

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

August 27, 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: In FX markets, the **USD** retained a firm tone in European trade on Wednesday assisted by increased optimism about the growth prospects of the US economy. On the flipside, the **EUR** remained under pressure amid persisting expectations of further expansionary measures by the ECB. Elsewhere, **US Treasuries** remained under pressure with short-dated debt underperforming on the view that the Fed may push interest rates higher earlier-than-currently expected.

GREECE

Aiming to address private sector indebtedness, the Bank of Greece reportedly approved earlier this week a **binding Code of Conduct for banks** specifying the terms of their engagement with debtors. The Code has yet to be officially published in its entirety.

SOUTH EASTERN EUROPE

SERBIA: The National Bank of Serbia intervened in FX markets on Tuesday in order to halt the dinar's recent depreciating momentum.

ROMANIA: The EUR/RON remained range-bound between 4.3920/4.4015 on Tuesday.

BULGARIA: The domestic stock market regained some ground y-day while the new Bulgarian Eurobond (BGARIA 2.95% 09/03/24€) extended its recent gains.

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Latest world economic & market developments

GLOBAL MARKETS

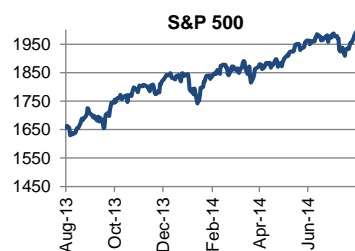
Taking their lead from the positive tone in **Wall Street** overnight where the S&P 500 index closed above the 2,000 key level for the first time ever, the majority of **Asian stock markets** firmed on Wednesday supported by increased optimism that the world's largest economy remains on a steady path of recovery. Adding to the recent string of positive US economic data, Tuesday's releases showed that the **Conference Board's consumer confidence index** improved in August for the fourth consecutive month coming in at a seven-year high of 92.4 while **durable goods orders** rose by a record 22.6% mom in July, mainly thanks to a hefty increase in transportation orders. Recent comments by ECB President Mario Draghi which suggested that the Central Bank stands ready to adopt further expansionary measures, if needed, in order to support the euro area's economic growth prospects, added to the improved tone in global equity markets.

In **FX markets**, the USD retained a firm tone in European trade on Wednesday supported by mounting optimism about the growth prospects of the US economy with the **dollar index DXY** hitting a fresh 13-month peak of 82.727 earlier today. On the flipside, the **EUR** remained under pressure amid persisting expectations of further ECB monetary policy easing ahead. Against this environment, the EUR/USD was hovering around 1.3180/85 at the time of writing, not far from a multi-month low of 1.3151 marked earlier today. Technically, strong support lies at 1.3104 (Sep. 6 2013 trough) with investors eagerly awaiting euro area inflation data for August, scheduled for Friday, ahead of next week's ECB monetary policy meeting (September 4).

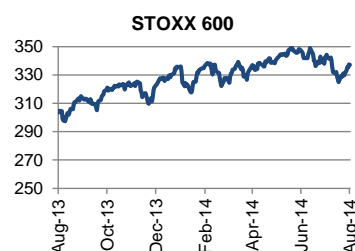
Elsewhere, **US Treasuries** remained under pressure amid increased expectations that the Fed may push interest rates higher earlier-than-currently expected following a string of positive US data releases over the last few weeks. Short-dated US debt underperformed with the 2-yr note yielding levels around 0.51% in European trade after ending at 0.49% in the prior session and standing close to 0.40% just a week earlier. Against this environment, the 2/10-year UST yield curve undertook some bearish flattening with the corresponding spread narrowing to levels near 186bps in early European trade, the lowest since mid-June 2013 and some 4bps narrower compared to Tuesday's settlement. Elsewhere, the **10-yr US Treasury note/Bund yield spread** was hovering around 144bps at the time of writing, just 1.5bps lower compared to y-day's multi-year closing high.

GREECE

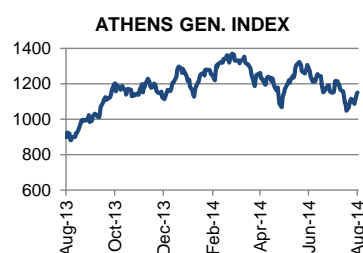
Aiming to address private sector indebtedness, Bank of Greece reportedly approved earlier this week a **binding Code of Conduct for banks** specifying the terms of their engagement with debtors as well as alternative restructuring tools (May 2014 structural benchmark). The said Code which has yet to be officially published in its entirety, will also address domestic banks' large stock of non-performing loans (NPLs). According to the updated MoU conditionality (June 2014), the Code is scheduled to come into effect in January 2015.



