

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

July 9, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 9: FOMC June 18-19 meeting minutes
- July 2: Initial jobless claims (Jul 5)

EUROZONE

- July 7 (DE): Industrial production (Jun)

SEE

SERBIA

- July 10: MPC rate announcement
- July 11: HICP (Jun)

ROMANIA

- July 7
 - Industrial sales (May)
 - Net wages (May)
 - 2020 T-bonds auction
- July 10
 - CPI (Jun)
 - Industrial production (May)
 - Trade balance (May)
 - 2016 T-bonds auction

BULGARIA

- July 7: International reserves (Jun)
- July 8
 - Industrial production (May)
 - Retail sales (May)
- July 10: Trade balance (May)
- July 11: U/E rate (May)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from losses in **Wall Street** overnight, **Asian equity markets** closed broadly lower on Wednesday and **European bourses** fell in morning trade as global growth concerns overshadowed a positive kick-off in the US Q2 corporate earnings season yesterday. In the **FX markets**, the **USD** remained under pressure in European trade on Wednesday in the wake of comments by two Fed officials on Tuesday suggesting that the Central Bank is not in a rush to push interest rates higher.

SOUTH EASTERN EUROPE

SERBIA: The Ministry of Finance sold RSD 20bn of government bonds at an average yield of 10%, which came in line with a May tender of similar maturity paper.

ROMANIA: In the absence of any significant news domestically, the EUR/RON remained range-bound within 4.3860/910 on Tuesday.

BULGARIA: According to preliminary NSI data, industrial output rose by 4.9%YoY in May following a downwardly revised 3.7%YoY increase (from +5.0%YoY) a month earlier. Meanwhile, turnover in retail trade (except motor vehicles and motorcycles) rose by 1.3%YoY in May (wda) after recording growth of 2.2%YoY in April.

CESEE Markets: **Emerging stock markets** moved broadly lower in European trade on Wednesday, tracking losses in major world indices amid global growth concerns. **In the FX markets**, CESEE currencies consolidated near recent multi-session highs earlier on Wednesday, supported by expectations that the FOMC will not rush to hike interest rates. Investor focus today lies on a speech by European Central Bank President Mario Draghi and the FOMC's June 18-19 meeting minutes.

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Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from losses in **Wall Street** overnight, **Asian equity markets** closed broadly lower on Wednesday and **European bourses** fell in morning trade as global growth concerns overshadowed a positive kick-off in the US Q2 corporate earnings season yesterday. Coming on the heels of a bulk of weaker-than-expected domestic data over the last few sessions, Germany's seasonally-adjusted exports dropped by a higher-than-expected 1.1% mom in May, marking the third fall in the last five months. In a similar negative tone, Germany's imports dropped by 3.4%, in May, the steepest monthly decline since later 2012 adding to market concerns that the euro area's growth engine is likely poised for weaker than previously anticipated real GDP growth in Q2 2014. In the **FX markets**, the **USD** remained under pressure in European trade on Wednesday in the wake of comments by two Fed officials on Tuesday suggesting that the Central Bank is not in a rush to push interest rates higher. Capitalizing on the USD's broad-based weakness, the EUR/USD was hovering around levels of 1.3610/14 at the time of writing, recovering further from a 2-week trough of 1.3574 hit at some point on Monday. Elsewhere, the New Zealand dollar spiked to a 3-year peak of 0.8817/USD after Fitch raised the country's sovereign credit rating outlook to positive from stable citing fiscal consolidation progress.

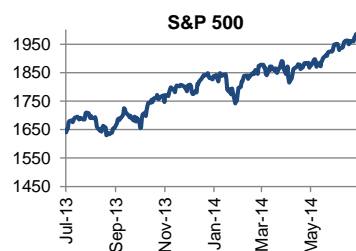
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Latest developments in the CESEE region

