Eurobank Global Markets Research
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DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

August 19, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US
- August 18: NAHB index (Aug)
- August 19
  - CPI (Jul)
  - Housing starts (Jul)
  - Housing permits (Jul)
- August 20: Fed's July 29-30 FOMC meeting minutes
- August 21
  - Initial jobless claims (Aug 16)
  - Philly Fed (Aug)
  - Existing home sales (Jul)
- August 21-23: Fed annual economic symposium in Jackson Hole

EUROZONE
- August 21
  - PMI (Aug)
  - Consumer confidence (Aug)

SEE

SERBIA
- August 19: 5-year RSD bond auction
- August 19: CAD (Jun)

ROMANIA
- August 18: T-bond auction
- August 21: T-bond auction

BULGARIA
- August 25: Gross external debt (Jun)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

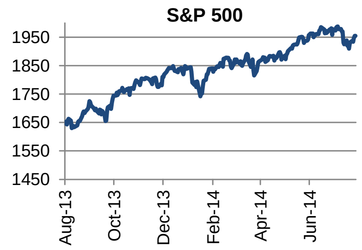
GLOBAL MARKETS: Tracking gains in **Wall Street** overnight, **Asian stock markets** moved higher on Tuesday on somewhat easing geopolitical concerns. Receiving additional support from upbeat corporate earnings results, **European bourses** opened broadly firmer on Tuesday extending this week's gains. In the **FX markets**, the dollar gained ground in the wake of upbeat US housing data and in view of higher US Treasury yields.

SOUTH EASTERN EUROPE

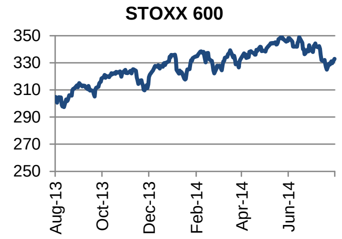
SERBIA: Serbia's Central Bank said on Monday that it has issued a preliminary license to Emirates' Royal Group to set up a bank in Serbia.

ROMANIA: NBR governor Mugur Isarescu said that Romania should join the Banking Union as soon as possible, reiterating that he considers 2019 to be a realistic target for the adoption of the euro.

CESEE MARKETS: Taking their cue from firmer major bourses globally, the majority of **emerging stock markets** extended Monday's gains in European trade on somewhat easing geopolitical concerns in Ukraine and the Middle East. In the **FX markets**, regional currencies were little changed earlier today.



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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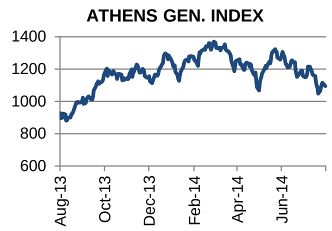

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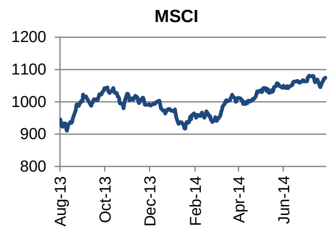

Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from gains in **Wall Street** overnight - where the Nasdaq spiked to a 14-year peak while the S&P 500 and Dow Jones indices advanced to their highest levels since late July - **Asian stock markets** moved higher on Tuesday on somewhat easing global geopolitical concerns. Foreign ministers from Russia, Germany, France and Ukraine met over the weekend in Berlin to discuss possible solutions for a de-escalation of the crisis in Ukraine. Meanwhile, Israel and the Palestinians agreed an extension of a 5-day ceasefire in Gaza by a further 24 hours, until GMT 21.00 on Tuesday. Adding to the positive tone, upbeat US data released on Monday showed that the NAHB/Wells Fargo Housing Market index rose for the third month running in August, to 55 from 53 in July, outperforming the market's median forecast of 53 and hitting its highest level in seven months. Receiving additional support from upbeat corporate earnings results, **European bourses** opened broadly firmer on Tuesday extending this week's gains. In the **FX markets**, the dollar gained ground on the upbeat US housing data and higher Treasury yields. Against this backdrop, the **EUR/USD** was hovering around levels of 1.3353/56 at the time of writing, having hit a 1-week low of 1.3342 in Asia and standing within distance from a 9-month trough of 1.3331 touched earlier this month. Elsewhere, **US Treasury yields** rose as improving risk sentiment dented their safe haven allure. In support of the aforementioned, the **10-year UST** yield stood near 2.38% in European trade, having bounced from a 16-month intraday low of 2.30% hit late last week. Today, CPI and housing data for July are in the spotlight in the US, while, later in the week the July 29-30 FOMC meeting minutes (Wednesday) and the Fed's annual Jackson Hole symposium (August 21-23) which starts on Thursday, with a speech by Chair Janet Yellen due on Friday, take centre stage.

