

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

August 20, 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 the uptrend in **Wall Street** overnight, **Asian stock markets** moved broadly higher on Wednesday on upbeat US housing data. On the flipside, **European stock markets** opened broadly lower, snapping a 2-day rising streak after Danish brewer Carlsberg issued a profit warning and caution prevailed ahead of today's July 29-30 FOMC meeting minutes (18:00 GMT). On Friday, Fed Chair Janet Yellen's speech at the Fed's annual Jackson Hole symposium (August 21-23) takes centre stage. In the **FX markets**, the dollar rallied against other major currencies in European trade today on optimism about the prospects of the US economy.

SOUTH EASTERN EUROPE

SERBIA: Prime Minister Aleksandar nominated Zeljko Sertic, a member of the ruling Serbian Progressive Party and head of the Serbian Chamber of Commerce and Industry of Serbia (PKS), for the post of the economy minister.

ROMANIA: Improving risk sentiment supports RON markets.

BULGARIA: The domestic stock market reversed intraday losses to close in the green on Tuesday

CESEE MARKETS: The majority of **emerging stock markets** broadly fell in European trade on Wednesday and **CESEE currencies** broadly weakened as caution prevailed ahead of the release of the FOMC meeting minutes.

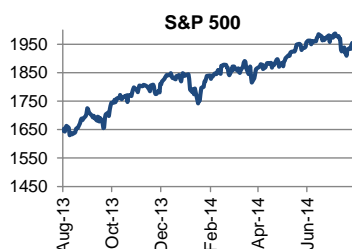
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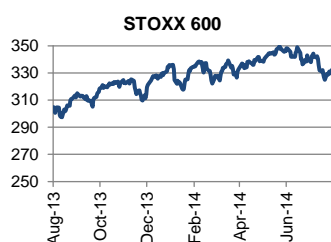
Latest world economic & market developments

GLOBAL MARKETS

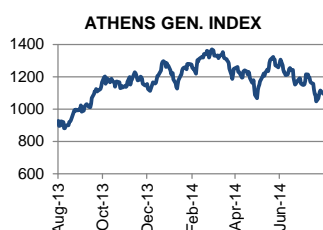
Tracking the uptrend in **Wall Street** overnight, **Asian stock markets** moved broadly higher on Wednesday on upbeat US housing data. In more detail, US CPI came in line with expectations of 2.0%YoY in July, while housing starts and building permits outpaced the market's median forecasts for respective increases of 8.1%MoM and 2.8%MoM last month, coming in at 15.7%MoM to an annual rate of 1093k and 8.1%MoM to an annual rate of 1052k. Somewhat easing geopolitical concerns also favored investor sentiment. Ukraine's President Petro Poroshenko and his Russian counterpart Vladimir Putin are expected to hold a meeting, along with EU officials, in Minsk next week (August 26) in order to discuss potential resolutions for the current crisis in Ukraine. The news follows a meeting by foreign ministers from Russia, Germany, France and Ukraine over the weekend which added to hopes about an eventual diffusion of the tensions in the region. On the flipside, **European stock markets** opened broadly lower on Wednesday, snapping a 2-day rising streak after Danish brewer Carlsberg issued a profit warning as the impact of the crisis in Ukraine and ensuing sanctions between EU and Russia are expected to take a toll on the company's revenues. Additionally, caution prevailed ahead of today's July 29-30 FOMC meeting minutes at 18:00 GMT, which are expected to be closely scrutinized by market participants for any hints over the Central Bank's monetary policy deliberations ahead. On Friday, Fed Chair Janet Yellen's speech at the Fed's annual Jackson Hole symposium (August 21-23) takes centre stage. In the **FX markets**, the dollar rallied against other major currencies in European trade today on optimism about the prospects of the US economy following a recent string of upbeat macroeconomic data releases. The DXY US dollar index spiked to 1-year peak of 82.118 earlier today from 81.883 on Tuesday's close. Meanwhile, the **EUR/USD** was hovering around levels of 1.3282/85 at the time of writing, having broken below a key support level near 1.3330 and temporarily touched an 11-month trough of 1.3278 intraday.