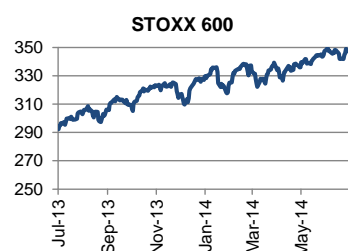
CESEE markets

Emerging stock markets moved broadly lower in European trade on Wednesday, tracking losses in major world indices amid global growth concerns. The broad MSCI index of emerging equities slid by 0.4% at the time of writing, but remained within distance from a 16-½-month peak hit yesterday, with its recent rally appearing to have been overstretched. Elsewhere, **CESEE bourses** were mixed but overall fared better compared to other emerging stock markets. Turkey's BIST 100 remains the top performer so far this week against a backdrop of lower oil prices which somewhat mitigated concerns about the country's - heavily augmented by energy imports - current account deficit. **In the FX markets**, CESEE currencies consolidated near recent multi-session highs earlier on Wednesday. Comments by two Fed officials adding to the view that the FOMC will not rush to hike interest rates likely provided some support to regional currencies. However, investor caution prevails ahead of a speech by European Central Bank President Mario Draghi and the FOMC's June 18-19 meeting minutes later on the day. Upcoming corporate earnings results also lure market attention in the coming sessions. Along these lines, the Hungarian forint stood close to yesterday's 2-week peak of 308.60/EUR largely shrugging off a decline in the domestic stock market index and lingering expectations for further monetary easing ahead after 470bps or rate cuts since August 2012. Meanwhile, recent depreciating pressures on the currency as a result of government plans envisioning compensation of borrowers for unfair loan practices, which have fanned worries over the profitability of banks operating in the country, appear to be gradually waning.

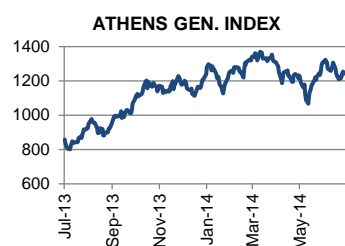
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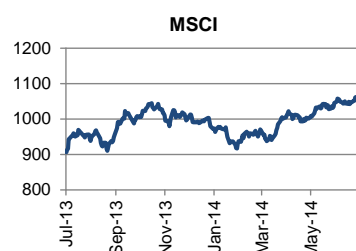
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.5	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-7.5	-5.8	-7.1
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	116.50
	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, 8/7/2014, 17:00 CET): **Market Developments:** In line with our expectations, the dinar regained some ground in the wake of a 3-year government bond sale on Tuesday, where the Ministry of Finance allotted RSD 20bn at an average yield of 10%, which came in line with a May tender of similar maturity paper. Against this backdrop, the EUR/RSD eased to 115.65/85 at the session's settlement from 116.05/25 on Tuesday's open. As the pair approaches the lower bound of its 4 month range at 115.50, any downside pressures are likely to gradually fade away as renewed Central Bank intervention is possible (on the EUR-buy side).

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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	2.3
Budget Balance/GDP	-3.0	-2.3	2.2
Current Account/GDP	-4.4	-1.1	-1.2
EUR/RON (eop)	4.44	4.46	4.40
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

Source: EC Economic Forecasts, Reuters, Bloomberg,
Eurobank Global Markets Research, local authorities

