

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 16, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 16
 - Empire State (Jun)
 - Industrial production (May)
 - NAHB (Jun)
- June 17
 - CPI (May)
 - Housing starts (May)
 - Housing permits (May)
- June 18: FOMC announcement
- June 19
 - Initial jobless claims (Jun 7)
 - Philly Fed (May)

EUROZONE

- June 16: HICP (May, f)
- June 17: DE – ZEW (Jun)

SEE

SERBIA

- June 20: CAD (Apr)

ROMANIA

- June 16: RON 300mn T-bonds auction

BULGARIA

- June 16
 - CAD (Apr)
 - U/E rate (May)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European stock markets fell earlier on Monday, trailing losses in Asian bourses amid escalating geopolitical tensions in Iraq, mounting violence in Ukraine over the weekend and news that negotiations between Moscow and Kiev on gas imports were brought to a standstill. In response to waning risk appetite, **US Treasury yields** modestly eased, while the EUR remained under pressure as the recent decision by the ECB to proceed with the adoption of a package of measures aiming to address deflation risks and boost liquidity continued to weigh on the single currency.

SOUTH EASTERN EUROPE

SERBIA: Finance Minister says budget to be revised by end of July.

ROMANIA: According to the latest Central Bank balance of payments data, the current account deficit widened by €57mn on an annual basis to EUR 298mn over the first four months of the year.

BULGARIA: Upon the conclusion of a five-day visit in Bulgaria to discuss with domestic authorities the most recent economic developments and government policies, the IMF said in an official statement that it continues to anticipate a modest pickup in economic activity this year, but warned that domestic political uncertainty remains a key risk to the country's growth outlook.

CESEE Markets: Emerging stock markets kicked off the week on a negative footing on escalating geopolitical tensions in Iraq which pushed oil prices higher. Mounting violence in Ukraine and a standstill in gas negotiations between the country and Russia over the weekend also weighed on regional bourses. Along similar lines, **CESEE currencies** and **government bonds** also weakened.

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Latest world economic & market developments

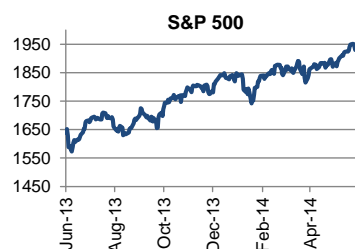
GLOBAL MARKETS

European stock markets fell earlier on Monday, trailing losses in **Asian bourses** amid escalating geopolitical tensions in Iraq, mounting violence in Ukraine over the weekend and news that negotiations between Moscow and Kiev on gas imports were brought to a standstill. Comments by ECB Governing Council member Ewald Nowotny suggesting that EU-wide stress tests being conducted on major European banks "will be strict, perhaps even too strict" added to the negative tone. In response to waning risk appetite, **US Treasury yields** modestly eased with the 10-yr UST yield hovering around 2.58% at the time of writing, vs. 2.60% on Friday's not too far from an 11-month trough of 2.44% recorded a few sessions ago. The USD was little changed against major currency peers as its safe haven allure offset the impact of lower USTs. In view of the aforementioned, the **US dollar Index (DXY)** stood close to 80.638 at the time of writing, within distance from a 4-month high of 81.020 hit on June 5. Meanwhile, the EUR remained under pressure as the recent decision by the ECB to proceed with the adoption of a package of measures aiming to address deflation risks and boost liquidity, continued to weigh on the single currency. Indicatively, the **EUR/USD** was trading close to 1.3530/31 in European trade, remaining within distance from a multi-month trough of 1.3502 marked earlier this month. The Fed's policy meeting decision on Wednesday takes centre stage this week and is expected to be closely scrutinized by market participants for any hints on the FOMC's monetary policy deliberations ahead.