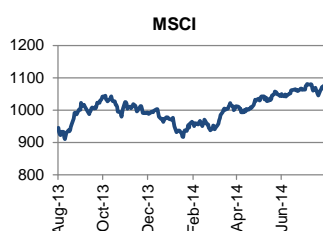
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Latest developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** broadly fell in European trade on Wednesday as caution prevailed ahead of the release of the FOMC meeting minutes. Ukraine's PFTS bucked the region's trend with a 0.73% advance, outperforming a 0.12% decline in the broader MSCI emerging equities index which snapped earlier today a 7-session rising streak. Along similar lines, **CESEE currencies** broadly weakened. The Ukrainian hryvnia led the losses in the region plummeting by ca 1.5% on the day to 13.20/EUR, to stand marginally above a recent record trough, despite Central Bank rate hikes and intervention in the FX markets on Tuesday. In more detail, the NBU raised by 250bps its overnight refinancing rate to 17.50%, also increasing the rate for NBU's deposit certificates overnight from 5.00% to 7.50% per annum and the deposit rates for 7, 14, 30 and 45 days by 50bps to 9.50%, 10.00%, 10.5% and 11.50% respectively. Elsewhere, the Polish zloty was little changed hovering around levels of 4.19/EUR earlier today, ahead of July's industrial production data. Yesterday's July average gross wages came in slightly below expectations of 3.8%YoY at 3.5%YoY and employment increased by 0.8%YoY last month in line with the market's median forecast. A disappointing industrial production reading later today will likely further strengthen the case for a rate cut as soon as September as the domestic economy is being negatively affected by the crisis in Ukraine and inflation pressures remain subdued.

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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, 19/8/2014, 18:00 CET): **Latest Political & Macro Developments:** Prime Minister Aleksandar Vucic nominated Zeljko Sertic, a member of the ruling Serbian Progressive Party (SNS) and head of the Chamber of Commerce and Industry of Serbia (PKS), for the post of the economy minister. His endorsement is pending approval in parliament, where SNS enjoys a strong majority. The position has been vacant for a month or so, after Dusan Vujovic resigned to take over the post of the Minister of Finance. **Market Developments:** The Public Debt Administration sold on Tuesday RSD 9.1bn (ca €78m) in 5-year dinar-denominated 10% coupon bearing bonds. The auction produced an average accepted yield of 10.8%, largely unchanged from June when a previous tender of similar maturity paper took place. In the FX market, the EUR/RSD moved modestly lower on Tuesday to close at 117.20/40 vs. 117.35/55 at the session's open, as the dinar received some support from the 5-year government bond auction. In spite of yesterday's modest down-move, upward pressures on the pair are likely to re-emerge in the coming sessions, as fiscal consolidation concerns linger and demand for hard currency is likely to increase in September. That said, range trading will likely persist in the weeks ahead on potential new Central Bank intervention in the FX markets.

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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, 20/8/2014, 9:10 EET): **Market Developments:** The leu firmed against major currencies on Tuesday thanks to improving global risk sentiment. The EUR/RON closed just under 4.4300, below Monday's settlement near 4.4320 and within distance from a 2-week trough of 4.4275 hit intraday. The move pushed the rate towards the low end of its August trading range of 4.4230/4.4500. Separately, money market rates moved lower in view of ample RON liquidity and expectations for further Central Bank monetary easing ahead, with the 6-month implied rate decreasing more than 10bps on the day to 2.00% yesterday and the corresponding 1-year rate falling from 2.20% on Monday's close to 2.05% at the end of Tuesday's settlement. Strong demand for local government bonds continued unabated yesterday, with the corresponding 3-year yield sliding to just under 3.00% from 3.10% and the 10-year (2023) to around 4.19% from 4.30% in the prior session.

