

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 10, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 12
 - Initial jobless claims (Jun 7)
 - Retail sales (May)
- June 13: UoM Consumer sentiment (Jun)

SEE

SERBIA

- June 10: 2-Y RSD T-Bonds auction
- June 11: 2-Y EUR T-Bonds auction
- June 12
 - MPC meeting announcement
 - HICP (May)

ROMANIA

- June 10
 - Trade balance (Apr)
 - Industrial sales (Apr)
- June 11: Industrial output (Apr)
- June 12
 - RON 300mn T-bonds auction
 - RON 500mn T-bonds auction
 - CPI (May)
- June 3: CAD (Apr)

BULGARIA

- June 9-12: U/E rate (May)
- June 12: CPI (May)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian bourses moved higher on Tuesday, taking their cue from the positive tone in Wall Street overnight amid increased market optimism over global growth prospects. Elsewhere, the USD retained a firm tone against its major currency peers assisted by higher US Treasury yields in the wake of last week's sold US non-farm payrolls data.

GREECE: In line with market expectations, **the government announced y-day the new cabinet**, scheduled to be sworn in later in the day. Mr. Gikas Hardouvelis was appointed as the new Minister of Finance, replacing Mr. Yiannis Stournaras who left the government. Mr. Hardouvelis is Chief Economist & Director of Research at Eurobank and Professor of Finance & Economics, Department of Banking and Financial Management at the University of Piraeus. He has also served as Director of the Economic Office of former Prime Ministers Lucas Papademos (Nov. 2011-May 2012) and Costas Simitis (2000-2004).

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration successfully sold the planned EUR 75mn of EUR-denominated 53W T-bills at an auction on Monday.

ROMANIA: The EUR/RON remained trapped within its recent range of 4.3900/980 on Friday. Meanwhile, short term RON rates moved lower on ample money market liquidity.

BULGARIA: Bulgaria's parliament ratified on Friday respective agreements with HSBC, CityGroup and J.P. Morgan on a new Eurobond issue worth EUR 1.5bn.

CESEE Markets: With upbeat US data and the ECB's monetary easing decision last week still in investors' ears, **emerging stock markets** moved broadly higher in European trade on Tuesday, trailing gains in major Asian bourses recorded a session after Wall Street closed at new lifetime peaks. In the FX markets, most **CESEE currencies** modestly weakened on profit taking earlier today, but remained near recent multi-month highs.

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Latest world economic & market developments

GLOBAL MARKETS

The majority of Asian bourses moved higher on Tuesday, taking their cue from the positive tone in Wall Street overnight amid increased market optimism over global growth prospects. According to US data released late last week, **non-farm payrolls** rose in May by a solid 217k, in line with market expectations, while the unemployment rate remained stable at the prior month's 5 ½ year low of 6.3%. The adoption by the ECB at last week's policy meeting of a package of measures aiming to address deflation risks and boost liquidity, especially for SMEs, was also behind the latest bout of risk appetite. Elsewhere, the USD retained a firm tone against its major currency peers assisted by higher US Treasury yields in the wake of last week's sold US non-farm payrolls data. The **10-yr UST yield** was hovering around 2.61% at the time of writing, up from an 11-month trough of 2.44% recorded a few sessions ago. Against this background, the US dollar Index (DXY) was standing close to 80.584, not very far from a two-week high of 81.020 hit late last week following a short-lived drop to multi-session lows of 80.240 a few sessions ago.

GREECE

In line with market expectations, the government announced y-day the new cabinet, scheduled to be sworn in later in the day. Mr. Gikas Hardouvelis was appointed as the new Minister of Finance, replacing Mr. Yiannis Stournaras who left the government. Mr. Hardouvelis is Chief Economist & Director of Research at Eurobank and Professor of Finance & Economics, Department of Banking and Financial Management at the University of Piraeus. He has also served as Director of the Economic Office of former Prime Ministers Lucas Papademos (Nov. 2011-May 2012) and Costas Simitis (2000-2004). Other key changes in the cabinet include the appointment of currently independent parliamentarian and former PASOK MP Andreas Loverdos in the post of Minister of Education, Lifelong Learning & Religious Affairs. Main coalition ND partner's spokesman Makis Voridis took the post of the Minister of Health, replacing Adonis Georgiadis who left the government. The new Minister of Public Order and Citizen Protection is Vassilis Kikilias with incumbent Nikos Dendias picking up the Ministry of Development & Competitiveness replacing Costis Hatzidakis who left the government. Among the ministers who retained their post were junior coalition partner PASOK leader Evangelos Venizelos as Deputy Prime Minister and Minister of Foreign Affairs, Minister of National Defense Dimitris Avramopoulos, Minister of Tourism Olga Kefaloyianni and Minister of Labour, Social Security and Welfare Yiannis Vrotsis.

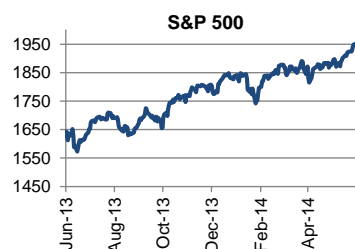
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Latest developments in the CESEE region

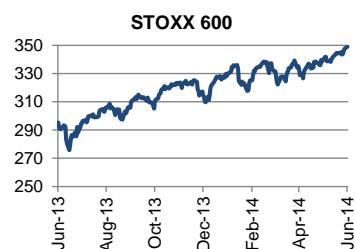
CESEE markets

With upbeat US data and the ECB's monetary easing decision last week still in investors' ears, **emerging stock markets** moved broadly higher in European trade on Tuesday, trailing gains in major Asian bourses recorded a session after Wall Street closed at new lifetime peaks. Against this backdrop, the MSCI index of emerging equities touched a fresh 1-year high intraday, while most CESEE bourses advanced, with Turkey's BIST 100 and Hungary's BUX indices approaching anew recent respective 1-year and 5-month peaks reached a few sessions ago. In the FX markets, most **CESEE currencies** modestly weakened on profit taking earlier today, but remained near recent multi-month highs. Indicatively, the Polish zloty stood at 4.1070/EUR at the time of writing, having eased by ca 0.5% from yesterday's 14-month peak.

