

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 24, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 24
 - Case-Shiller index (Apr)
 - Cons Conf CB (Jun)
 - New home sales (May)
- June 25
 - GDP (Q1, 3rd estimate)
 - Durable goods orders (May)
- June 26
 - Personal spending (May)
 - Initial jobless claims (Jun 21)

EUROZONE

- June 23: PMI (Jun)
- June 24: DE – IFO (Jun)

SEE SERBIA

- June 24: 2-Year RSD floating bonds auction
- June 25
 - Real wages (May)
 - 5-Year RSD bonds auction

ROMANIA

- June 23: RON 200mn T-bonds auction

BULGARIA

- June 23: BGN 50mn T-bonds auction
- June 24: Gross external debt (Apr)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In FX markets, commodity related currencies including the AUD were among the main outperformers in European trade on Tuesday supported by renewed optimism about China's growth outlook. Elsewhere, the USD was little changed against its major currency peers ahead of the release of the US' May new home sales report later in the day.

GREECE: The Greek government reportedly intends to submit to parliament later this week a **multi-bill containing the relevant legislation for the implementation of the prior actions attached to the next EFSF sub-tranche** (€1bn), part of the €8.3bn loan installment approved by the April 1st Eurogroup. The Hellenic Parliament is expected to vote on the said multi-bill by Monday, June 30th. In other news, the latest BoG data revealed that Greece's **travel balance** recorded a surplus of €252mn in the first four months of this year, marking a 29.9% increase on an annual basis.

SOUTH EASTERN EUROPE

SERBIA: According to recent local media reports, German insurer Allianz is interested in acquiring a majority stake in Serbia's largest insurer state-owned Dunav Osiguranje.

ROMANIA: The Ministry of Finance issued yesterday RON 200mn in 9-year (April 2023) bonds at an average accepted yield of 4.50%, in line with market expectations.

BULGARIA: The Ministry of Finance rejected all bids on the 1.5% 2016 government notes auction yesterday.

CESEE Markets: Stock markets in the **CESEE region** kicked off the week on a positive footing, largely outperforming other emerging market peers. Elsewhere, regional currencies modestly firmed on Monday. **Central Bank monetary policy meetings in Turkey** (-50bps rate cut expected) **and Hungary** (-10bps rate cut expected) both scheduled for Tuesday take centre stage this week.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

In FX markets, commodity related currencies including the AUD were among the main outperformers in European trade on Tuesday supported by renewed optimism about China's growth outlook following firmer-than-expected manufacturing PMI data released earlier this week. Elsewhere, the USD was little changed against its major currency peers ahead of the release of the US' May new home sales report later in the day. Market consensus is for an increase to 439k from 433k in the prior month while a bigger-than-expected improvement has the potential to exert a positive impact on the US dollar and create some headwinds for USTs. The EUR/USD was hovering around 1.3595/1.3600 at the time of writing, continuing to consolidate within the 1.3500-1.3700 recent trading range.

GREECE

The Greek government reportedly intends to submit to parliament later this week a **multi-bill containing the relevant legislation for the implementation of the prior actions attached to the next EFSF sub-tranche** (€1bn), part of the €8.3bn loan installment approved by the April 1st Eurogroup. As things stand at this point, the government has reportedly met two out of a total of six agreed prior actions including the adoption of: (i) an outdoor trade law; and (ii) investment licensing law and spatial planning. The Hellenic Parliament is expected to vote on the said multi-bill by Monday, June 30th. Speaking in the press conference at the end of the June 19 Eurogroup, President Jeroen Dijsselbloem said that Greece's newly appointed MinFin Gikas Hardouvelis assured his counterparts that the prior actions attached to the next EFSF sub-tranche will have been fulfilled by the end of this month (initially scheduled for end-May). In other news, the latest BoG data revealed that Greece's **travel balance** recorded a surplus of €252mn in the first four months of this year, marking a 29.9% increase on an annual basis.

