

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 13, 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)

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The **majority of European equity markets** weakened in early trade on Friday pressured by Iraq jitters and disappointing US data. In FX markets, the **GBP** was among the main outperformers favored by hawkish comments expressed by BoE Governor Mark Carney at the Mansion House dinner last night suggesting that interest rates could rise sooner than financial markets currently expect.

**GREECE:** According to preliminary data for the **execution of the State Budget on a modified cash basis**, the central government primary balance showed a surplus of €711mn for the first five months of this year, ca €503mn higher compared to the corresponding surplus target and a deficit of €970mn registered over the same period of the previous year. In other news, data published y-day by the Association of Hellenic Tourism Enterprises (SETE) revealed that **incoming passenger traffic in the country's largest airports increased** by a hefty 20.4%YoY in the first five months of this year.

### SOUTH EASTERN EUROPE

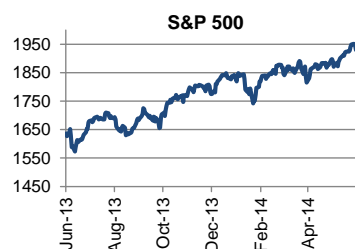
**SERBIA: The National Bank of Serbia:** The National Bank of Serbia (NBS) decided to cut the key repo rate by 50bps to 8.5% at its policy meeting on Thursday. In an official announcement, the NSB said that its decision "was based on the assessment that the year-on-year inflation rate would continue to revolve around the lower bound of the target tolerance band (4 +/- 1.5%) and that the recent flooding would not lead to an increase in inflationary pressures".

**ROMANIA:** Prime Minister Premier Victor Ponta reportedly said that the IMF will postpone to November the conclusion of the country's 3<sup>rd</sup> program review. On the data front, May's CPI stood at a multi-month low of 0.90%YoY.

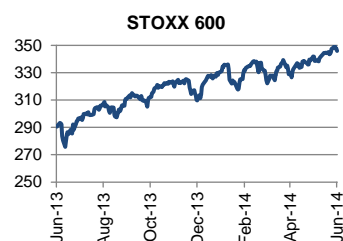
**BULGARIA:** According to the latest NSI data, deflationary pressures persisted in May, with the Consumer Price Index (CPI) decreasing by 2.0%YoY, marking the 10<sup>th</sup> consecutive negative reading,

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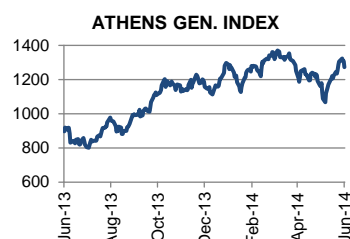
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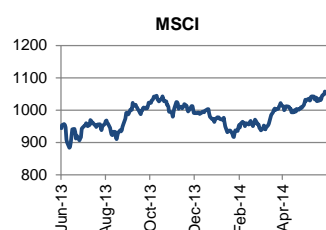
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from the negative tone in Asian bourses earlier today, the **majority of European equity markets** weakened in early trade on Friday pressured by Iraq jitters. Disappointing US data released y-day, also had an impact. Specifically, US retail sales increased by a lower-than-expected 0.3% mom in May while initial jobless claims rose by 4k in the week ending June 7 coming in at 310k, higher than 317k expected. Against this background, US Treasury yields moved lower and the USD gave back some of its recent gains. Indicatively, the 10-yr UST yield was hovering around 2.59% at the time of writing, having retreated from a four-week high near 2.65% marked earlier this week. Meanwhile, the **US dollar Index (DXY)** was standing close to multi-session lows of 80.493 in European trade after recording highs near 80.550 just a couple of sessions ago. In FX markets, the **GBP** was among the main outperformers favored by hawkish comments expressed by BoE Governor Mark Carney at the Mansion House dinner last night suggesting that interest rates could rise sooner than financial markets currently expect.

### GREECE

According to preliminary data for the **execution of the State Budget on a modified cash basis**, the State Budget balance recorded a deficit of €1.985bn **for the first five months of this year**, €0.574bn lower compared to the respective target envisaged in the updated Medium-Term Fiscal Strategy for 2015-2018 that was approved by the Hellenic Parliament early last month. State Budget expenditure amounted to €21.591bn, €0.529bn lower compared to the respective target while State budget net revenue came in at €19.605bn, recording an over performance of €0.45bn or 0.2% against the respective target. Notably, the central government primary balance showed a surplus of €711mn, ca €503mn higher compared to the corresponding surplus target and a deficit of €970mn registered over the same period of the previous year. In other news, data published y-day by the Association of Hellenic Tourism Enterprises (SETE) revealed that, **incoming passenger traffic in the country's largest airports increased** by a hefty 20.4% YoY for the first five months of this year. SETE officials are rather optimistic that incoming passenger traffic will likely hit another record high in 2014 for the second consecutive year.

