

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

April 28, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Apr 28: Pending home sales (Mar)
- Apr 29: Cons conf (Apr)
- Apr 30
 - ADP employment (Apr)
 - Chicago PMI (Apr)
 - FOMC decision
- May 1
 - Initial jobless claims (Apr 26)
 - ISM manuf (Apr)
- May 2
 - NFP report (Apr)
 - U/E rate (Apr)

EUROZONE

- Apr 29: Economic Sentiment Indicator (Apr)
- Apr 30: HICP (Apr)

SEE SERBIA

- April 30
 - GDP (Q1, p)
 - IP (Mar)
 - Trade balance (Mar)
 - Retail sales (Mar)

ROMANIA

- May 2: Intl reserves (Apr)

BULGARIA

- Apr 28: EUR 25mn 2021 bonds auction
- Apr 30: Budget (Mar)
- May 1: Intl reserves (Apr)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking losses in Wall Street on Friday, major Asian bourses kicked off this week on a negative tone pressured by increasing political tensions in Ukraine. In FX markets, mounting geopolitical jitters favored the safe-haven appeal of the Japanese currency.

GREECE: In its latest report on the Greek economy that was published late last week, the European Commission acknowledged that Greece outperformed its FY-2013 fiscal deficit target and that “the amount and ambition” of measures implemented since the previous program review that was completed in July 2013, are “significant”.

SOUTH EASTERN EUROPE

SERBIA: Parliament elected on Sunday a new coalition government.

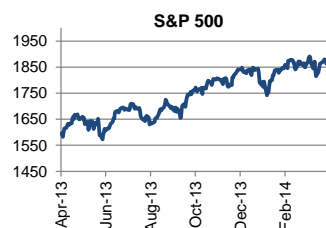
ROMANIA: M2 money supply decreased by 1.4%YoY in March, bringing the annual rate of increase to 6.3% from 10.7% a month earlier.

BULGARIA: Gross external debt decreased by 0.1%YoY in February.

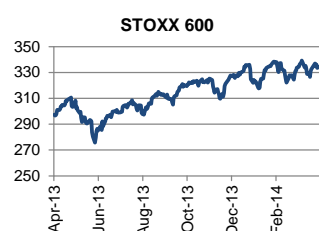
CESEE Markets: Emerging stock markets closed broadly lower on Friday recording their second consecutive week of losses as well as their biggest weekly decline since early March, on the back of weaker Chinese shares and escalating geopolitical tensions in Ukraine.

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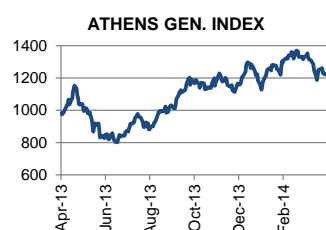
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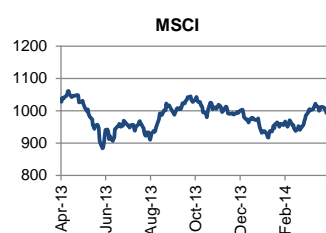
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest world economic & market developments

GLOBAL MARKETS

Tracking losses in Wall Street on Friday, major Asian bourses kicked off this week on a negative tone pressured by increasing political tensions in Ukraine. Mounting geopolitical jitters favored the safe-haven appeal of the Japanese currency with the USD/JPY hovering around 102.20/30 at the time of writing in early European trade, not far from a one-week low of 101.95 recorded on Friday. Elsewhere, the EUR/USD continued to consolidate within its 1.3870-1.3780 recent trading range with investors adopting a cautious stance ahead of the FOMC monetary policy meeting and April's Eurozone preliminary CPI report, both scheduled for Wednesday.

GREECE

In its latest report on the Greek economy that was published late last week, the European Commission acknowledged that Greece outperformed its FY-2013 fiscal deficit target and that "the amount and ambition" of measures implemented since the previous program review that was completed in July 2013, are "significant". Moreover, the European Commission said that both soft and hard indicators point to a bottoming out of the protracted economic recession confirming expectations for a return of the domestic economy to positive growth as of 2014. Yet, the European Commission stressed that "sizeable challenges" remain in many areas of the domestic economy, "not least due to the opposition by vested interests".

ppetropoulou@eurobank.gr

Latest developments in the CESEE region

CESEE markets

Emerging stock markets closed broadly lower on Friday, recording their second consecutive week of losses as well as their biggest weekly decline since early March, on the back of weaker Chinese shares and escalating geopolitical tensions in Ukraine. An S&P cut on Friday on Russia's both long and short term foreign currency sovereign credit ratings to BBB-/A-3 from BBB-/A-2, also weighed on investor sentiment. The emerging equity MSCI index closed 1.11% lower on Friday, having registered losses to the tune of 1.83% on a weekly basis. In a similar vein, **CESEE bourses** weakened, with Ukraine's PFTS underperforming with a 2.49% decline. In the **FX markets**, regional currencies broadly fell, with the Ukrainian hryvnia leading the losers' pack amid intensified geopolitical tensions. As a result, the USD/UAH closed 2.23% higher on the day at 11.45, approaching anew a 13.61 lifetime peak hit on April 11, 2014. According to media reports, pro-Russian separatists seized the headquarters of a Russian state TV and radio channel and held several foreign individuals captive over the weekend. The actions were condemned by both the US and the EU, with further potential sanctions against Russia possibly to be announced as soon as today. In the **external debt markets**, reflecting waning investor appetite towards risky assets, emerging sovereign debt spreads over USTs on the EMBI+ index widened by 7.5bps on Friday to 327.6bps, its highest level since late March.