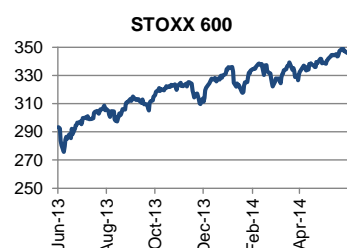
Latest developments in the CESEE region

CESEE markets

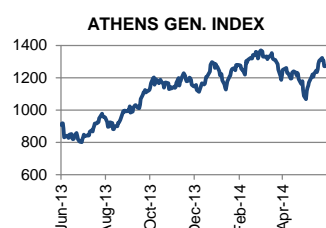
Emerging stock markets kicked off the week on a negative footing on escalating geopolitical tensions in Iraq which pushed oil prices higher. Mounting violence in Ukraine and a standstill in gas negotiations between the country and Russia over the weekend also weighed on regional bourses. On the latter, Russian gas company Gazprom announced that Ukraine will have to pay in advance for any future gas supplies, after the country failed to repay \$1.951bn of debt due 6:00 GMT on Monday bringing the total amount of debt overdue to \$4.458bn. As a result, the MSCI index of emerging equities recoiled for the fourth consecutive session on Monday, sliding further below from a near 1-year peak hit last week. In a similar vein, CESEE stock markets retreated in European trade today. Turkey's BIST 100 index led the losses in the region with a 1.23% drop at the time of writing, which added to Friday's 1.03% decline, in view of the recent escalation of tensions in neighboring Iraq. Along similar lines, **CESEE currencies** also weakened, with the Turkish lira and the Ukrainian hryvnia underperforming their regional peers. In more detail, the USD/TRY spiked as far as a 1-½ month high near 2.1455 earlier today as growing geopolitical tensions in Iraq fanned worries over the country's exports towards the Middle East in view of its elevated current account deficit. Elsewhere, the USD/UAH bounced by 0.85% to 11.85 at the time of writing approaching anew a lifetime peak of 13.61 hit at some point in April. In the **local rates markets**, government bonds broadly eased on the back of deteriorating risk sentiment. Turkish paper fared worse, with the corresponding 2 and 10-year benchmark yields rising by 14bps and 10bps to multi-session highs of 8.48% and 9.31% respectively.



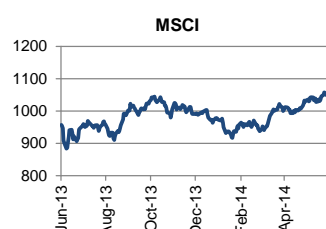
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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, 10/6/2014, 17:00 CET): **Latest Political & Macro Developments:** Minister of Finance Lazar Krstic stated yesterday at an annual SEE meeting that Serbia's budget will be revised by the end of July, instead of by the end of June as previously announced. He added that the recent adverse weather conditions will not affect the implementation of the government's budget, as economic measures are planned to be moved forward.

Market Developments: The EUR/RSD closed little changed at 115.30/50 on Friday, in the wake of renewed Central Bank (NBS) intervention, where the NBS bought approximately EUR 20mn in the FX markets in order to contain downside pressures on the pair. Including Friday's intervention the Central Bank has purchased a total of €190mn, since March 28th.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

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, 16/6/2014, 09:35 EET): **Latest Political & Macro Developments:** According to the latest Central Bank balance of payments data, the current account deficit widened by €57mn on an annual basis to EUR 298mn over the first four months of the year. Meanwhile, FDIs totaled EUR 785mn, 8.7% higher than the January-April 2013 period. **Market Developments:** The EUR/RON remained trapped within its recent range of 4.3880/980 on Friday. In government bonds, the MoF holds today a primary market auction for RON 300mn in 4Y (Nov 2018) paper, with the corresponding yield expected to average around 3.30-40%.

