

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

August 22, 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: Taking their cue from gains in **Wall Street** overnight, the majority of **Asian stock markets** closed in the black on Friday thanks to upbeat US macroeconomic data. Nonetheless, **European stock markets** treaded water in morning trade as caution prevailed ahead of Fed Chair Janet Yellen's speech at the Central Bank's annual Jackson Hole symposium later today, which is expected to be closely scrutinized by market participants for any hints over the FOMC's monetary policy deliberations ahead. Another speech by European Central Bank President Mario Draghi at Jackson Hole also lures attention on Friday. In the **FX markets**, the dollar took a breather earlier today, with its recent rally running out of steam ahead of the Fed Chair's speech.

GREECE

According to **final State Budget execution data** on a modified cash basis for the first seven months of 2014, the primary central government balance recorded a surplus of €2.3bn, in line with preliminary estimates, compared to a surplus target of €800mn for that period. Meanwhile, the overall central government budget ran a deficit of €1.7bn in January-July, outperforming a deficit target of €3.4bn and a €1.9bn shortfall posted over the same period of 2013.

SOUTH EASTERN EUROPE

SERBIA: Ongoing depreciating pressures on the dinar prompted renewed Central Bank intervention on Thursday.

ROMANIA: The leu hit a 3-week high of 4.3990 against the euro yesterday.

BULGARIA: Bulgaria's budget deficit widened to BGN 1.147bn (or ca 1.4% of projected GDP) over the first seven months of the year, from BGN 167mn over the same period a year earlier and is anticipated to exceed the full-year target of 1.8%-of-GDP as soon as August.

CESEE MARKETS: **CESEE stock markets** were mixed earlier today, **currencies** were little changed, ahead of the Fed Chair's speech. Newly elected Turkish President Tayyip Erdogan nominated Foreign Minister Ahmet Davutoglu as his replacement for the post of Prime Minister on Thursday.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from gains in **Wall Street** overnight - where the S&P 500 index spiked to a new lifetime peak and the Nasdaq Composite hit a new 14-year high intraday - the majority of **Asian stock markets** closed in the black on Friday thanks to upbeat US macroeconomic data. Thursday's releases showed that existing home sales unexpectedly increased, by 2.4%MoM, in July, marking the fourth consecutive month of positive monthly growth and coming in at a 10-month annual rate high of 5.15 million units. Adding to recent evidence of improving labour market conditions, initial jobless claims fell more than anticipated to 298k over the week ending on August 16, from 312k in the prior, compared to a market median forecast of 303k. Separately, the Markit flash U.S. Manufacturing Purchasing Managers Index hit its highest level since April 2010 at 58.0 in August, while data released from the Philadelphia Federal Reserve Bank revealed that factory activity in the mid-Atlantic region reached its highest level since March 2011 over the same month. Also released yesterday, the Leading Economic Index rose by 0.9%MoM in July, outperforming expectations and increasing for the sixth month running. Nonetheless, **European stock markets** treaded water in morning trade as caution prevailed ahead of Fed Chair Janet Yellen's speech at the Central Bank's annual Jackson Hole symposium later today, which is expected to be closely scrutinized by market participants for any hints over the FOMC's monetary policy deliberations ahead. Another speech by European Central Bank President Mario Draghi at Jackson Hole also lures attention on Friday. In the **FX markets**, the dollar took a breather earlier today, with its recent rally running out of steam ahead of the Fed Chair's speech, while the EUR received some support after yesterday's release of Markit German PMI data beat expectations. Along these lines, the DXY US dollar index eased to 82.126 at the time of writing from an 11-month peak of 82.364 struck intraday in the prior session, while the **EUR/USD** was hovering around levels of 1.3288/91, within distance from yesterday's near 1-year low of 1.3241.

GREECE

According to **final State Budget execution data** on a modified cash basis for the first seven months of 2014, the primary central government balance recorded a surplus of €2.3bn, in line with preliminary estimates, compared to a surplus target of €800mn for that period. Meanwhile, the overall central government budget ran a deficit of €1.7bn in January-July, outperforming a deficit target of €3.4bn and a €1.9bn shortfall posted over the same period of 2013.