Latest developments in the CESEE region

CESEE MARKETS

Taking their cue from gains in global bourses, the majority of **emerging stock markets** extended Monday's upside momentum in European trade today on somewhat easing geopolitical concerns in Ukraine and the Middle East. In the CESEE region, stock markets presented a mixed picture with Turkey's BIST 100 leading the winners' pack with a 1.56% rise, outperforming a 0.47% advance in the broader MSCI emerging equities index. On the flipside, Romania's BET index led the losses with a 0.37% decline. In the **FX markets**, regional currencies were little changed earlier today, with the Turkish lira remaining under pressure amid persisting domestic political uncertainty ahead of Prime Minister Tayyip Erdogan's announcement on Thursday over his replacement after his victory in last week's Presidential election. The USD/TRY hovered around levels of 2.1640 in European trade, little changed from yesterday's settlement and remaining within distance from a 5-month peak of 2.1877 hit a few sessions ago. Elsewhere, the Polish zloty treaded water hovering around levels of 4.19/EUR ahead of July's average gross wage and employment data (Tuesday), industrial production (Wednesday) and MPC meeting minutes (Thursday), which are expected to be closely scrutinized for any hints about the Central Bank's monetary policy deliberations ahead. Market speculation about a resumption of the NBP's rate easing cycle recently emerged as the domestic economy is being negatively affected by the crisis in Ukraine and inflation pressures remain subdued. Note that July's annual CPI data slid into a negative territory, of 0.2%, for the first time in decades to stand well below the NBP's medium-term inflation target of 2.5% +/- 1%. Along these lines, a cut in the Central Bank key policy rate as soon as September can not be ruled out entirely, especially if the upcoming macroeconomic data disappoint.

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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, 18/8/2014, 17:30 CET): **Latest Political & Macro Developments:** Serbia's Central Bank announced on Monday that it has issued a preliminary license to Emirates' Royal Group to set up a bank in Serbia, which will operate under the name of "Mirabank-Beograd". Royal Group is an Abu Dhabi based conglomerate operating amongst other, in areas of finance, manufacturing and real estate. This is the first green-field investment in the banking sector since 2008. It follows other projects undertaken by UAE companies, such as Etihad's takeover of JAT, Al Dahra acquiring agricultural companies and the recently announced *Belgrade on Water* project. **Market Developments:** The EUR/RSD was little changed on Monday, standing at 117.35/55 on the session's settlement. We expect depreciating pressures on the dinar to persist in the coming weeks. However, the cross is likely to remain bound within its recent 117.30/50-117.40/60 trading range as the Central Bank is likely to intervene anew in the FX markets in order to mitigate is upside momentum.

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ROMANIA

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

(*Bucharest, 19/8/2014, 9:10 EET*): **Latest Political & Macro Developments:** NBR governor Mugur Isarescu said, on the sidelines of a conference in Cluj, that Romania should join the Banking Union as soon as possible, adding that he considers 2019 to be a realistic target date for the adoption of the euro. **Market Developments:** The EUR/RON was little changed on Monday, hovering around levels of 4.4320/70. In a similar vein, money market rates were largely unchanged. In other news, the MoF issued yesterday the planned RON 300mn in 7Y bonds at an average accepted yield of 4.14%, which came in at the low end of market expectations. In response to the better than expected auction result, government bonds rallied with yields moving some 5bps lower on the day across 3-10Y maturities.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1971.74	0.9%	6.7%
Nikkei 225	15449.79	0.8%	-5.2%
STOXX 600	334.78	0.4%	2.0%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3344	-0.1%	-2.9%
GBP/USD	1.6641	-0.5%	0.5%
USD/JPY	102.68	-0.1%	2.6%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.37	-2	-66
Bund-10yr	1.00	-2	-93
JGB - 10yr	0.50	0	-24