Bogdan.Radulescu@bancpost.ro

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, 16/6/2014, 9:50 EET): **Latest Political & Macro Developments:** Upon the conclusion of a five-day visit in Bulgaria to discuss with domestic authorities the most recent economic developments and government policies, the IMF said in an official statement that it continues to anticipate a modest pickup in economic activity this year, but warned that domestic political uncertainty remains a key risk to the country's growth outlook. Furthermore, the Fund noted that the recent developments in both Ukraine and Russia are likely to have a modest negative impact on Bulgaria's growth prospects, while the country's dependency on Russian energy supplies also represents a potential risk. On the fiscal front, the statement read that "risks to budgeted government revenues this year remain significant, particularly in light of deflation". However, the IMF acknowledged that low public debt and "limited exposure to capital markets have continued to insulate Bulgaria from international market volatility". **Market Developments:** The domestic stock market extended its recent downtrend on Friday, with the main SOFIX index retreating by 0.54% to close at 571.82 points.

VBoteva@postbank.bg

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	1936.16	0.3%	4.8%	EUR/USD	1.3539	-0.1%	-1.5%	UST - 10yr	2.58	-2	-44	GOLD	1280	0.2%	6.2%
Nikkei 225	14933.29	-1.1%	-8.3%	GBP/USD	1.6968	0.0%	2.5%	Bund-10yr	1.35	-1	-58	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	345.81	-0.4%	5.3%	USD/JPY	101.88	0.2%	3.4%	JGB - 10yr	0.60	0	-14	LMEX	3066	0.4%	-2.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.80	-1	-121
1-week	7.07	-2	-121
1-month	7.41	-4	-117
3-month	7.83	-3	-105
6-month	8.08	-3	-107

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	3.49	4	-152
USD Nov-24	1.31	-517	-559

CDS

	Last	ΔDbps	ΔYTD bps
5-year	250	-12	-159
10-year	295	-12	-152

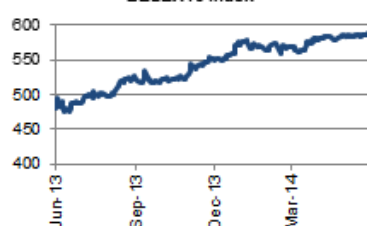
STOCKS

	Last	ΔD	ΔYTD
BELEX15	585.2	-0.29%	4.88%

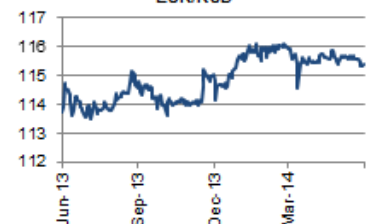
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.10%	-0.65%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.91	-3	-83
1-month	1.72	-5	-16
3-month	2.39	-2	-5
6-month	2.78	-1	-21
12-month	2.89	0	-26

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.91	-4	-104
5Y RON	3.38	-6	-127
10Y RON	4.43	-1	-87

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.34	3	-150
USD Aug-23	3.95	2	-86

CDS

	Last	ΔDbps	ΔYTD bps
5-year	135	#N/A	-50
10-year	#N/A	#N/A	#VALUE!

STOCKS

	Last	ΔD	ΔYTD
BET	6858.6	-0.81%	5.62%

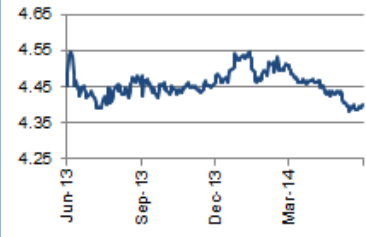
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3999	-0.21%	1.66%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.27	0	-5
3-month	0.55	-1	-10
6-month	1.02	0	-13
12-month	1.95	0	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.84	3	-25
5Y BGN	1.47	0	-37
10Y BGN	2.99	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.91	0	32
EUR Jul-17	1.38	-8	-43

CDS

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

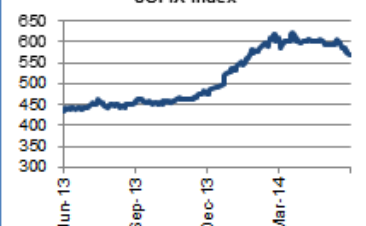
STOCKS

	Last	ΔD	ΔYTD
SOFIX	567.3	-0.79%	15.42%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4448	-0.01%	-1.50%

SOFIX Index



USD/BGN



Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos:

Chief Market Economist

pmonokroussos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst

ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst

gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales

nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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