

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

August 13, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- August 13
 - Retail sales (Jul)
 - Fed's Dudley & Rosengren speak
- August 14: Initial jobless claims (Aug 8)
- August 15
 - Empire manufacturing (Aug)
 - IP (Jul)
 - UoM consumer sentiment (Aug)

EUROZONE

- August 12: DE: ZEW Survey (Aug)
- August 14
 - GDP (Q2)
 - HICP (Jul, f)

SEE

SERBIA

- August 12
 - HICP (Jul)
 - 2-Year floating RSD T-bonds auction

ROMANIA

- August 11
 - CPI (Jul)
 - Trade balance (Jun)
 - IP (Jun)
 - T-Bonds auction
- August 13: CAD (Jun)
- August 14: GDP (Q2, A)

BULGARIA

- August 11
 - Trade balance (Jun)
 - T-Bonds auction
- August 11-15: Unemployment rate (Jul)
- August 12: CPI (Jul)
- August 14
 - GDP (Q2, P)
 - CAD (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking the downtrend in **Wall Street** overnight, **Asian stock markets** posted modest gains on Wednesday, largely shrugging off downbeat macroeconomic data from China and Japan as well as persisting geopolitical tensions. Despite prevailing caution in view of the aforementioned developments, **European bourses** moved broadly higher in morning trade supported by upbeat corporate earnings results.

GREECE: Real GDP growth shrank by 0.2%YoY in Q2 2014, in non-seasonally adjusted basis, after a (downwardly revised) 1.1%YoY decline in the prior quarter, marking the fifth consecutive quarter of decelerating contraction and the slowest rate of declines in almost four years. The data came in nearly in line with our -0.3%YoY forecast and against a market consensus of -0.5%YoY (Bloomberg).

SOUTH EASTERN EUROPE

SERBIA: July's HICP came in at 2.1%YoY rising from a record low of 1.3%YoY marked in the prior month on base effects.

ROMANIA: Government bonds regained some ground following several days of losses.

BULGARIA: CPI decreased for the twelve month running on an annual basis in July, falling by 1.0%YoY vs. -1.9%YoY a month earlier.

CESEE MARKETS: Tracking gains in Asian and European bourses **emerging stock markets** broadly advanced earlier on Wednesday. Separately, **CESEE currencies** broadly firmed in European trade on Wednesday, with Ukraine's hryvnia recovering a small part of its recent losses suffered in view of persisting geopolitical tensions.

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Latest world economic & market developments

GLOBAL MARKETS

Bucking the downtrend in **Wall Street** overnight, **Asian stock markets** posted modest gains on Wednesday, largely shrugging off downbeat macroeconomic data from China and Japan as well as persisting geopolitical tensions. According to data for July released by China's National Bureau of Statistics and People's Bank of China, new loans issued by domestic banks amounted to 385.2 billion yuan, declining by ca 65% from the prior month and coming in well below the market's median forecast. Meanwhile, industrial production increased by 9.0%YoY, nearly in line with expectations, while retail sales rose by 12.2%YoY, slightly below a market consensus of 12.5%YoY. Fixed-asset investment also missed expectations for a 17.4%YoY jump over January-July, marking a smaller, 17.0%YoY, advance over the said period. In Japan, Q2 GDP data showed that the domestic economy marked the largest pace of contraction in three years (-6.8%QoQ annualized) in April-June, but came in a shade better than a 7.0% decline anticipated. Geopolitical developments in Ukraine remained in the limelight, as a Russian humanitarian convoy headed for eastern Ukraine to provide assistance to residents who are reportedly left without access to water, electricity and medical aid. Kiev has set conditions for receiving the said assistance and warned it will not allow the mission to cross its borders if accompanied by Russian military. Despite prevailing caution in view of the aforementioned developments, **European bourses** moved broadly higher in morning trade supported by upbeat corporate earnings results. In the **FX markets**, the euro remained under pressure with the EUR/USD trading around levels of 1.3350/52 at the time of writing, to stand just above yesterday's 1-week low of 1.3335 hit in the wake of the downbeat ZEW data, and within distance from a 9-month low of 1.3333 touched on August 6.

