

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 22, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 22
 - CPI (Jun)
 - Existing home sales (Jun)
- July 24
 - Initial jobless claims (Jul 19)
 - New home sales (Jun)
- July 25: Durable goods orders (Jun)

EUROZONE

- July 24: PMI (Jul)

SEE

SERBIA

- July 21: CAD (May)
- July 22: 3-Y EUR T-bonds auction
- July 25: Real wages (Jun)

ROMANIA

- July 21: 2021 T-bonds auction
- July 24: 2018 T-bonds auction

BULGARIA

- July 23: Gross external debt (May)

*Source: Reuters, Bloomberg,
Eurobank Global Markets Research*

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Despite persisting geopolitical jitters in Ukraine and the Gaza Strip, **major FX pairs** continued to consolidate within narrow ranges in early trade on Tuesday ahead of a string of key US data releases later in the day. Elsewhere, **US Treasuries** and **German government bonds** retained a firm tone.

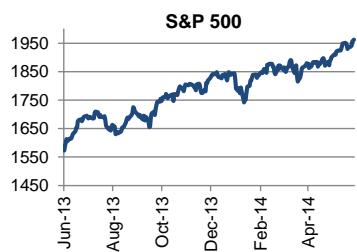
GREECE: Greece's Minister of Finance Gikas Hardouvelis has reportedly proposed the troika mission heads the 5th program review -expected to commence in mid-September- to be split into two sub-reviews. In other news, provisional Bank of Greece's BoP statistics showed that the **current account balance** recorded a deficit of ca €2.5bn in the period **January-May 2014**, down by €832bn on an annual basis. This development was mainly attributed to: (i) a €0.834bn (23.9%YoY) increase in the **services surplus**; (ii) a €318bn (19.2%YoY) increase in the **current transfer surplus**; and (iii) a €0.245bn (19.2%YoY) drop in the **income account deficit**.

SOUTH EASTERN EUROPE

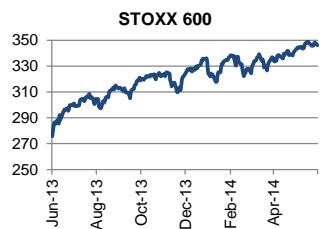
ROMANIA: The MoF issued on Monday RON 300mn in 7Y bonds at a slightly lower than expected average yield of 3.88%.

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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

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	3.0
CPI (pa, yoy %)	3.3	4.0	1.7
Budget Balance/GDP	-3.0	-2.3	-2.2
Current Account/GDP	-4.4	-1.1	-1.0
EUR/RON (eop)	4.44	4.46	4.40
Policy Rate (eop)	4.00	3.50	3.50

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

Latest world economic & market developments

GLOBAL MARKETS

Despite persisting geopolitical jitters in Ukraine and the Gaza Strip, **major FX pairs** continued to consolidate within narrow ranges in early trade on Tuesday ahead of a string of key US data releases later in the day. The USD/JPY was hovering around 101.45/50 at the time of writing after falling to levels near 101.10 at some point on Monday. Despite its upside attempt, it remained trapped within the 101.00-102.00 range that has been witnessed over the last three weeks. US CPI data for June lure market attention today as well as the US report for existing home sales especially in view of recent comments by FOMC Chairman Janet Yellen that the housing sector has shown little progress over the last few months. Elsewhere, the EUR/USD stood at 1.3515/20 in early European trade, having retreated from a multi-session peak near 1.3550 hit at some point on Monday. Technically, strong support lies at 1.3490 (July 18 low) and a retest of that level cannot be ruled entirely if upcoming US data surprise positively reinforcing market expectations for an earlier-than-currently expected FOMC interest rate hike. Meanwhile, geopolitical woes continue to keep **US Treasuries** and **German government bonds** well supported. The 10-yr UST yield was trading close to 2.48% at the time of writing, not far from a near two-month closing low of 2.47% on Monday.