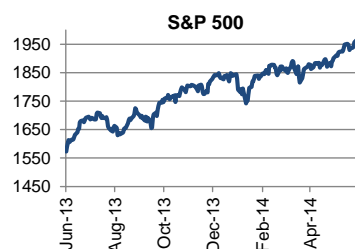
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

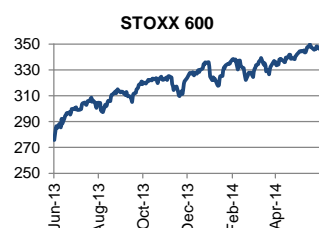
CESEE markets

CESEE stock markets kicked off the week on a positive footing, largely outperforming other emerging market peers. Elsewhere, regional currencies modestly firmed on Monday, with the **Polish zloty** erasing part of recent losses suffered in view of a leaked tapes scandal implicating the Central Bank Governor. **Central Bank monetary policy meetings in Turkey and Hungary** (both on Tuesday) take centre stage. On the former, the market's median forecast is for a 50bps cut on the CBT's key policy 1-week repo rate to 9.00%. Overnight borrowing and lending rates are anticipated to remain unchanged at their current respective 8% and 12% levels. Although persisting risks to the inflation outlook do not argue in favor of significant monetary easing ahead, a higher-than-anticipated rate reduction today cannot be ruled out entirely, especially as the government has been a vocal proponent of materially lower interest rates for some time now. Expectations for further monetary easing ahead, an elevated current account deficit, potential eruption of domestic political noise in view of the August presidential elections and slowing GDP growth this year are likely to keep the TRY under pressure in the coming months. The lira's sensitivity to oil prices fluctuations, as the country is highly depended on oil imports, has also deemed the currency vulnerable to geopolitical risks in Iraq. In Hungary, the Central Bank is broadly anticipated to cut its base rate by 10bps to a new record low of 2.30% and further measured reductions towards 2.00% by the end of this year seem to be on the cards.

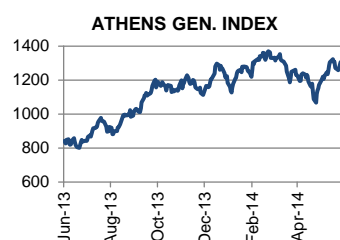
gphoka@eurobank.gr



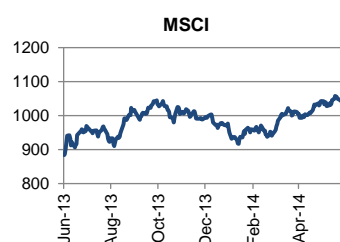
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

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, 23/6/2014, 17:15 CET): **Latest Political & Macro Developments:** According to recent local media reports, German insurer Allianz is interested in acquiring a majority stake in Serbia's largest insurer state-owned Dunav Osiguranje. Such a development may have positive implications for the ailing domestic insurance sector and could potentially attract additional FDIs towards the country. Furthermore, market talk suggests that International Finance Corporation (IFC) and European Bank of Reconstruction and Development (EBRD) are mulling on buying a minority stake in the company. Dunav Insurance held a market share of around 28% at end-2013. Taking into consideration that just 5% of Dunav's shares are listed on the Serbian exchange, potential Allianz involvement in the company is likely to have a limited impact on the domestic stock market. **Market Developments:** The EUR/RSD continued to consolidate within its recent range of 115.45/65 on Monday. With summer vacations looming, range-bound trading will likely persist in the coming sessions as lingering concerns over the country's public finances are likely to be counterbalanced by the possibility of renewed Central Bank interventions in the FX markets and hefty demand for domestic government securities.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

gphoka@eurobank.gr

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, 24/6/2014, 09:00 EET): **Latest Political & Macro Developments:** Reflecting a gradual improvement in domestic labor market conditions, Romania's unemployment rate decreased to 4.91% in May from 5.13% a month earlier, sliding further below from January's near 3-year peak of 5.84%. **Market Developments:** The EUR/RON remained bound within its recent range of 4.3900/4.400 on Monday. In the local rates markets, the Ministry of Finance issued yesterday RON 200mn in 9-year (April 2023) bonds at an average accepted yield of 4.50%, in line with market expectations. A supplementary auction will be held today offering RON 30mn at a yield of 4.50%.