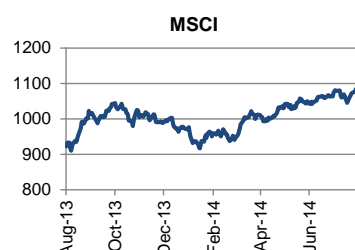
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 26/8/2014, 16:30 CET): **Market Developments:** After opening at 117.65/85 on Tuesday, the EUR/RSD moved lower closing at 117.55/75 following renewed intervention by the National Bank of Serbia (NBS) in the FX markets in order to halt the dinar's recent depreciating momentum. The NBS appears to have sold approximately €10mn. **Latest Political & Macro Developments:** According to the Statistical Office of the Republic of Serbia, the average net salary amounted to RSD 45,216 in July (ca €384), 0.2% higher in real terms (adjusted for inflation) compared to the same month a year earlier. The aggregate average net salary declined by 0.7%YoY in real terms in the January-July period. In other news, out of the €75mn targeted amount, the Public Debt Agency sold just €15.8mn in 5-year EUR nominated bonds on Tuesday. The offered paper carries an annual coupon of 4% and the auction produced an average accepted yield of 5.0%, higher compared to 4.8% achieved on July 2nd when paper of similar maturity was offered.

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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 range-bound between 4.3920/4.4015 on Tuesday. Elsewhere, the 7/10-year yield curve undertook some bullish flattening on Tuesday with the corresponding spread ending some 5-7bps lower compared to Monday's settlement. Sovereign bond yields corresponding to maturity up to 5-years were relatively stable. Interest rates in money markets were little changed.

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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, 27/8/2014, 10:30 EET): **Market Developments:** The domestic stock market regained some ground on Tuesday with the main SOFIX index rising by 0.31% to 552.36 points. Elsewhere, the new Bulgarian Eurobond (BGARIA 2.95% 09/03/24€) extended its recent gains on Tuesday with the corresponding yield failing to 2.94%, 12bps lower compared to the settlement in the prior session. Money market reference rates were little changed y-day.

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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	2000.02	0.1%	8.2%	EUR/USD	1.318	0.1%	-4.1%	UST - 10yr	2.37	-3	-66	GOLD	1285	0.3%	6.6%
Nikkei 225	15534.82	0.1%	-4.6%	GBP/USD	1.6558	0.1%	0.0%	Bund-10yr	0.92	-2	-101	BRENT CRUDE	181	-1.2%	8.3%
STOXX 600	342.89	0.0%	4.5%	USD/JPY	103.93	0.1%	1.3%	JGB - 10yr	0.50	-1	-24	LMEX	3296	0.1%	4.3%

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	2.61	22	87	LEONIA	0.05	0	-2
1-week	6.91	0	-137	1-month	2.06	9	18	1-month	0.23	0	-9
1-month	7.26	6	-132	3-month	2.24	3	-20	3-month	0.48	0	-17
3-month	7.71	-1	-117	6-month	2.57	3	-42	6-month	0.86	0	-29
6-month	8.04	-1	-111	12-month	2.71	1	-44	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	9.38	-1	-57	3Y RON	2.60	0	-135	3Y BGN	1.33	-1	24
5Y RSD	10.27	0	-255	5Y RON	3.24	1	-141	5Y BGN	1.89	-2	4
7Y RSD	11.28	0	-253	10Y RON	4.17	-1	-113	10Y BGN	3.14	0	-35
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.84	-3	-116	EUR Sep-20	2.08	-1	-177	USD Jan-15	0.60	-13	2
USD Nov-24	-1.02	-760	-793	USD Aug-23	3.76	-4	-104	EUR Jul-17	1.29	-12	-51
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	263	0	-147	5-year	137	-2	-45	5-year	135	2	12
10-year	311	1	-136	10-year	182	-2	-50	10-year	182	5	7
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	630.7	0.16%	13.03%	BET	7045.9	0.07%	8.50%	SOFIX	551.9	-0.08%	12.29%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-2.67%	EUR/RON	4.3922	0.08%	1.84%	USD/BGN	1.484	0.11%	-4.10%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:30 EET

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