

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

August 6, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK GLOBAL

US

- August 5
 - ISM non manufacturing (Jul)
 - Factory orders (Jun)
- August 6: Trade balance (Jun)
- August 7: Initial jobless claims (Aug 1)

EUROZONE

- August 5: PMI services, composite (Jul, f)
- August 7: ECB MPC announcement & press conference

SEE

SERBIA

- August 7: MPC meeting announcement

ROMANIA

- August 4
 - Retail sales (Jul)
 - MPC meeting announcement
- August 6: Net wages (Jun)
- August 7: Industrial sales (Jun)

BULGARIA

- August 7
 - Reserve assets (Jul)
 - Unemployment rate (Jul)
- August 8
 - Industrial production (Jun)
- Retail sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking losses in **Wall Street** overnight, **Asian stock markets** broadly fell on Wednesday as escalating geopolitical tensions overshadowed upbeat US macroeconomic data released yesterday. Along similar lines, **European bourses** moved broadly lower in morning trade, with an unexpected drop in German factory orders in June adding to the negative tone. In the **FX markets**, the US dollar resumed its recent uptrend after taking a breather over the last few sessions, with mounting risk aversion and the positive US macroeconomic data providing support.

SOUTH EASTERN EUROPE

SERBIA: The domestic stock market extended its recent uptrend on Tuesday, with the main BELEX 15 index hitting its highest level in nearly three years.

ROMANIA: In line with the trend witnessed in other regional currencies the leu came under pressure on Tuesday.

BULGARIA: Former member of the previously ruling Bulgarian Socialist Party Georgi Bliznashki was appointed on Tuesday as the new Prime Minister. Rumen Porozhanov, who previously served in the finance ministry and headed the state farm subsidies fund, will take over the post of the Minister of Finance.

CESEE MARKETS: In line with the negative tone in global bourses, **emerging stock markets retreated** in European trade on Wednesday. **Regional currencies** also recoiled, with the Ukrainian hryvnia underperforming its peers. Mounting risk aversion also weighed on **local rates markets** in European trade today.

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Latest world economic & market developments

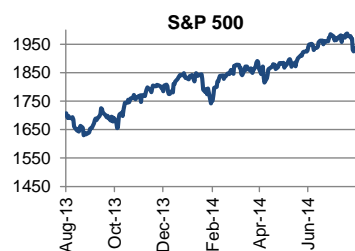
GLOBAL MARKETS

Tracking losses in **Wall Street** overnight, **Asian stock markets** broadly fell on Wednesday as escalating geopolitical tensions overshadowed upbeat US macroeconomic data released yesterday. According to media reports, Russian troops moved near the Ukrainian boarder on Tuesday and Russian President Vladimir Putin is mulling on imposing retaliatory measures to the US and EU in response to the latest sanctions. These developments countered positive surprises from US data which suggested that the domestic economic recovery remains on track. In more detail, the US ISM non-manufacturing index increased more than anticipated in July coming in at 58.7 from 56.0 in the prior month, indicating that activity in the services sector reached its highest level in nine years. Factory orders also beat expectations rising by 1.1%MoM in June after a 0.6%MoM decline in May. Along similar lines, **European bourses** moved broadly lower in morning trade, with an unexpected drop in German factory orders (by 3.2%MoM from -1.6%MoM in the prior month) in June - which marked the steepest rate of decline since September 2011 - adding to the negative tone. In the **FX markets**, the US dollar resumed its recent uptrend after taking a breather over the last few sessions. Mounting risk aversion and the positive US macroeconomic data provided support to the greenback with the DXY index rising to 11-month highs of 81.637 earlier on Wednesday. With the euro coming under renewed pressure in the wake of the disappointing German factory orders for June, the **EUR/USD** hovered around levels of 1.3360/62 at the time of writing, after hitting a 9-month trough of 1.3345 earlier on the day.