ROMANIA

(Bucharest, 9/7/2014, 09:00 EET): **Latest Political & Macro Developments:** On the macroeconomic front, the focus now turns on tomorrow's data releases, which include June's CPI as well as May's trade balance and industrial output. **Market Developments:** In the absence of any significant news domestically, the EUR/RON remained range-bound within 4.3860/910 on Tuesday while trade volumes were thin in view of the summer holidays. In the local rates markets, short term RON rates (up to 1-week) closed largely unchanged, nearly in line with the deposit facility rate (0.5%). In a similar vein, government bonds ended yesterday's session 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	-0.2
Budget Balance/GDP	-0.8	-1.5	-1.8
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, 8/7/2014, 17:45 EET): **Latest Political & Macro Developments:** According to preliminary NSI data, industrial output rose by 4.9%YoY in May following a downwardly revised 3.7%YoY increase (from +5.0%YoY) a month earlier. The said data confirms a modest pick-up in the annual pace of industrial production since Q1 2014 (+4.0%) and FY-2013 (nearly flat), while the breakdown was as rosy as the headline revealing a broad-based improvement for the third month running across all sub-sectors. Meanwhile, turnover in retail trade (except motor vehicles and motorcycles) rose by 1.3%YoY in May (wda) after recording growth of 2.2%YoY in April. In spite of a gradual deceleration since reaching a peak of 9.3%YoY in February, the said index increased by 4.9%YoY over the first five months of the year vs. a 2.9% rise in FY-2013. In all, we maintain our view for real GDP growth to come in at 1.8% for the whole of 2014 after registering a 0.9% print in 2013. We expect this modest increase to be primarily driven by recovering private consumption, improved EU funds absorption and a slow but gradual improvement in labor market conditions. In support of the latter, the rate of unemployment eased further in June, to 10.70%, after reaching a near decade high of 12.20% in Q1. **Market Developments:** The domestic stock market closed little changed on Tuesday, with the main SOFIX index ending nearly flat (-0.02%) at 550.97 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	1963.71	-0.7%	6.2%	EUR/USD	1.3613	0.0%	-0.9%	UST - 10yr	2.57	1	-46	GOLD	1323	0.3%	9.7%
Nikkei 225	15302.65	-0.1%	-6.1%	GBP/USD	1.7107	-0.1%	3.3%	Bund-10yr	1.22	0	-71	BRENT CRUDE	182	0.0%	8.6%
STOXX 600	338.81	-0.3%	3.2%	USD/JPY	101.63	0.0%	3.6%	JGB - 10yr	0.55	-1	-19	LMEX	3270	0.5%	3.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.63	0	-138
1-week	6.89	1	-139
1-month	7.22	0	-136
3-month	7.68	-2	-120
6-month	8.02	0	-113

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.36	3	-60
5Y RSD	10.29	0	-253
7Y RSD	11.29	0	-251

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.79	2	-122
USD Nov-24	1.36	-517	-554

CDS

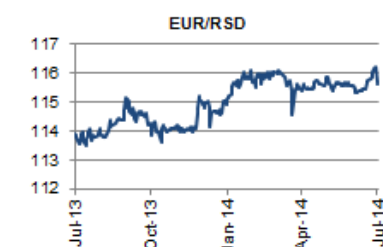
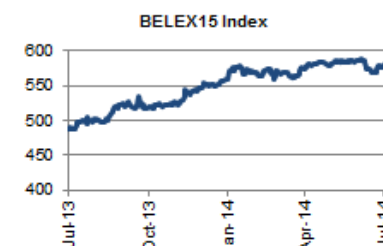
	Last	ΔDbps	ΔYTD bps
5-year	271	6	-138
10-year	318	3	-129

STOCKS

	Last	ΔD	ΔYTD
BELEX15	580.1	0.37%	3.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.12%	-1.00%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.77	-7	-97
1-month	1.48	-6	-40
3-month	2.17	-5	-27
6-month	2.58	-3	-41
12-month	2.64	-2	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.50	-1	-145
5Y RON	2.96	-2	-169
10Y RON	4.20	-1	-110

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.40	3	-144
USD Aug-23	3.99	1	-81

CDS

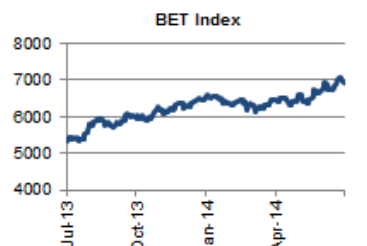
	Last	ΔDbps	ΔYTD bps
5-year	135	-1	-50
10-year	184	1	-48

STOCKS

	Last	ΔD	ΔYTD
BET	6909.7	-0.04%	6.40%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3927	-0.11%	1.83%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.25	0	-7
3-month	0.53	0	-12
6-month	1.00	0	-16
12-month	1.91	0	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.23	5	13
5Y BGN	1.67	-9	-18
10Y BGN	3.10	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.95	-10	37
EUR Jul-17	1.43	-2	-37

CDS

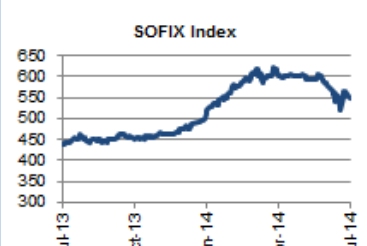
	Last	ΔDbps	ΔYTD bps
5-year	141	2	-5
10-year	191	1	16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	548.6	-0.42%	11.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4369	0.01%	-0.96%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 13:00 EET

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