

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 11, 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 Wednesday, favored by improved market optimism over the growth prospects of the US economy in the wake of the latest string of encouraging domestic data. Against this background, **US Treasury yields** remained in an upward trend, assisting the USD to retain a firm tone in European trade.

**GREECE:** In its updated (5th) program review on Greece's adjustment program under the **Extended Fund Facility Arrangement** that was released on Tuesday, the **IMF** underscored that the country has achieved an unprecedented fiscal adjustment, enjoying the highest cyclically-adjusted primary balance within the euro area from the lowest one four years ago. On the data front, the latest EL.STAT data showed that deflationary pressures persisted in May with the **EU-Harmonized Index of Consumer Prices (HICP)** dropping by 2.1%YoY, the highest pace of decline in the last six months.

### SOUTH EASTERN EUROPE

**SERBIA:** The Serbian Debt Administration sold on Tuesday 2Y RSD denominated T-bonds worth EUR10bn.

**ROMANIA:** According to the latest National Statistics Institute data, Romania's trade deficit came in at €1.75bn in January-April 2014, €70mn wider compared to the same period a year earlier.

**BULGARIA:** The Ministry of Finance re-tapped 5-year notes worth BGN 50mn on Monday.

**CESEE Markets:** Emerging stock markets lost ground in European trade on Wednesday, halting a multi-session rally staged in the wake of the ECB's monetary easing decision last week. In the FX markets, most **CESEE currencies** extended this week's losses on profit taking, remaining though not far from recent multi-month highs.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses retained a positive tone on Wednesday favored by improved market optimism over the growth prospects of the US economy in the wake of the latest string of encouraging domestic data. Against this background, **US Treasury yields** remained in an upward trend with the 10-yr UST yield hovering around 2.65% at the time of writing, the highest in near five weeks and well above an 11-month trough of 2.44% recorded a few sessions ago. Higher US Treasury yields assisted the USD to retain a firm tone in European trade with the **US dollar Index (DXY)** standing close to 80.817 at the time of writing, within distance from a two-week high of 81.020 hit late last week. Meanwhile, last week's decision by the ECB to proceed with the adoption of a package of measures aiming to address deflation risks and boost liquidity, continued to exert a negative impact on the EUR. Indicatively, the **EUR/USD** extended its recent losses standing close to 1.3534/50 in European trade, not far from a multi-month trough of 1.3502 marked late last week.

### GREECE

In its updated (5th) program review on Greece's adjustment program under the **Extended Fund Facility Arrangement** that was released on Tuesday, the **IMF** underscored that the country has achieved an unprecedented fiscal adjustment, enjoying the highest cyclically-adjusted primary balance within the euro area from the lowest one four years ago. Yet, the Fund cautioned that "adjustment fatigue has set in, and the coalition government has a reduced majority of just two seats in the 300-member parliament ... making it difficult to move forward boldly and swiftly with needed reforms". On the data front, the latest EL.STAT data showed that deflationary pressures persisted in May with the **EU-Harmonized Index of Consumer Prices (HICP)** dropping by 2.1%YoY, the highest pace of decline in the last six months following an all-time low of -2.9%YoY in November 2013. In other news, the latest available data on Greece's **commercial transactions** revealed that the total value of imports-arrivals (including oil products) dropped by 3.7%YoY in the 12-month period of May 2013-April 2014 while the total value of exports-dispatches fell by 5.3%YoY in the corresponding period.

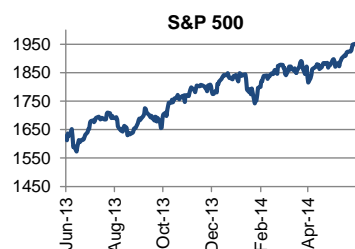
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## Latest developments in the CESEE region

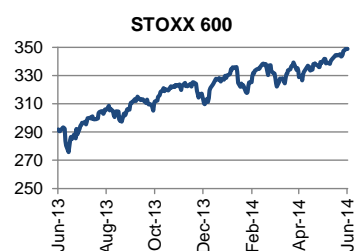
### CESEE markets

**Emerging stock markets** lost ground in European trade today, halting a multi-session rally staged in the wake of the ECB's monetary easing decision last week. Against this backdrop, the MSCI index of emerging equities moved modestly lower, retreating from a fresh 1-year high hit earlier on the day. In a similar vein, most CESEE bourses recoiled, with Hungary's BUX index leading the losses in the region with a 0.94% decline. In the FX markets, most **CESEE currencies** extended this week's losses on profit taking, remaining though not far from recent multi-month highs. In more detail, the Polish zloty stood at 4.1175/EUR at the time of writing, with the EUR/PLN having bounced from yesterday's close near 4.1070 and a 14-month peak of 4.0880 hit earlier in the week. The currency has been favored over the last few weeks from ECB monetary easing expectations, comparably better macroeconomic fundamentals compared to regional peers and monetary policy divergence vs. other CESEE Central Bank regimes. Comments by both President Bronislaw Komorowski, Central Bank Governor Marek Belka and Finance Minister Mateusz Szczurek last week suggesting that euro adoption discussions should initiate after the 2015 national elections also favored the Polish zloty.