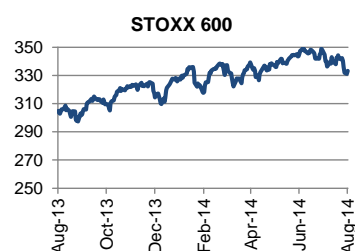
Latest developments in the CESEE region

CESEE MARKETS

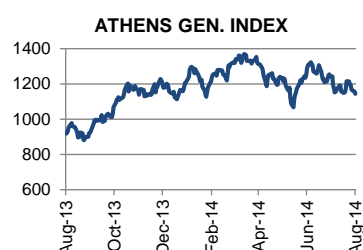
In line with the negative tone in global bourses, **emerging stock markets retreated** in European trade on Wednesday amid escalating geopolitical tensions in Ukraine. Further souring investor sentiment were that Polish Prime Minister Donald Tusk's comments earlier today suggesting that the risk of a direct Russian military intervention in Ukraine was higher compared to several days ago. Upbeat US data, which added to speculation about a sooner-than-currently expected Fed rate hike over the coming months, also weighed on regional assets, denting their carry allure. Against this backdrop, the MSCI index of emerging equities slid by 0.67% approaching anew towards a 1-month low hit in the beginning of the month. In a similar vein, **CESEE bourses** fell in morning trade. Hungary's BUX led the downtrend in the region after an ECB warning (dated as July 28, 2014 but released to the public yesterday) that the retroactive compensation of overcharged borrowers from commercial banks "could put a significant strain on the banking sector, potentially adversely affecting the stability of the Hungarian financial sector as a whole". The measure, recently adopted by Parliament, is anticipated to take a toll on the balance sheets of financial institutions located in the country. According to the National Bank of Hungary estimates, the refunds may cost the banking sector around HUF 900bn (equivalent to €2.85bn). **Regional currencies** also recoiled, with the Ukrainian hryvnia underperforming its peers. The USD/UAH crept up ca 0.5% to stand at 12.37 at the time of writing, approaching anew a lifetime peak of 13.30 hit in April. Mounting risk aversion also weighed on **local rates markets** in European trade today, with the 3 and 10-year Hungarian government bond yields rising by ca 6bps and 20bps respectively to 3.57% and 4.99%.



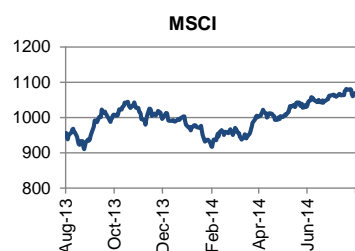
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 5/8/2014, 16:00 CET): **Market Developments:** The domestic stock market extended its recent uptrend on Tuesday, with the main BELEX 15 index hitting its highest level in nearly three years. Although the volumes remain relatively subdued in view of the summer holidays, the recent break above the key psychological level of 600 points suggests that there may be further upside potential in the coming sessions for the Serbian stock market. Separately, the dinar was little changed on Tuesday with the EUR/RSD hovering around levels of 116.65/85 at the end of the session, after a short-lived and modest retreat to 116.55/75 intraday. In view of the Central Bank's interventionist past, there appears to be rather limited room for a sustainable break of the cross's recent 116.30-116.80 range in the coming days.

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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, 6/8/2014, 9:20 EET): **Market Developments:** In line with the trend witnessed in other regional currencies the leu came under pressure in the second part of the session on Tuesday, with the EUR/RON closing at 4.4400 above opening levels of 4.4250. Mounting risk aversion also weighed on government bonds which erased gains recorded earlier in the week. Off-shore selling in the afternoon pushed the yield curve 10-15bps higher, with the move being most pronounced for 7-10Y maturities. In money markets, excess RON liquidity coupled with the NBR's decision to cut its key policy rate by 25bps to 3.25% earlier in the week finally fed into local rate markets, with the 1M implied rate from swaps trading below 1.50% on Tuesday's settlement vs. 2.00% recorded at the end of last week. However, the said gains may prove short-lived on the back of the risk-off mood.