Romulus-Daniel.Georgescu@bancpost.ro

gphoka@eurobank.gr

BULGARIA

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

(Sofia, 24/6/2014, 10:30 EET): **Latest Political & Macro Developments:** The Ministry of Finance rejected all bids on the 1.5% 2016 government notes auction yesterday. In the accompanying official statement, the Ministry of Finance cited that the decision "corresponds with the market status and with the participants' interest in the actions taken by the issuer to hold meetings with investors in connection with the issuance of GS on the international capital markets". **Market Developments:** After recording hefty losses on Friday on over Corporate Commercial Bank's run, the domestic stock market recovered ground on Monday, with the main SOFIX index closing 2.86% higher.

VBoteva@postbank.bg

gphoka@eurobank.gr

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	1962.61	0.0%	6.2%	EUR/USD	1.3619	0.1%	-0.9%	UST - 10yr	2.59	-3	-43	GOLD	1325	0.5%	9.9%
Nikkei 225	15376.24	0.0%	-5.6%	GBP/USD	1.6978	-0.3%	2.5%	Bund-10yr	1.31	-1	-62	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	345.28	-0.3%	5.2%	USD/JPY	101.87	0.1%	3.4%	JGB - 10yr	0.58	0	-16	LMEX	3162	0.7%	0.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.70	-7	-131
1-week	7.02	-4	-126
1-month	7.28	-9	-130
3-month	7.72	-5	-116
6-month	7.98	-7	-117

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.49	#N/A N/A	-47
5Y RSD	11.00	-2	-182
7Y RSD	11.72	2	-208

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	-1	-138
USD Nov-24	1.56	-496	-535

CDS

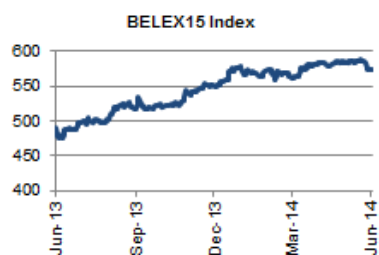
	Last	ΔDbps	ΔYTD bps
5-year	264	15	-146
10-year	310	15	-137

STOCKS

	Last	ΔD	ΔYTD
BELEX15	573.6	-0.20%	2.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.00%	-0.80%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.96	124	22
1-month	1.88	-2	0
3-month	2.39	-1	-5
6-month	2.76	-1	-23
12-month	2.86	-1	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.87	-1	-108
5Y RON	3.30	-1	-135
10Y RON	4.48	0	-82

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.39	3	-145
USD Aug-23	3.97	-7	-83

CDS

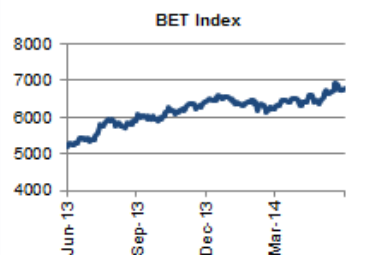
	Last	ΔDbps	ΔYTD bps
5-year	135	#N/A N/A	-50
10-year	#N/A N/A	#N/A N/A	#VALUE!

STOCKS

	Last	ΔD	ΔYTD
BET	6781.5	0.31%	4.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3913	0.04%	1.86%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	-5
1-month	0.24	0	-8
3-month	0.53	-1	-12
6-month	1.00	-2	-16
12-month	1.92	-3	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.87	2	-22
5Y BGN	1.52	4	-32
10Y BGN	2.96	0	-54

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.91	-4	33
EUR Jul-17	1.45	-1	-35

CDS

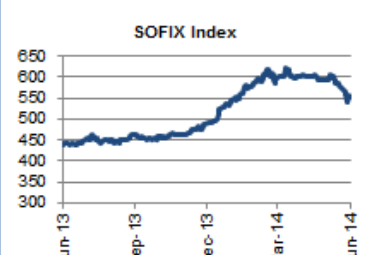
	Last	ΔDbps	ΔYTD bps
5-year	119	#N/A N/A	-5
10-year	#N/A N/A	#N/A N/A	#VALUE!

STOCKS

	Last	ΔD	ΔYTD
SOFIX	553.2	-0.21%	12.54%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4362	0.12%	-0.91%



Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Romulus-Daniel Georgescu

Senior Dealer

+4021 3656292

romulus-daniel.georgescu@bancpost.ro

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 Beogra

+381 11 30 27 533

ivan.radovic@eurobank.rs

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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>