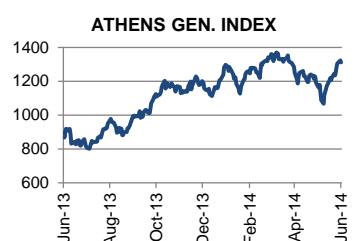
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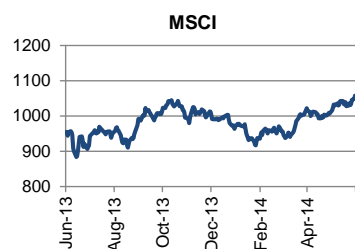
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.00	9.00

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

## SERBIA

(Belgrade, 10/6/2014, 17:00 CET): **Latest Political & Macro Developments:** The Serbian Debt Administration sold on Tuesday 2Y RSD denominated T-bonds worth EUR10bn. The achieved yield came in at 9.00%, 30 basis points lower compared to that recorded in a prior auction of similar maturity paper that took place last month. **Market Developments:** The EUR/RSD was little changed on Tuesday closing at 115.30/50, largely shrugging off a renewed Central Bank (NBS) intervention in FX markets where around €10mn was purchased.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 11/6/2014, 09:15 EET): **Latest Political & Macro Developments:** According to the latest National Statistics Institute data, Romania's trade deficit came in at €1.75bn in January-April 2014, €70mn wider compared to the same period a year earlier. **Market Developments:** The EUR/RON recorded a new intraday year-to-date low at 4.3810 on Tuesday, before regaining some ground to end at 4.3850. Short term RON rates extended their recent downtrend, with the 1W and 1M implied rate from swaps ending at 1.45% and 1.65% respectively on Tuesday, both ca 20bps lower on the day.

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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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA



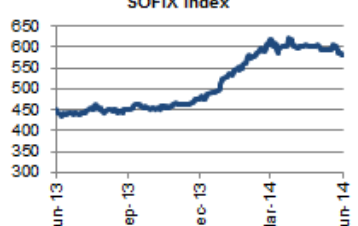



(Sofia, 10/6/2014, 17:25 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the Industrial Production Index grew by 5.0%YoY in April, following a 3.6%YoY rise a month earlier. Separately, Retail Trade (ex-auto) rose by 2.4%YoY in April, the slowest pace of annual increase over the last 10 months from 5.6%YoY in March and a multi-year high increase of 9.3%YoY in February. In other news, the Construction Production Index fell by 2.0%YoY in April, halting a three-month rising streak. **Market Developments:** The domestic stock market closed broadly lower on Tuesday, with the main SOFIX index shedding some 0.36% to end at 581.48 points. Meanwhile, the Ministry of Finance re-tapped 5-year notes worth BGN 50mn on Monday. The said auction produced an average accepted yield of 1.79%, in line with expectations, and down by 10bps compared to a previous auction of similar maturity paper two months ago. The bid to cover ratio stood at 1.47. Most of the issue was acquired by banks (75.5%), followed by guarantee state funds (15.0%), pension funds (7.5%) and insurance companies (2.0%).

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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	1950.79	0.0%	5.5%	EUR/USD	1.3538	-0.1%	-1.5%	UST - 10yr	2.66	1	-37	GOLD	1261	0.1%	4.6%
Nikkei 225	15069.48	0.5%	-7.5%	GBP/USD	1.6756	0.0%	1.2%	Bund-10yr	1.43	3	-50	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	348.73	-0.3%	6.2%	USD/JPY	102.29	0.1%	3.0%	JGB - 10yr	0.61	0	-14	LMEX	3110	-0.3%	-1.6%

## SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	7.24	0	-77	O/N	1.89	0	15	LEONIA	0.03	-1	-4
1-week	7.63	-4	-55	1-month	2.14	0	26	1-month	0.29	-1	-3
1-month	8.02	-7	-56	3-month	2.57	0	13	3-month	0.57	-1	-8
3-month	8.40	-6	-48	6-month	2.98	0	-1	6-month	1.04	-6	-12
6-month	8.54	-1	-61	12-month	3.02	0	-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	9.69	0	-27	3Y RON	3.08	-1	-87	3Y BGN	0.82	2	-27
5Y RSD	10.95	0	-187	5Y RON	3.55	-1	-110	5Y BGN	1.48	-1	-37
7Y RSD	11.62	0	-218	10Y RON	4.48	0	-82	10Y BGN	2.98	0	-52
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.42	0	-159	EUR Sep-20	2.46	2	-138	USD Jan-15	0.74	-10	15
USD Nov-24	1.49	-500	-541	USD Aug-23	3.94	1	-87	EUR Jul-17	1.38	-4	-42
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	256	12	-153	5-year	135	0	-50	5-year	119	0	-5
10-year	301	12	-146	10-year	#N/A/N/A	0	#VALUE!	10-year	#N/A/N/A	0	#VALUE!
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	586.9	0.26%	5.18%	BET	6760.2	0.20%	4.10%	SOFIX	582.0	0.08%	18.40%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-0.77%	EUR/RON	4.3956	-0.24%	1.76%	USD/BGN	1.4448	-0.08%	-1.50%
<b>BELEX15 Index</b> 				<b>BET Index</b> 				<b>SOFIX Index</b> 			
<b>EUR/RSD</b> 				<b>EUR/RON</b> 				<b>USD/BGN</b> 			

Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 11:00 EET

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