
6-month	3.08	-1	9
12-month	3.14	-4	-1

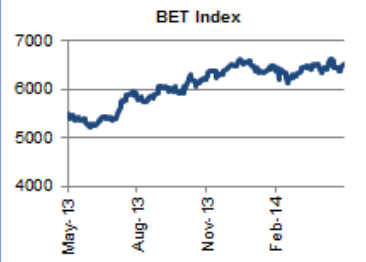
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	3.37	-1	-58
5Y RON	3.87	-1	-78
10Y RON	4.76	0	-54

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.69	-1	-116
USD Aug-23	4.04	-1	-77

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	173	0	-11
10-year	212	0	-21

STOCKS			
	Last	ΔD	ΔYTD
BET	6565.7	0.65%	1.11%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.3977	-0.07%	1.71%



BULGARIA

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.08	0	1
1-month	0.30	0	-2
3-month	0.58	0	-7
6-month	1.08	0	-7
12-month	2.10	1	-10

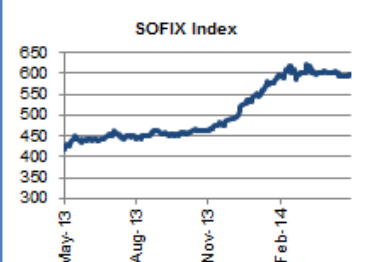
BG Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y BGN	0.83	2	-26
5Y BGN	1.47	-2	-38
10Y BGN	2.97	0	-52

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.59	4	0
EUR Jul-17	1.38	-2	-42

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	595.3	-0.06%	21.11%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.436	-0.11%	-0.90%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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