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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

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

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

## SERBIA

(Belgrade, 12/6/2014, 17:00 CET): **Latest Political & Macro Developments:** The National Bank of Serbia (NBS) decided to cut the key repo rate by 50bps to 8.5% at its policy meeting on Thursday. In an official announcement, the NSB said that its decision "was based on the assessment that the year-on-year inflation rate would continue to revolve around the lower bound of the target tolerance band (4 +/- 1.5%) and that the recent flooding would not lead to an increase in inflationary pressures". Separately, May's CPI stood at 2.1%YoY, unchanged compared to the prior month's reading. In other news, the Public Debt Agency issued on Wednesday €90m worth of 2Y EUR nominated bonds, at 4.05%, 3bps lower compared to a previous auction of similar paper a month ago. **Market Developments:** Shrugging off the National Bank of Serbia's monetary policy decision, the EUR/RON closed at 115.35/55 on Thursday, little changed compared to the opening level.

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## ROMANIA

(Bucharest, 13/6/2014, 09:15 EET): **Latest Political & Macro Developments:** Prime Minister Victor Ponta announced y-day that, in spite the objections expressed by the IMF, the government will proceed with a 5pp cut in employees' social contributions as of October 1<sup>st</sup>. Reportedly, Romania's Premier also said that the Fund will postpone to November the conclusion of the country's third program review, after the completion of a final draft budget for 2015 that will follow November 2 presidential elections. In other news, the National Statistics Institute announced that the Consumer Price Index (CPI) stood at a multi-month low of 0.90%YoY in May against market expectations of 1.20% and 1.21%YoY in the prior month. **Market Developments:** The EUR/RON was little unchanged on Thursday, consolidating within 4.3900/940. Money market rates continued to ease, with implied RON rates from swaps for tenors up to 1M ending ca 50bps lower compared to levels recorded earlier this week. In other news, the MoF held two primary market auctions on Thursday for RON 300mn of 2Y bonds and RON 500mn of 7Y bonds. Both auctions were well received producing a respective average yield of 2.90% and 4.13%.

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## BULGARIA

(Sofia, 12/6/2014, 17:25 EET): **Latest Political & Macro Developments:** According to the latest NSI data, deflationary pressures persisted in May. Marking the 10<sup>th</sup> consecutive monthly negative reading, the Consumer Price Index (CPI) decreased by 2.0%YoY in May compared to - 1.6%YoY in the prior month and a multi-month low of -2.6%YoY in January 2014. **Market Developments:** The domestic stock market closed broadly lower on Tuesday, with the main SOFIX index shedding 0.36% to end at 581.48 points. Meanwhile, the Ministry of Finance re-tapped 5-year notes worth BGN 50mn. 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%

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:00 EET

## SEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SELIBOR			
T/N	6.81	-35	-120
1-week	7.09	-46	-119
1-month	7.45	-49	-113
3-month	7.86	-48	-102
5-month	8.11	-42	-104

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.71	0	-25
5Y RSD	10.97	0	-185
7Y RSD	11.64	0	-217

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.40	-1	-161
USD Nov-24	1.33	-515	-558

## CDS

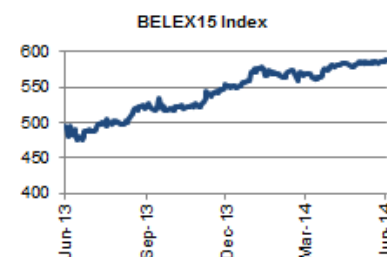
	Last	ΔDbps	ΔYTD bps
5-year	265	5	-144
10-year	306	17	-141

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	587.5	-0.05%	5.29%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.07%	-0.61%



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.94	-20	-80
1-month	1.77	-17	-11
3-month	2.41	-4	-3
6-month	2.79	-6	-20
12-month	2.89	-5	-26

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.96	-3	-99
5Y RON	3.44	-3	-121
10Y RON	4.44	-1	-86

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.32	2	-152
USD Aug-23	3.92	-1	-89

## CDS

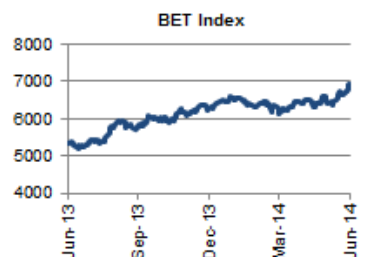
	Last	ΔDbps	ΔYTD bps
5-year	135	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

## STOCKS

	Last	ΔD	ΔYTD
BET	6923.5	0.17%	6.62%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3954	-0.09%	1.76%



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.02	0	-5
1-month	0.27	-2	-5
3-month	0.56	-1	-9
6-month	1.03	0	-13
12-month	1.95	0	-24

## BG Local Bonds

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	0.77	-7	-32
5Y BGN	1.50	3	-35
10Y BGN	2.97	0	-52

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.92	10	34
EUR Jul-17	1.35	-9	-45

## CDS

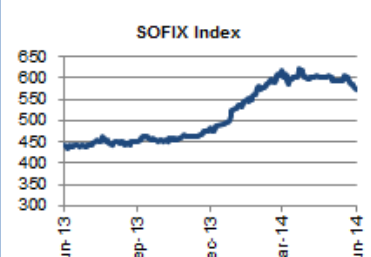
	Last	ΔDbps	ΔYTD bps
5-year	119	#N/A	#N/A
10-year	#N/A	#N/A	#N/A

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	572.5	-0.43%	16.47%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4419	0.10%	-1.30%



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