GREECE

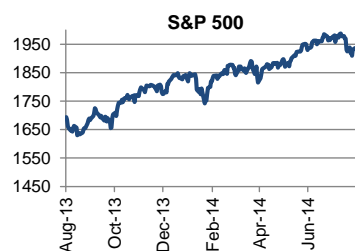
Public Debt Management Agency (PDMA) sold on Tuesday €1.3bn of 3-month T-bills, at an average accepted yield of 1.75%, in line with that produced at a prior auction of similar maturity paper in mid-July. The bid-to-cover ratio stood at 2.61. In today's macroeconomic data releases, **real GDP growth shrank by 0.2%YoY in Q2 2014**, in non-seasonally adjusted basis, after a (downwardly revised) 1.1%YoY decline in the prior quarter, marking the fifth consecutive quarter of decelerating contraction and the slowest rate of declines in almost four years. The data came in nearly in line with our -0.3%YoY forecast and against a market consensus of -0.5%YoY (Bloomberg).

Latest developments in the CESEE region

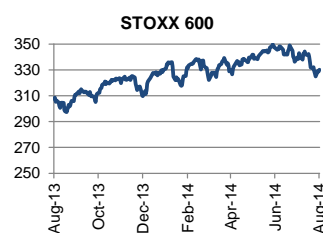
CESEE MARKETS

Tracking gains in Asian and European bourses **emerging stock markets** broadly advanced earlier on Wednesday, with several indices in the region marking their third consecutive session in the black. In the CESEE space, Hungary's BUX index led the gains with a 0.77% rally, in reversal of yesterday's 1.11% decline recorded after a profit warning by OTP, the country's largest bank. Separately, **CESEE currencies** broadly firmed in European trade on Wednesday. Ukraine's hryvnia recovered a small part of its recent losses suffered in view of persisting geopolitical tensions. The USD/UAH fell by 0.4% to 12.95 at the time of writing, but remained within distance from yesterday's 4-month trough of 13.21 which was just off a lifetime peak of 13.30 hit in April. National Bank of Ukraine Governor Valeria Hontareva said on Tuesday that the NBU will continue intervening in the FX markets to prevent a "mood of panic" over the tensions in the eastern part of the country which have weighed on the domestic currency.

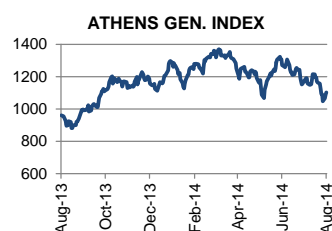
gphoka@eurobank.gr



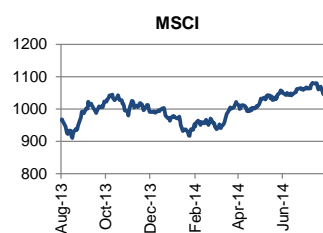
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

| 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

| SERBIA: Indicators | 2012 | 2013e | 2014f |
|---------------------|--------|---------|--------|
| Real GDP growth % | -1.5 | 2.5 | -0.4 |
| CPI (pa, yoy %) | 7.8 | 7.8 | 2.5 |
| Budget Balance/GDP | -7.5 | -5.8 | -8.0 |
| Current Account/GDP | -10.9 | -5.0 | -4.2 |
| EUR/RSD (eop) | 112.37 | 114.57 | 117.00 |
| | 2013 | current | 2014f |
| Policy Rate (eop) | 9.50 | 8.50 | 8.00 |