GREECE

Greece's Minister of Finance Gikas Hardouvelis has reportedly proposed the troika mission heads the 5th program review –expected to commence in mid-September- to be split into two sub-reviews. The first one shall concentrate on fiscal issues and the structural reforms agenda, with an intention to have it completed by mid-October i.e., ahead of the scheduled release of the EU-wide stress test results in the second half of that month. The second one shall commence shortly after the release of these results, provided that the October 13th Eurogroup gives the green light for the initiation of official discussions on Greece's debt sustainability and the prospect of a new relief package by official lenders. In other news, provisional Bank of Greece's BoP statistics showed that the **current account balance** recorded a deficit of ca €2.5bn in the period **January-May 2014**, down by €832bn on an annual basis. This development was mainly attributed to: (i) a €0.834bn (23.9%YoY) increase in the **services surplus** assisted by a 10.6%YoY rise in tourism receipts; (ii) a €318bn (19.2%YoY) increase in the **current transfer surplus** on higher general government net receipts (primarily from the EU); and (iii) a €0.245bn (19.2%YoY) drop in the **income account deficit** mainly as a result of lower net interest payments. The **trade deficit** came in at €7.8bn, 7.9%YoY wider on an annual basis.

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Latest developments in the CESEE region

ROMANIA

(Bucharest, 22/7/2014, 09:00 EET): **Market Developments:** The EUR/RON broke above the technically important level of 4.4500 at some point in early trade on Monday, reaching an intraday high of 4.4530. Yet, early Monday's gains proved short-lived as the cross pulled back thereafter closing at 4.4450. Elsewhere, money market rates were little changed on Monday, with the 1W RON rate implied from swaps ending at 1.70% and the 1M at ca 2.0%. In government bond markets, the MoF issued on Monday RON 300mn in 7Y bonds at a slightly lower than expected average yield of 3.88%.

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GLOBAL MARKETS

Stock markets			FOREX			Government Bonds			Commodities					
	Last	ΔD	Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD		
S&P 500	1973.63	-0.2%	6.8%	1.351	-0.1%	-1.7%	UST - 10yr	2.48	1	-55	GOLD	1305	-0.5%	8.3%
Nikkei 225	15343.28	0.8%	-5.8%	1.707	0.0%	3.1%	Bund-10yr	1.16	1	-77	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	340.03	0.6%	3.6%	101.49	-0.1%	3.8%	JGB - 10yr	0.55	0	-20	LME X	3264	1.0%	3.3%

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:00 EET

SEE MARKETS

SERBIA

Money Market			
	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	6.63	3	-138
1-week	6.91	3	-137
1-month	7.24	3	-134
3-month	7.72	4	-116
6-month	8.02	1	-113
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	-1	-67
5Y RSD	10.28	0	-254
7Y RSD	11.30	0	-251
RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.00	-2	-101
USD Nov-24	1.76	-481	-514

CDS

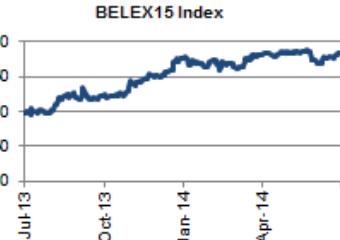
	Last	ΔDbps	ΔYTD bps
5-year	296		31
10-year	344	30	

STOCKS

	Last	ΔD	ΔYTD
BELEX15	583.7	-0.01%	4.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.12%	-1.69%



ROMANIA

Money Market			
	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.8	0	-94
1-month	1.68	0	-20
3-month	2.19	0	-25
6-month	2.54	0	-45
12-month	2.67	0	-48
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3YRON	2.53	-4	-142
5YRON	3.00	0	#VALUE!
10YRON	4.19	-2	-111
RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.39	1	-145
USD Aug-23	3.95	1	-85

CDS

	Last	ΔDbps	ΔYTD bps
5-year	142	0	-50
10-year	190	0	2

STOCKS

	Last	ΔD	ΔYTD
BET	6876.1	0.08%	5.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4404	0.24%	0.73%

BULGARIA

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.03	0	-4
1-month	0.24	0	-8
3-month	0.51	0	-14
6-month	0.96	0	-20
12-month	1.83	0	-36
BG Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y BGN	1.28	3	19
5Y BGN	1.90	0	6
10Y BGN	3.22	0	-28
BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.00	-1	42
EUR Jul-17	1.70	-4	-10

CDS

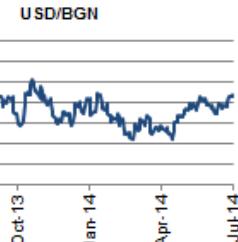
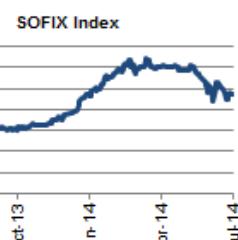
	Last	ΔDbps	ΔYTD bps
5-year	119	0	-5
10-year	177	0	-8

STOCKS

	Last	ΔD	ΔYTD
SOFIX	534.3	-0.04%	8.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4477	-0.10%	-1.70%



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