

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

August 26, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- August 25: New home sales (Jul)
- August 26
 - Durable goods orders (Jul)
 - CB consumer sentiment (Aug)
- August 28:
 - GDP (Q2, 2nd est.)
 - Initial jobless claims (Aug 22)
 - Pending home sales (Jul)
- August 29
 - Personal income (Jul)
 - Personal spending (Jul)
 - UoM consumer confidence (Aug)

EUROZONE

- August 25: De: Ifo business climate (Aug)
- August 29: CPI (Aug)

SEE

SERBIA

- August 25: Real wages (Jul)
- August 26: 5-year EUR bond auction
- August 29
 - Ind. production (Jul)
 - Trade balance (Jul)
 - Retail sales (Jul)

ROMANIA

- August 25: T-bonds auction

BULGARIA

- August 25
 - T-bonds auction
 - Gross external debt (Jun)
- August 29: Budget balance (Jul)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The **EUR** remained under pressure in European trade on Tuesday and **euro area sovereign bond markets** retained a firm tone on the back of increased expectations for further monetary stimulus from the ECB in the coming months.

GREECE

An unnamed high-level MoF official was quoted as saying in local press that **Greece plans to reopen its recent 3-year and 5-year bond issues** in the next couple of weeks offering up to €1.5bn. As per the same official "payment will be in outstanding T-bills instead of cash". On the data front, Hellenic Statistical Authority custom-based data showed that **Greece's trade deficit** in the first six months of this year increased by 9.6% on an annual basis.

SOUTH EASTERN EUROPE

SERBIA: The EUR/RSD remained in an upward trend on Monday hitting a new year-to-date high of 117.60/80.

ROMANIA: According to the recently released general government accounts for the first seven months of this year, the overall deficit on a cash basis stood at just 0.15% of projected full-year GDP mainly due to an 83%YoY drop in total general government expenditure.

BULGARIA: Bulgaria's gross external debt rose by 0.7%YoY in June, marking the fourth consecutive monthly increase.

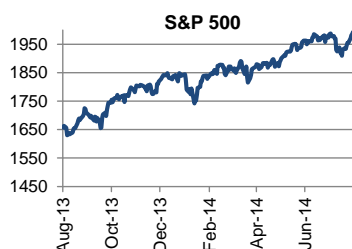
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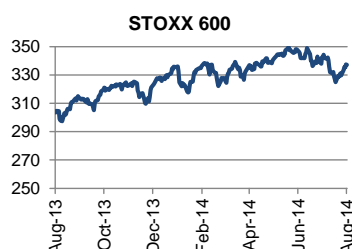
Latest world economic & market developments

GLOBAL MARKETS

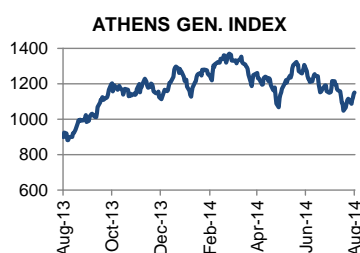
In FX markets, the **EUR remained under pressure in European trade on Tuesday** on the back of increased market expectations for further ECB monetary stimulus in the coming months. Official data released y-day showed that **Germany's IFO business climate index** declined in August for the fourth month in a row, reinforcing market worries over the growth prospects of the Eurozone's biggest economy. In more detail, the German index dropped from 108.0 in July to 106.3 in August, the lowest level in more than a year presumably due to persisting geopolitical jitters and stagnating global trade. The above followed comments by ECB President Mario Draghi at Jackson Hole late last week suggesting that the Central Bank is prepared to respond with all its "available" tools should inflation drop further. Against this environment, Euro area annual inflation data for the month of August, scheduled for release on Thursday, lures market attention. Market consensus is for a further drop in the Harmonized Index of Consumer Prices (HICP) to 0.3%YoY from 0.4%YoY in the prior month, well below the ECB's medium-term price stable target of "below, but close to, 2.0%YoY". After hitting levels near 1.3400 last week, the EUR/USD was hovering around 1.3200 at the time of writing, not far from a near one-year low of 1.3177 recorded earlier today. Technically, support lies at 1.3150/70 with investors eagerly awaiting the outcome of the upcoming ECB monetary policy meeting on September 4th as well as next week's US non-farm payrolls report for August which has the potential to increase expectations for an earlier-than-currently expected Fed rate increase. Elsewhere, **euro area sovereign bond markets** retained a firm tone on Tuesday favored by increased expectations for further ECB monetary stimulus ahead. Indicatively, Germany's 10-yr Bund yield extended its recent downward trend marking a new record low of 0.94% earlier today.



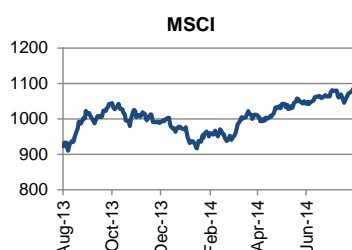
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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GREECE

An unnamed high-level MoF official was quoted as saying in local press that **Greece plans to reopen its recent 3- and 5-yr bond issues** in the next couple of weeks offering up to €1.5bn. As per the same official "payment will be in outstanding T-bills instead of cash". On the data front, Hellenic Statistical Authority custom-based data showed that **Greece's trade deficit in the first six months of this year** increased by 9.6% on an annual basis. The total value of exports-dispatches dropped by 4.6%YoY while the total value of imports-arrivals rose by 1.2%YoY.

