

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 20, 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:** The majority of Asian bourses extended recent gains on Friday as the updated Summary of FOMC Economic Projections which tilted towards the dovish side of market expectations, continued to exert a positive impact on market sentiment. A string of positive US data y-day which reinforced market optimism over a rebound in domestic economy in the second quarter of this year, also favored. In FX markets, the USD regained some ground assisted by y-day's positive US data.

**GREECE:** Speaking in the press conference following the conclusion of the June 19 Eurogroup, President Jeroen Dijsselbloem said that Greece's newly appointed Minister of Finance Gikas Hardouvelis assured his counterparts that the prior actions attached to the next EFSF sub-tranche (€1bn)- scheduled to be released by end-June- will have been completed by the end of the month.

### SOUTH EASTERN EUROPE

**SERBIA:** Russian Gazpromneft, and German RWE are reportedly contemplating investments in the Serbian energy sector.

**ROMANIA:** The MoF issued on Thursday RON 500mn of 6M T-Bills at an average accepted yield of 2.07%, nearly in line with a historical low of 2.00% touched in January.

**BULGARIA:** According to Finance Minister Petar Chobanov, the roadshow for Bulgaria's upcoming Eurobond issue worth EUR 1.5bn will kick off on Monday, June 23.

**CESEE Markets: Emerging stock markets** broadly fell on Friday as persisting geopolitical risks in Iraq pushed oil prices higher overshadowing the positive impact from this week's FOMC monetary policy meeting. In the FX markets, the majority of **CESEE currencies** were little changed on the day; Turkish lira and Polish zloty remained under pressure.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses extended recent gains on Friday as the updated Summary of FOMC Economic Projections which tilted towards the dovish side of market expectations, continued to exert a positive impact on market sentiment. A string of positive US data y-day which reinforced market optimism over a rebound in domestic economy in the second quarter of this year, also favored. US initial jobless claims dropped more than expected last week while the Philadelphia Fed business activity index hit a nine-month high in May. Positive US data pushed US Treasury yields higher with the 10-yr benchmark yield trading close to 2.63% at the time of writing, up from a near two-week low of 2.58% hit shortly after the publication of the updated FOMC staff projections late on Wednesday. In FX markets, the USD regained some ground assisted by y-day's positive US data. The US dollar index DXY was trading close to 80.295 in European trade, ca 0.2% higher from a near two-week low recorded earlier this week

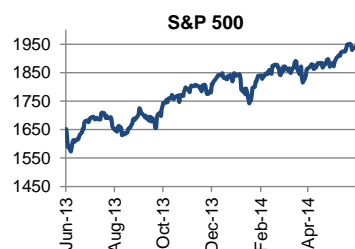
### GREECE

Speaking in the press conference following the conclusion of the June 19 Eurogroup, President Jeroen Dijsselbloem said that Greece's newly appointed Minister of Finance Gikas Hardouvelis assured his counterparts that the prior actions attached to the next EFSF sub-tranche (€1bn)- scheduled to be released by end-June- will have been completed by the end of the month. Furthermore, the Eurogroup President made clear that euro area finance ministers have committed themselves to examine the issue of Greece's debt sustainability after the summer, provided that the country meets the following criteria: (i) fulfillment of the 12 prior actions attached to the next two EFSF sub-tranches (6+6) due for release by end-June and end-July 2014 respectively; (ii) budget execution remains on track (pointing to the generation of a General Government primary surplus); and (iii) the updated debt sustainability analysis (DSA) indicates that a new debt relief package by the official sector is necessary.

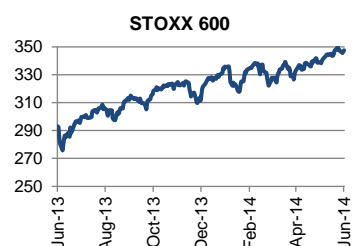
## Latest developments in the CESEE region

### CESEE markets

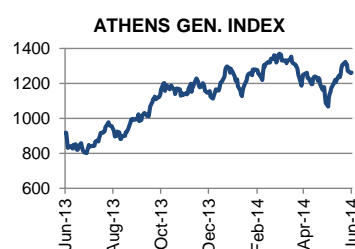
**Emerging stock markets** broadly fell on Friday as persisting geopolitical risks in Iraq pushed oil prices higher overshadowing the positive impact from this week's FOMC monetary policy meeting. The MSCI index of emerging equities fell by ca 0.3% at the time of writing. Nonetheless, it stood nearly flat on a weekly basis and just 1.0% off a 1-year peak hit last week. On the flipside, **bourses in the CESEE region** fared better with most indices standing in the black at the time of writing. In the FX markets, the majority of **CESEE currencies** were little changed on a daily basis in European trade. The **Turkish lira** remained under pressure as higher oil prices added to concerns about the country's elevated current account deficit. It is worth noting that Turkey has a high dependency on oil imports. With market participants anticipating further Central Bank rate cuts as soon as the next MPC meeting on June 24, as also suggested by recent Governor Erdem Basci's comments earlier in the week, the EUR/TRY hit a multi-session high near 2.1475 earlier on Friday, approaching anew a 2-½ -month peak of 2.1540 temporarily touched earlier in the week. The **Polish zloty** also retained a negative tone, sliding close to a new 2-week trough of 4.1530/EUR intraday, weighed down by a leaked tapes scandal implicating the Governor of the Central Bank. In view of the aforementioned, the country's Prime Minister Donald Tusk warned that snap general elections are a possibility "if the crisis of confidence becomes too deep".