gphoka@eurobank.gr

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

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

SERBIA

(Belgrade, 25/4/2014, 15:20 CET): **Latest Political & Macro Developments:** The new government, led by Prime Minister Aleksandar Vucic, was elected on Sunday in the country's Assembly with an overwhelming majority of 198 votes in favor out of 250 in total. Prior to the vote, the incoming Prime Minister outlined that the three most important tasks of the new ruling coalition will be: (i) the budget consolidation through austerity measures; (ii) enacting a set of reform laws - including those on Labor, Privatization and Bankruptcy - and; (iii) the development of the private sector. Amongst other, he also said that reductions in public sector salaries are on the cards and that pensions will not be cut unless the government fails to meet the 2017 official public debt target. He added that the government will boost its effort to improve cooperation and sign a new agreement with the IMF. He also noted that Telekom Srbija, one of the few remaining profit-making state owned companies, will be privatized in the course of 2015. In other news, according to the Statistical Office of the Republic of Serbia the average monthly net salary increased by 1.4%YoY to €376 in real terms in March, coming in against a 1.1%YoY drop in the prior month. In the period January to March 2014, average monthly net salary declined by 2.1%YoY. **Market Developments:** The EUR/RSD ended little changed at 115.71 on Friday and slightly above the 115.40 closing level a week earlier. Elsewhere, the stock market extended its recent gains on Friday bringing its weekly gains to 0.59%.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

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

ROMANIA

(Bucharest, 28/4/2014, 09:30 EET): **Latest Political & Macro Developments:** According to the latest NBR monetary data, M2 money supply decreased by 1.4% on a monthly basis in March, bringing the annual rate of increase to 6.3% from 10.7% a month earlier. **Market Developments:** With strong EUR/RON support holding at a year-to-date low of 4.4450, the cross remained range-bound within 4.4500/550 on Friday, as the leu largely shrugged off depreciation pressures in regional currencies. Meanwhile, short term RON rates were little changed, while government bonds consolidated after Thursday's strong gains.

Bogdan.Radulescu@bancpost.ro

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	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, 25/4/2014, 17:45 EET): **Latest Political & Macro Developments:** Bulgaria's gross external debt amounted to EUR 37.42bn (or 91.7% of projected GDP) in February, marking a decrease of 0.1% on an annual basis. The decline was mainly due to bank debt shrinking by 9.9%YoY to EUR 5.67bn over the said period, which offset a 9.2%YoY increase in general government debt to EUR 3.37bn. Meanwhile, direct investments in the country, in form of intercompany lending, decreased marginally by 0.1%YoY to EUR 15.94 bn in February. Long-term debt represented 74.2% of total external debt. **Market Developments:** Domestic stock indices closed broadly lower on Friday with SOFIX recoiling by 0.30% to close at 603.74 points.

VBoteva@postbank.bg

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	1863.40	-0.8%	0.8%	EUR/USD	1.3868	0.2%	0.9%	UST - 10yr	2.67	1	-36	GOLD	1304	0.0%	8.1%
Nikkei 225	14288.23	-1.0%	-12.3%	GBP/USD	1.6848	0.3%	1.8%	Bund-10yr	1.49	1	-44	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	334.38	0.3%	1.9%	USD/JPY	102.23	-0.1%	3.0%	JGB - 10yr	0.62	-1	-12	LMEX	3114	-0.2%	-1.4%

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
T/N	7.88	1	-13
1-week	8.18	0	-10
1-month	8.46	0	-12
3-month	8.85	-1	-3
6-month	9.12	-1	-3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.07	#N/A/N/A	11
5Y RSD	11.49	1	-133
7Y RSD	12.19	0	-161

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.32	3	-68
USD Nov-24	3.86	-270	-304

CDS

	Last	ΔDbps	ΔYTD bps
5-year	308	3	-101
10-year	347	3	-100

STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.6	0.20%	4.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.12%	-0.91%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	3.64	35	190
1-month	3.15	24	127
3-month	3.08	8	64
6-month	3.4	2	41
12-month	3.43	1	28

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.73	1	-22
5Y RON	4.23	-1	-42
10Y RON	5.07	0	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	3.01	2	-83
USD Aug-23	4.28	4	-53

CDS

	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A/N/A	-11
10-year	212	#N/A/N/A	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6408.2	-0.14%	-1.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4569	-0.12%	0.36%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.04	0	-3
1-month	0.29	0	-3
3-month	0.57	0	-8
6-month	1.09	0	-7
12-month	2.09	1	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.97	2	-13
5Y BGN	1.63	5	-21
10Y BGN	3.16	0	-33

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.38	-3	-21
EUR Jul-17	1.36	-7	-44

CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A/N/A	1
10-year	167	#N/A/N/A	-7

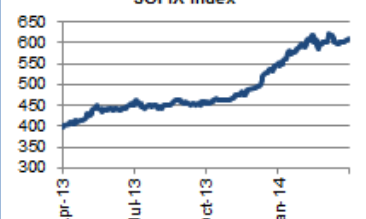
STOCKS

	Last	ΔD	ΔYTD
SOFIX	607.4	0.61%	23.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4104	0.26%	0.90%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:05 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokrousos: Head of Global Markets
Research pmonokrousos@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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