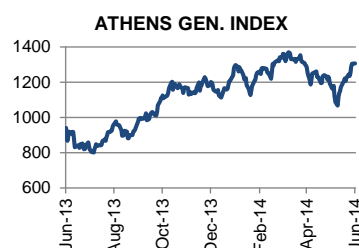
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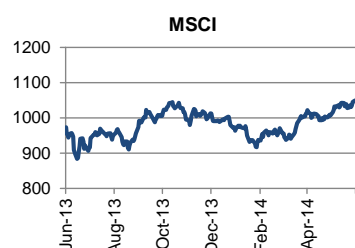
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	9.00	9.00

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

SERBIA

(Belgrade, 09/6/2014, 16:00 CET): **Market Developments:** The EUR/RSD was little changed on Monday closing at 115.30/50. Elsewhere, the Public Debt Administration successfully sold the planned EUR 75mn of EUR-denominated 53W T-bills at an auction on Monday. The yield came in at 3.19%, 5bps lower compared to that achieved at a tender of similar maturity paper on April 28.

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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, 10/6/2014, 09:10 EET): **Market Developments:** The EUR/RON remained trapped within its recent range of 4.3900/980 on Friday. Meanwhile, short term RON rates moved lower on ample money market liquidity. The 1W implied RON rate from swaps declined to around 1.65% from levels slightly above 2.00% early last week, while 1-6M fell to 2.00% from 2.30% a few sessions ago. Government bonds retained a firm tone on Friday, with respective 2-10Y benchmark yields moving ca 10 bps lower.

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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

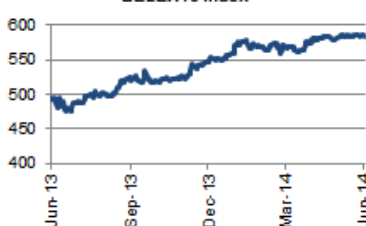

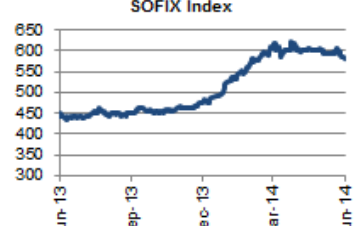



(Sofia, 9/6/2014, 17:30 EET): **Latest Political & Macro Developments:** Bulgaria's parliament ratified on Friday respective agreements with HSBC, CityGroup and J.P. Morgan on a new Eurobond issue worth EUR 1.5bn. Revenue from the upcoming auction are expected to be earmarked for the redemption of existing external debt of USD 1.1bn maturing in 2015 and the financing of part of the FY-2014 budget shortfall. Recall that, the previous Eurobond auction, worth EUR 950mn, was held in July 2012, bearing a 5 year maturity and a coupon of 4.25%, while the average accepted yield stood at 4.436%. **Market Developments:** The domestic stock market extended last week's downtrend on Monday, with the main SOFIX index recoiling by 0.20% to close at 583.56 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	1951.27	0.1%	5.6%	EUR/USD	1.3559	-0.3%	-1.3%	UST - 10yr	2.62	1	-41	GOLD	1254	0.1%	4.0%
Nikkei 225	14994.80	-0.9%	-8.0%	GBP/USD	1.6806	0.0%	1.5%	Bund-10yr	1.38	0	-55	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	349.00	0.1%	6.3%	USD/JPY	102.36	0.2%	2.9%	JGB - 10yr	0.60	0	-14	LMEX	3120	0.4%	-1.2%

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	7.24	-1	-77	O/N	1.89	#VALUE!	15	LEONIA	0.04	-1	-3
1-week	7.67	4	-61	1-month	2.14	#VALUE!	26	1-month	0.29	-1	-3
1-month	8.09	4	-49	3-month	2.57	#VALUE!	13	3-month	0.57	-1	-8
3-month	8.46	1	-42	6-month	2.98	#VALUE!	-1	6-month	1.04	-6	-12
6-month	8.55	-4	-60	12-month	3.02	#VALUE!	-13	12-month	1.97	-8	-22
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.75	0	-21	3Y RON	3.11	1	-84	3Y BGN	0.80	-2	-29
5Y RSD	10.95	0	-187	5Y RON	3.59	4	-106	5Y BGN	1.50	2	-34
7Y RSD	11.62	0	-219	10Y RON	4.49	-8	-81	10Y BGN	2.99	0	-51
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.41	0	-160	EUR Sep-20	2.45	0	-139	USD Jan-15	0.71	-1	13
USD Nov-24	1.55	-494	-535	USD Aug-23	3.90	2	-91	EUR Jul-17	1.37	-1	-43
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	245	-26	-165	5-year	128	0	-56	5-year	117	0	-6
10-year	289	-26	-158	10-year	#N/A	0	#VALUE!	10-year	#N/A	0	#VALUE!
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	584.8	-0.10%	4.80%	BET	6683.2	-0.14%	2.92%	SOFIX	581.6	-0.34%	18.33%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.06%	-0.71%	EUR/RON	4.3902	-0.10%	1.88%	USD/BGN	1.4425	-0.26%	-1.34%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:00 EET

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