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

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

SERBIA

(Belgrade, 25/8/2014, 19:00 CET): **Market Developments:** The EUR/RSD remained in an upward trend on Monday hitting a new year-to-date high of 117.60/80 after opening at 117.55. Technically, the next upside target stands at 118.00. In other news, the public debt agency will offer €75mn in 5-yr denominated T-bills later in the day. **Latest Political & Macro Developments:** Serbia's gross external debt for the first six months of this year came in at €20.9bn, or 64.3% of full-year projected GDP. Looking ahead, it is likely to remain on a rising trend in the coming months with the government expected to proceed with a revision of the 2014 State Budget law in September.

ivan.radovic@eurobank.rs

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, 26/8/2014, 9:30 EET): **Market Developments:** The EUR/RON remained under pressure on Monday hitting a session low of 4.3930 after breaking below technical support of 4.4000. In other news, the MoF issued RON 200mn in 10-yr (Feb 2025) bonds y-day, as initially planned. The auction met lackluster demand presumably due to the fact that UK markets were closed on that day for a national holiday. Against this environment, the auction produced a higher-than-expected average yield of 4.28%. Both money and sovereign bond markets were little changed on Monday. **Latest Political & Macro Developments:** According to the recently released general government accounts for the first seven months of this year, the overall deficit on a cash basis stood at just 0.15% of projected full-year GDP mainly due to an 83%YoY drop in total general government expenditure following a 30%YoY decline in public investment budget expenditure. The official general government deficit target for this year stands at 2.20%-of-GDP. The government is likely to back load the remaining 2.0% of projected GDP deficit target in the last quarter of the year, as has been the case over the past few years.

Bogdan.Radulescu@bancpost.ro

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

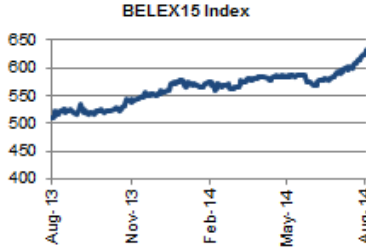
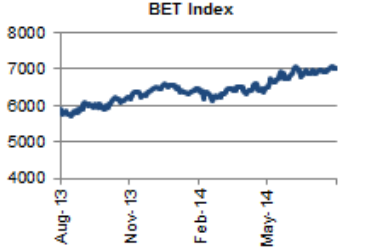
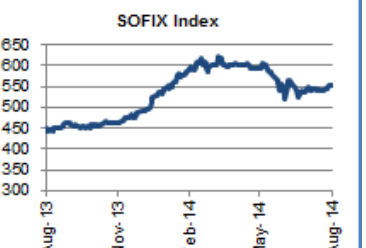
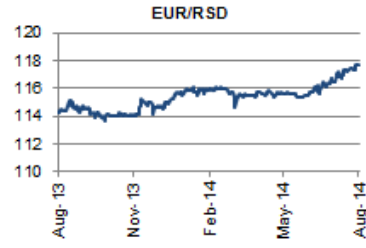

(Sofia, 26/8/2014, 09:30 EET): **Latest Political & Macro Developments:** Bulgaria's gross external debt rose by 0.7%YoY in June, marking the fourth monthly consecutive increase (to €37.9bn or 93.6% of projected full-year GDP) following a 0.4%YoY increase in May. **Market Developments:** The domestic stock market ended in the red on Monday, mainly due to weaker blue chip shares. The main SOFIX index slipped by 0.57% to 550.63 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	1997.92	0.5%	8.1%	EUR/USD	1.32	0.1%	-4.0%	UST - 10yr	2.37	-1	-66	GOLD	1288	0.9%	6.9%
Nikkei 225	15521.22	-0.6%	-4.7%	GBP/USD	1.6578	0.0%	0.1%	Bund-10yr	0.94	-1	-99	BRENT CRUDE	183	0.0%	9.6%
STOXX 600	340.23	-0.1%	3.6%	USD/JPY	103.89	0.2%	1.4%	JGB - 10yr	0.50	-1	-24	LMEX	3293	0.4%	4.2%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.72	1	-129	O/N	2.39	15	65	LEONIA	0.05	1	-2
1-week	6.91	0	-137	1-month	1.97	13	9	1-month	0.23	0	-9
1-month	7.26	6	-132	3-month	2.21	2	-23	3-month	0.48	0	-17
3-month	7.71	-1	-117	6-month	2.54	3	-45	6-month	0.86	0	-29
6-month	8.04	-1	-111	12-month	2.7	2	-45	12-month	1.61	0	-58
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.29	-6	-67	3Y RON	2.60	0	-135	3Y BGN	1.37	-3	28
5Y RSD	10.27	0	-255	5Y RON	3.23	-1	-142	5Y BGN	1.93	-3	9
7Y RSD	11.28	0	-253	10Y RON	4.19	-1	-111	10Y BGN	3.16	0	-34
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.86	-3	-114	EUR Sep-20	2.14	4	-171	USD Jan-15	0.73	14	14
USD Nov-24	-0.36	-694	-727	USD Aug-23	3.79	-1	-102	EUR Jul-17	1.25	5	-55
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	263	0	-147	5-year	139	0	-47	5-year	135	2	12
10-year	310	0	-137	10-year	184	0	-48	10-year	178	2	4
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	633.9	1.43%	13.61%	BET	7046.3	0.06%	8.51%	SOFIX	552.4	0.33%	12.39%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.13%	-2.52%	EUR/RON	4.3976	-0.02%	1.71%	USD/BGN	1.4819	0.05%	-3.97%
											
											

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:30 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

Boqdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Ivan Radović

Head, Brokerage Department, Eurobank and 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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