Commodities

	Last	ΔD	ΔYTD
GOLD	1301	0.2%	7.9%
BRENT CRUDE	179	0.0%	6.8%
LMEX	3224	0.4%	2.0%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.74	7	-127
1-week	6.95	5	-133
1-month	7.27	4	-131
3-month	7.74	1	-114
6-month	8.06	3	-109

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.39	-15	-57
5Y RSD	10.29	-2	-253
7Y RSD	11.30	0	-250

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.73	0	-128
USD Nov-24	-0.05	-662	-696

CDS

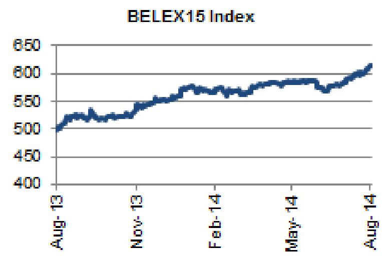
	Last	ΔDbps	ΔYTD bps
5-year	277	-3	-132
10-year	325	-3	-122

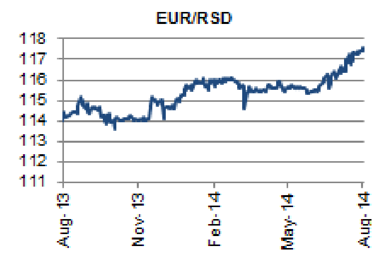
STOCKS

	Last	ΔD	ΔYTD
BELEX15	615.1	0.36%	10.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.09%	-2.50%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.71	-12	-103
1-month	1.81	0	-7
3-month	2.18	1	-26
6-month	2.53	1	-46
12-month	2.69	1	-46

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.65	-1	-130
5Y RON	3.32	-2	-133
10Y RON	4.28	-4	-102

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.20	-8	-164
USD Aug-23	3.75	-6	-106

CDS

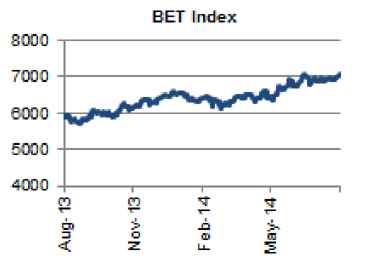
	Last	ΔDbps	ΔYTD bps
5-year	138	-2	-45
10-year	183	-2	-49

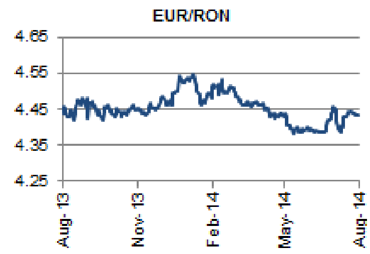
STOCKS

	Last	ΔD	ΔYTD
BET	7037.0	-0.43%	8.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4335	0.01%	0.89%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	0	-2
1-month	0.23	0	-9
3-month	0.48	-1	-16
6-month	0.88	-3	-27
12-month	1.65	-9	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.30	0	20
5Y BGN	1.99	-2	15
10Y BGN	3.17	0	-33

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.92	4	33
EUR Jul-17	1.37	0	-43

CDS

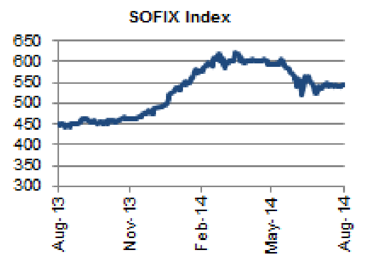
	Last	ΔDbps	ΔYTD bps
5-year	130	-2	13
10-year	174	-1	-1

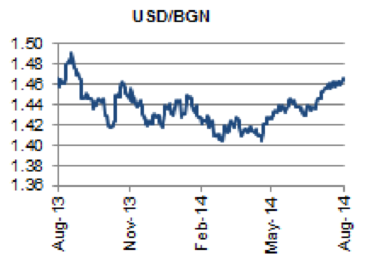
STOCKS

	Last	ΔD	ΔYTD
SOFIX	542.1	-0.08%	10.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4659	-0.14%	-2.92%





Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:00 EET

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