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BULGARIA

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

(Sofia, 20/8/2014, 9:40 EET): **Market Developments:** The domestic stock market reversed intraday losses to close in the green on Tuesday, in line with the improvement in global risk sentiment. Against this backdrop, the main SOFIX index advanced by 0.54% on the day, to close at 545.42 points.

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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	1981.60	0.5%	7.2%	EUR/USD	1.3281	-0.3%	-3.4%	UST - 10yrr	2.41	1	-62	GOLD	1296	0.0%	7.5%
Nikkei 225	15454.45	0.0%	-5.1%	GBP/USD	1.6652	0.2%	0.6%	Bund-10yrr	0.99	-1	-94	BRENT CRUDE	179	0.0%	6.8%
STOXX 600	335.11	-0.1%	2.1%	USD/JPY	103.32	-0.4%	1.9%	JGB - 10vrr	0.52	2	-22	LMEX	3225	0.0%	2.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.75	1	-126
1-week	6.95	0	-133
1-month	7.29	2	-129
3-month	7.74	0	-114
6-month	8.07	1	-108

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.39	0	-57
5Y RSD	10.29	0	-253
7Y RSD	11.32	0	-249

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.71	-2	-130
USD Nov-24	-0.62	-718	-752

CDS

	Last	ΔDbps	ΔYTD bps
5-year	267	-10	-142
10-year	315	-10	-132

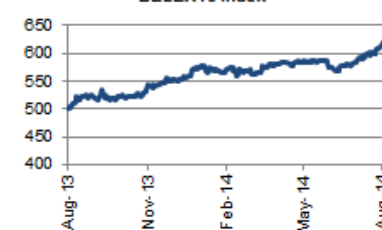
STOCKS

	Last	ΔD	ΔYTD
BELEX15	619.2	0.67%	10.97%

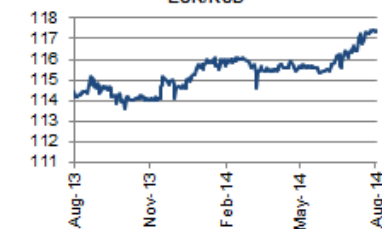
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.06%	-2.35%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.66	-5	-108
1-month	1.82	1	-6
3-month	2.18	0	-26
6-month	2.52	-1	-47
12-month	2.68	-1	-47

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.61	-2	-134
5Y RON	3.22	-7	-143
10Y RON	4.18	-8	-112

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.40	16	-145
USD Aug-23	4.12	35	-68

CDS

	Last	ΔDbps	ΔYTD bps
5-year	141	3	-45
10-year	186	3	-46

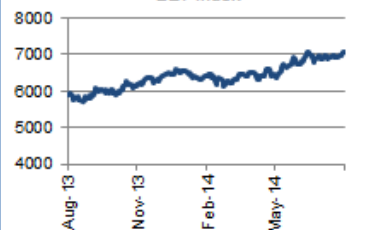
STOCKS

	Last	ΔD	ΔYTD
BET	7059.8	0.01%	8.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4216	0.20%	1.16%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	0	-2
1-month	0.23	0	-9
3-month	0.48	0	-16
6-month	0.88	0	-27
12-month	1.63	-1	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.29	-1	19
5Y BGN	2.00	-2	15
10Y BGN	3.17	0	-33

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.80	-15	21
EUR Jul-17	1.32	-1	-48

CDS

	Last	ΔDbps	ΔYTD bps
5-year	133	2	13
10-year	176	2	1

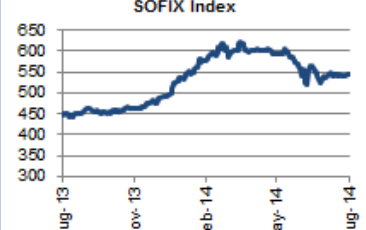
STOCKS

	Last	ΔD	ΔYTD
SOFIX	542.5	-0.54%	10.36%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4728	-0.31%	-3.37%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:30 EET

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