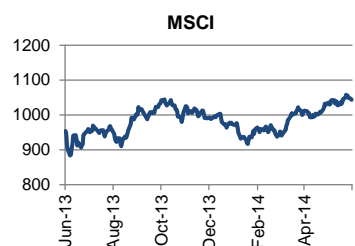
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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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

## SERBIA

(Belgrade, 20/6/2014, 10:10 CET): **Latest Political & Macro Developments:** Upon the conclusion of a meeting with Serbian Energy Minister Aleksandar Antic, Gazprom Managing Director Alexandar Dukov said on Thursday that Russian oil and gas company Gazpromneft, which owns Serbian NIS, expressed interest in investing in the Serbian energy sector. A week earlier, it was speculated that German RWE was also contemplating investments in EPS, the Serbian energy monopoly. **Market Developments:** The dinar was little changed against the euro on Thursday, with the EUR/RSD closing at 115.40/60.

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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, 20/6/2014, 09:00 EET): **Market Developments:** The EUR/RON remained in a tight range of 4.3900/970 on Thursday. Near term RON rates stayed close to the deposit facility rate of 0.50% as we are approaching the end of this reserve period, with the new reserve period starting on Tuesday next week. Government bonds broadly firmed yesterday in the wake of the Fed policy meeting decision a day earlier, recouping losses registered earlier in the week. On the primary market the MoF issued on Thursday RON 500mn of 6M T-Bills at an average accepted yield of 2.07%, nearly in line with a historical low of 2.00% touched in January.

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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

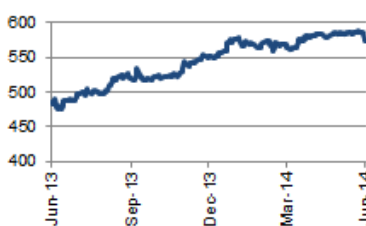

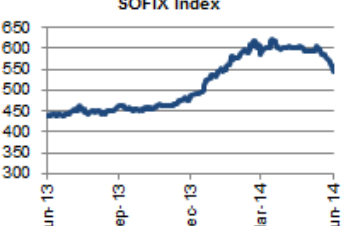



(Sofia, 19/6/2014, 17:20 EET): **Latest Political & Macro Developments:** According to the latest National Employment Agency data, the rate of unemployment eased to 11.20% in May from 11.78% a month earlier, sliding further below from a multi-year high of 12.20% hit in January. **Market Developments:** The domestic stock market finally broke a 2-week falling streak on Thursday, with the main SOFIX index advancing by 0.43% to 559.74 points. According to Finance Minister Petar Chobanov, the roadshow for Bulgaria's upcoming Eurobond issue worth EUR 1.5bn will kick off on Monday, June 23.

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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	1959.48	0.1%	6.0%	EUR/USD	1.361	0.0%	-1.0%	UST - 10yr	2.63	1	-39	GOLD	1308	-0.9%	8.5%
Nikkei 225	15349.42	-0.1%	-5.8%	GBP/USD	1.7058	0.1%	3.0%	Bund-10yr	1.34	2	-59	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	348.66	0.1%	6.2%	USD/JPY	102.04	-0.1%	3.2%	JGB - 10yr	0.59	0	-15	LMEX	3117	0.3%	-1.3%

## 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	6.75	-2	-126	O/N	0.83	2	-91	LEONIA	0.02	0	-5
1-week	7.04	-1	-124	1-month	1.81	2	-7	1-month	0.24	0	-7
1-month	7.34	-4	-124	3-month	2.39	1	-5	3-month	0.54	0	-10
3-month	7.82	1	-106	6-month	2.76	1	-23	6-month	1.02	0	-13
6-month	8.08	1	-107	12-month	2.85	-1	-30	12-month	1.95	0	-24
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.49	0	-46	3Y RON	2.89	-2	-106	3Y BGN	0.81	0	-28
5Y RSD	10.96	0	-186	5Y RON	3.31	-2	-134	5Y BGN	1.51	0	-34
7Y RSD	11.69	0	-212	10Y RON	4.47	0	-83	10Y BGN	3.00	0	-49
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.56	1	-144	EUR Sep-20	2.30	1	-154	USD Jan-15	0.78	0	20
USD Nov-24	1.44	-505	-546	USD Aug-23	3.94	2	-86	EUR Jul-17	1.36	-4	-45
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	258	14	-151	5-year	135	#N/A	-50	5-year	119	#N/A	-5
10-year	302	14	-145	10-year	#N/A	#N/A	#VALUE!	10-year	#N/A	#N/A	#VALUE!
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	573.8	0.06%	2.84%	BET	6773.5	0.29%	4.31%	SOFIX	544.9	-2.64%	10.87%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.14%	-0.77%	EUR/RON	4.3946	-0.06%	1.78%	USD/BGN	1.4371	0.02%	-0.97%
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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