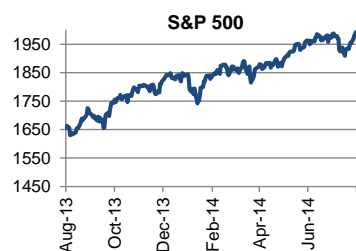
Latest developments in the CESEE region

CESEE MARKETS

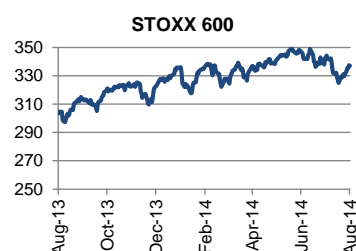
CESEE stock markets were mixed earlier today, ahead of the Fed Chair's speech. Turkey's BIST 100 index broadly outperformed its regional peers, rising by 0.44% at the time of writing, after newly elected Turkish President Tayyip Erdogan nominated Foreign Minister Ahmet Davutoglu as his replacement for the post of Prime Minister on Thursday. The ruling AK Party is expected to approve the nomination on August 27, while the focus is also on the upcoming composition of the government, particularly on the finance and economy minister posts.

CESEE currencies were little changed earlier today ahead of the Fed Chair Janet Yellen's speech. The Ukrainian hryvnia led the losers' pack, weighed down by persisting geopolitical tensions in the country. In more detail, the USD/UAH hovered around levels of 13.30 in European trade, after striking a new record high at 13.40 earlier in the session.

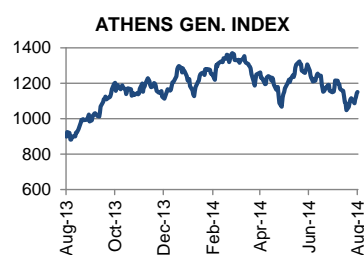
gphoka@eurobank.gr



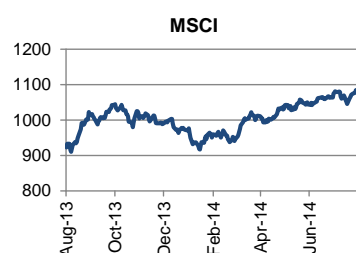
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

| L-T ccy | Credit Ratings | | |
|----------|----------------|------|-------|
| | 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, 21/8/2014, 16:15 CET): **Market Developments:** The EUR/RSD resumed its modest uptrend over the last two sessions, to close ca 0.10% higher at 117.50/70 on Thursday, following a temporary spike to a new 1-year peak of 117.55/75 intraday which prompted Central Bank (NBS) intervention (with EUR sale of €10mn). Depreciating pressures on the dinar will likely persist in the days ahead, as fiscal consolidation concerns linger and demand for hard currency is expected to increase in the coming weeks. A gradual EUR/RSD move towards a higher range of 117.80/00 in the next couple of days is likely, with further upside to possibly be capped by renewed Central Bank interventions.

ivan.radovic@eurobank.rs

Zoran.Korac@eurobank.rs

gphoka@eurobank.gr

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 EUR/RON's downward momentum was extended over the last couple of days, with the pair closing ca 0.3% lower at 4.4030 on Thursday after temporarily breaking below the key support level of 4.4000 to hit a 3-week low of 4.3990 intraday. In money markets, the O/N rate remained near its recent low levels hovering just above the deposit facility rate of 0.25% on Thursday's close, as today is the last trading day of the current reserve period (ending August 23). Further across the curve short term interest rates were little changed on Thursday, with the 1M implied from swaps closing near 1.80%. In government bonds, the MoF issued on Thursday the announced RON 300mn in 2Y bonds (August 2016) at an average accepted yield of 2.61%, in line with market consensus.

Bogdan.Radulescu@bancpost.ro

gphoka@eurobank.gr

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, 21/8/2014, 17:30 EET): **Latest Political & Macro Developments:** According to a press-release of Interim Finance Minister Rumen Porozhanov on Wednesday, Bulgaria's budget deficit widened to BGN 1.147bn (or ca 1.4% of projected GDP) over the first seven months of the year, from BGN 167mn over the same period a year earlier. The said deterioration in public finances came on the back of worse-than-expected revenue collection and blocked EU funding under environmental and regional development programmes. The shortfall is expected to grow by at least BGN 355mn in August and exceed the full-year target of 1.8% of GDP for 2014 as soon as this month. The finance minister reassured that the interim government will work to contain the annual gap within the EU limit of 3% of GDP and will prepare a budget revision proposal to reflect realistic revenues. **Market Developments:** The domestic stock market ended in the red on Thursday, pulled down by weaker blue chip shares. As a result, the main SOFIX index slipped by 0.71% to 542.76 points, halting a five-day winning streak.