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

(Belgrade, 12/8/2014, 18:20 CET): **Latest Political & Macro Developments:** July's HICP came in at 2.1%YoY rising from a record low of 1.3%YoY marked in the prior month on base effects. According to the National Bank of Serbia, consumer inflation is anticipated to return within the target tolerance band of $4 \pm 1.5\%$ by year end. **Market Developments:** The EUR/RSD ended marginally lower at 117.25/45 on Tuesday, after a short-lived intraday spike towards a 2-year high of 117.40/60 triggered Central Bank (NBS) intervention (ca EUR10mn) which pushed the cross as low as 117.10/30 shortly after. Recently, the NBS governor explained that "oscillations are common in a flexible exchange rate regime", adding that the main reasons for the recently emerged depreciation pressures on the dinar stem from ongoing geopolitical uncertainty and the Fed's QE tapering. She also pointed out that the impact from domestic developments comes from the pace of public finance consolidation and increased demand for foreign currencies. In other news, the Public Debt Agency issued on Tuesday RSD 10bn (ca €85mm) worth of 2Y floating rate paper, at a yield of 1.39% plus the key policy rate, in line with that produced at a previous auction of similar maturity paper at the end of June.

ivan.radovic@eurobank.rs

Djordje.Lucic@eurobank.rs

gphoka@eurobank.gr

| 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 |
| | 2013 | current | 2014f |
| Policy Rate (eop) | 4.00 | 3.25 | 3.00 |

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

ROMANIA

(Bucharest, 13/8/2014, 9:05 EET): **Market Developments:** The EUR/RON remained bound within its recent 4.4375/440 range. In the money markets, short term implied rates were little changed around 1.00%, while the 1M increased by 10bps to 2.20%. Additionally, 3-6M rates hovered around their recent levels of 2.40%. Government bonds regained some ground following several days of losses, with the corresponding yields moving around 5bps lower across the board, probably on the back of rising local demand.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

| BULGARIA: Indicators | 2012 | 2013e | 2014f |
|----------------------|---------|---------|-------|
| Real GDP growth % | 0.6 | 0.9 | 1.8 |
| CPI (pa, yoy %) | 3.0 | 0.9 | -0.9 |
| Budget Balance/GDP | -0.8 | -1.5 | -3.0 |
| 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, 13/8/2014, 9:50 EET): **Latest Political & Macro Developments:** According to NSI data, the Consumer Price Index decreased for the twelve month running on an annual basis in July, falling by 1.0%YoY vs. -1.9%YoY a month earlier, with the pace of decline having decelerated from January's 2.6%YoY record drop. The breakdown of the data showed that the highest fall in July was registered in the communication sector (-5.7%YoY), followed by utilities (-2.8%YoY) and health (-2.7%YoY). **Market Developments:** The domestic stock market tread water on Tuesday with the main SOFIX index closing 0.14% at 540.31 points.

VBoteva@postbank.bg

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 | 1933.75 | -0.2% | 4.6% | EUR/USD | 1.3347 | -0.2% | -2.9% | UST - 10yr | 2.47 | 2 | -56 | GOLD | 1309 | 0.0% | 8.6% |
| Nikkei 225 | 15213.63 | 0.3% | -6.6% | GBP/USD | 1.6801 | -0.1% | 1.5% | Bund-10yr | 1.08 | 2 | -85 | BRENT CRUDE | 179 | 0.0% | 6.8% |
| STOXX 600 | 330.12 | 0.4% | 0.6% | USD/JPY | 102.48 | -0.2% | 2.8% | JGB - 10yr | 0.52 | 0 | -23 | LMEX | 3260 | 0.1% | 3.2% |

SEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 6.67 | -1 | -134 |
| 1-week | 6.90 | -1 | -138 |
| 1-month | 7.27 | 3 | -131 |
| 3-month | 7.68 | -2 | -120 |
| 6-month | 7.97 | -2 | -118 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|-------|----------|
| 3Y RSD | 9.55 | 1 | -41 |
| 5Y RSD | 10.31 | 2 | -251 |
| 7Y RSD | 11.31 | 0 | -249 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 4.02 | -4 | -99 |
| USD Nov-24 | 0.98 | -561 | -593 |