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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, 5/8/2014, 17:45 EET): **Latest Political & Macro Developments:** Bulgarian President Rosen Plevneliev announced on Tuesday the names of interim cabinet members, appointing professor of constitutional law and former member of the previously ruling Bulgarian Socialist Party, Georgi Bliznashki, as the new Prime Minister. Rumen Porozhanov, who previously served in the finance ministry and headed the state farm subsidies fund from 2011 to 2013, will take over the post of the Minister of Finance. The caretaker government will navigate the country towards the October 5 snap national elections.

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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	1920.21	-1.0%	3.9%	EUR/USD	1.3342	-0.3%	-2.9%	UST - 10yr	2.45	-4	-58	GOLD	1289	0.0%	6.9%
Nikkei 225	15159.79	-1.0%	-6.9%	GBP/USD	1.6833	-0.3%	1.7%	Bund-10yr	1.11	-6	-82	BRENT CRUDE	179	0.0%	6.8%
STOXX 600	327.38	-1.4%	-0.3%	USD/JPY	102.37	0.2%	2.9%	JGB - 10yr	0.52	0	-22	LMEX	3270	-0.8%	3.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.68	0	-133
1-week	6.90	1	-138
1-month	7.24	0	-134
3-month	7.71	2	-117
6-month	8.00	1	-115

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.46	8	-50
5Y RSD	10.29	0	-253
7Y RSD	11.28	0	-253

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.22	17	-78
USD Nov-24	1.75	-483	-516

CDS

	Last	ΔDbps	ΔYTD bps
5-year	265	-1	-144
10-year	313	-1	-134

STOCKS

	Last	ΔD	ΔYTD
BELEX15	596.3	-0.92%	6.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-1.89%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.2	-31	-54
1-month	1.71	-12	-17
3-month	2.08	-2	-36
6-month	2.48	-2	-51
12-month	2.63	1	-52

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.51	2	-144
5Y RON	3.29	4	-136
10Y RON	4.33	8	-97

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.41	5	-144
USD Aug-23	4.13	9	-68

CDS

	Last	ΔDbps	ΔYTD bps
5-year	145	6	-50
10-year	190	7	-42

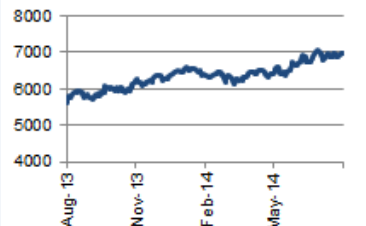
STOCKS

	Last	ΔD	ΔYTD
BET	6956.7	-0.34%	7.13%

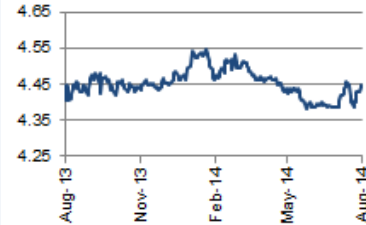
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.448	-0.18%	0.56%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.24	0	-8
3-month	0.49	0	-16
6-month	0.91	0	-24
12-month	1.74	0	-46

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.36	4	27
5Y BGN	2.09	6	24
10Y BGN	3.19	0	-31

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	1.40	22	82
EUR Jul-17	1.68	-48	-13

CDS

	Last	ΔDbps	ΔYTD bps
5-year	137	8	-5
10-year	180	8	6

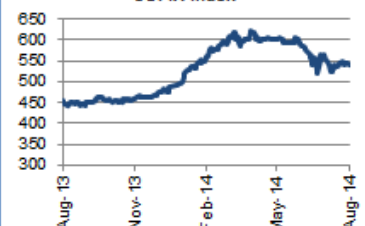
STOCKS

	Last	ΔD	ΔYTD
SOFIX	540.6	-0.28%	9.99%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4661	-0.27%	-2.93%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 14:15 EET

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