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 | 1992.37 | 0.3% | 7.8% | EUR/USD | 1.3286 | 0.0% | -3.3% | UST - 10yr | 2.40 | -1 | -63 | GOLD | 1281 | 0.3% | 6.3% |
| Nikkei 225 | 15539.19 | -0.3% | -4.6% | GBP/USD | 1.6588 | 0.0% | 0.2% | Bund-10yr | 0.98 | -1 | -95 | BRENT CRUDE | 179 | 0.0% | 6.8% |
| STOXX 600 | 337.19 | -0.1% | 2.7% | USD/JPY | 103.74 | 0.1% | 1.5% | JGB - 10yr | 0.51 | -2 | -23 | LMEX | 3279 | -0.3% | 3.8% |

SEE MARKETS

SERBIA

Money Market

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| BELIBOR | | | |
| T/N | 6.73 | -2 | -128 |
| 1-week | 6.97 | 2 | -131 |
| 1-month | 7.29 | 0 | -129 |
| 3-month | 7.76 | 2 | -112 |
| 6-month | 8.07 | 0 | -108 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|-------|-------|----------|
| 3Y RSD | 9.39 | 0 | -56 |
| 5Y RSD | 10.27 | 0 | -255 |
| 7Y RSD | 11.27 | 0 | -253 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| USD Nov-17 | 3.80 | 0 | -120 |
| USD Nov-24 | -0.19 | -677 | -709 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 263 | 0 | -147 |
| 10-year | 310 | 0 | -137 |

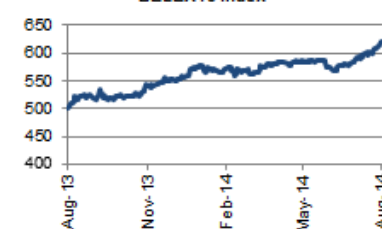
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|-------|--------|
| BELEX15 | 621.4 | 0.32% | 11.36% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| EUR/RSD | 115.4 | -0.26% | -2.61% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| ROBOR | | | |
| O/N | 0.99 | 31 | -75 |
| 1-month | 1.83 | 1 | -5 |
| 3-month | 2.19 | 1 | -25 |
| 6-month | 2.5 | -2 | -49 |
| 12-month | 2.69 | 1 | -46 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.61 | 1 | -134 |
| 5Y RON | 3.25 | 0 | -140 |
| 10Y RON | 4.20 | 0 | -110 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 2.19 | 0 | -166 |
| USD Aug-23 | 3.80 | 2 | -100 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 139 | 0 | -45 |
| 10-year | 184 | 0 | -48 |

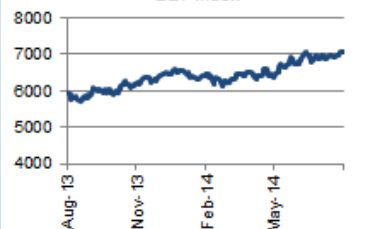
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 7055.5 | -0.49% | 8.65% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.4053 | -0.04% | 1.53% |

BET Index



EUR/RON



BULGARIA

Money Market

| | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| SOFIBOR | | | |
| LEONIA | 0.04 | 0 | -3 |
| 1-month | 0.23 | 0 | -9 |
| 3-month | 0.48 | 0 | -17 |
| 6-month | 0.86 | -1 | -29 |
| 12-month | 1.61 | -1 | -58 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 1.36 | 3 | 26 |
| 5Y BGN | 1.97 | -2 | 12 |
| 10Y BGN | 3.25 | 0 | -24 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Jan-15 | 0.71 | -5 | 13 |
| EUR Jul-17 | 1.32 | 0 | -49 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 135 | 2 | 13 |
| 10-year | 178 | 2 | 4 |

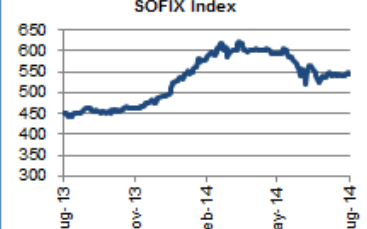
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 542.5 | -0.04% | 10.38% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.4721 | 0.04% | -3.33% |

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:50 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

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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>