CDS

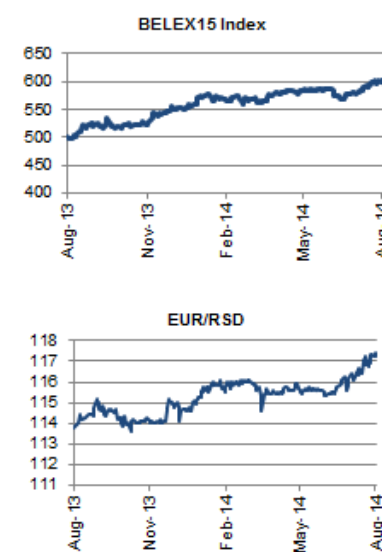
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 290 | -1 | -119 |
| 10-year | 338 | -1 | -109 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|-------|
| BELEX15 | 602.9 | 0.14% | 8.04% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| EUR/RSD | 115.4 | -0.21% | -2.40% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 1.38 | 7 | -36 |
| 1-month | 1.86 | 5 | -2 |
| 3-month | 2.2 | 5 | -24 |
| 6-month | 2.53 | 3 | -46 |
| 12-month | 2.68 | 2 | -47 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.76 | -1 | -119 |
| 5Y RON | 3.45 | -1 | -120 |
| 10Y RON | 4.49 | 0 | -81 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 2.35 | 1 | -149 |
| USD Aug-23 | 3.97 | -3 | -83 |

CDS

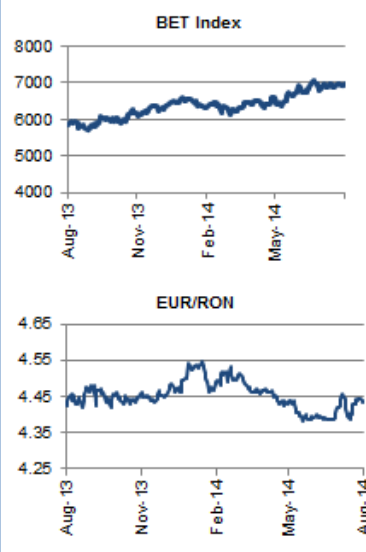
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 145 | -2 | -37 |
| 10-year | 190 | -2 | -42 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|-------|
| BET | 6991.1 | 0.32% | 7.66% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RON | 4.4346 | 0.11% | 0.86% |



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.03 | 0 | -4 |
| 1-month | 0.24 | 0 | -8 |
| 3-month | 0.49 | 0 | -16 |
| 6-month | 0.91 | 0 | -24 |
| 12-month | 1.73 | 0 | -46 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 1.34 | -1 | 24 |
| 5Y BGN | 2.03 | -6 | 18 |
| 10Y BGN | 3.21 | -4 | -30 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Jan-15 | 0.91 | -15 | 32 |
| EUR Jul-17 | 1.55 | -3 | -25 |

CDS

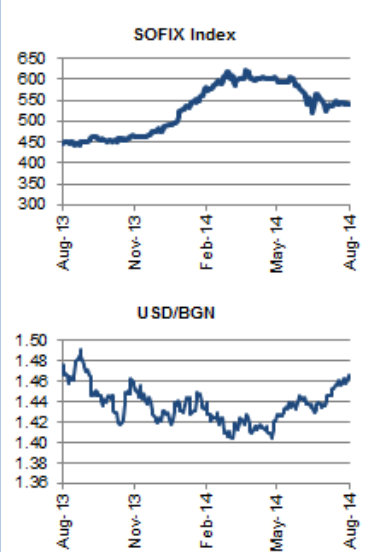
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 135 | 1 | 16 |
| 10-year | 178 | 0 | 3 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|-------|
| SOFIX | 538.9 | -0.26% | 9.64% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|--------|
| USD/BGN | 1.4654 | -0.17% | -2.89% |



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:10 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Djordje Lucic

Fixed Income Dealer, Trading Department

Tel: +381 11 2065891

Djordje.Lucic@eurobank.rs

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

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

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