

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 4, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 2: ISM manuf (May)
- June 3
 - Factory orders (Apr)
 - Car sales (May)
- June 4
 - ADP employment (May)
 - Trade balance (Apr)
 - ISM non-manuf (May)
- June 5: Initial jobless claims (May 31)
- June 6
 - NFP (May)
 - U/E rate (May)

EUROZONE

- June 2: PMI manuf (May)
- June 3: HICP (May)
- June 4: GDP (Q1)
- June 5: ECB MPC meeting

SEE

SERBIA

- June 3: 7-Y T-Bonds auction
- June 4: 10-Y EUR T-Bonds auction
- June 6: PPI (May)

ROMANIA

- June 2: International reserves (May)
- June 3
 - Retail sales (Apr)
 - PPI (Apr)
- June 4: GDP (Q1, p)
- June 6: Net wages (Apr)

BULGARIA

- June 4: GDP (Q1, f)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian bourses moved modestly lower on Wednesday, giving back some of their recent hefty gains, as investors adopt a cautious stance ahead of Thursday's ECB monetary policy meeting and the release of the US' non-farm payrolls report the day after. Meanwhile, the USD retained a firm tone against its major currency peers in European trade supported by the latest string of positive US data releases. Elsewhere, the EUR remained under pressure amid heightened ECB easing expectations after data released y-day showed that Eurozone's headline HICP dropped from 0.7%YoY in April to a lower-than-expected 0.5%YoY in May.

GREECE: The **Eurogroup Working Group (EWG)** reportedly meets on June 13, 2014. As per the same press reports, it is expected to recommend to euro area finance ministers to give the green light for the release of the 2nd EFSF sub-tranche (€1bn) of the €8.3bn loan installment to Greece approved by the April 1st 2014 Eurogroup. This holds provided that the Greek side will have fulfilled by that time all six milestones - that were explicitly laid out in the latest EU Commission report on the Greek economy - attached to the release of the said EFSF sub-tranche.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold RSD 10bn in 7Y RSD government bonds on Tuesday.

ROMANIA: Detailed Q1 GDP data released today.

BULGARIA: According to the latest Eurostat data, the unemployment rate declined by 0.2ppts on a monthly basis to 12.8% in April, after remaining stable over the prior two months and having hit a 10-year high of 13.1% in October last year.

CESEE Markets: Most emerging stock markets opened broadly lower on Wednesday, amid mounting concerns about the prospects of the Chinese economy and ahead today's key data releases in the US as well as the CESEE region. Caution also prevails in view of the ECB meeting tomorrow where the Central Bank is anticipated to ease its monetary policy further.

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Latest world economic & market developments

GLOBAL MARKETS

Asian bourses moved modestly lower on Wednesday, giving back some of their recent hefty gains, as investors adopt a cautious stance ahead of Thursday's ECB monetary policy meeting and the release of the US' non-farm payrolls report the day after. Meanwhile, the USD retained a firm tone against its major currency peers in European trade supported by the latest string of positive US data releases. Higher US bond yields over the last few sessions continue to favor the US dollar. Indicatively, the 10-yr UST bond yield was hovering around 2.57% at the time of writing, slightly down from Tuesday's three-week closing high near 2.60% but still well above last week's 11-month low of 2.44%. Meanwhile, the dollar index DXY was standing close to 80.641, within distance from a four-month peak of 80.681 hit at some point earlier this week. Elsewhere, the EUR remained under pressure amid heightened ECB easing expectations after data released y-day showed that Eurozone's headline HICP dropped from 0.7%YoY in April to a lower-than-expected 0.5%YoY in May.

GREECE

The **Eurogroup Working Group (EWG)** reportedly meets on June 13, 2014. As per the same press reports, it is expected to recommend to euro area finance ministers to give the green light for the release of the 2nd EFSF sub-tranche (€1bn) of the €8.3bn loan installment to Greece approved by the April 1st 2014 Eurogroup. This holds provided that the Greek side will have fulfilled by that time all six milestones - that were explicitly laid out in the latest EU Commission report on the Greek economy - attached to the release of the said EFSF sub-tranche. Euro area finance ministers are scheduled to convene on June 19, 2014. As things stand at this point, the Greek side has reportedly fully met one of the six agreed milestones (e.g. adoption of outdoor trade law), while, the remaining five are expected to be completed on time for the June 13 EWG. The 3rd (and last) EFSF sub-tranche, worth €1bn, is scheduled to be paid in July 2014, also subject to fulfillment of six certain prior actions.

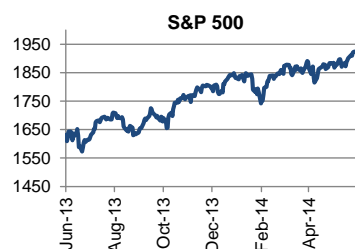
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Latest developments in the CESEE region

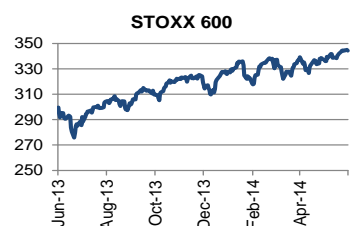
CESEE markets

Most emerging stock markets opened broadly lower on Wednesday, amid mounting concerns about the prospects of the Chinese economy and ahead today's key data releases in the US as well as the CESEE region. Caution also prevails in view of the ECB meeting tomorrow where the Central Bank is anticipated to ease its monetary policy further. In the FX markets, **CESEE currencies** were mixed earlier on Wednesday after most closed broadly weaker in the prior session. The Turkish lira broadly underperformed its regional peers falling as far as a 1-month low near 2.1260/USD earlier today, weighed down by Prime Minister Tayyip Erdogan's comments yesterday criticizing the Central Bank's approach on interest rates and expressing hopes about further imminent monetary easing. Slightly weaker-than-anticipated CPI data for May (at 9.66%YoY vs. 9.90%YoY expected and 9.38%YoY a month earlier), published on Tuesday also weighed on the Turkish currency. Elsewhere, the Hungarian forint consolidated near a 2-week trough around 305.70/EUR in European trade after coming under pressure on Tuesday in the wake of a Supreme Court ruling against OTP Bank on FX loan contracts. The Polish zloty recovered some ground after hitting a 1-week low at 4.1595/EUR earlier today, a day after the MPC meeting. In more detail, the Central Bank stayed put on rates, keeping its key policy rate at a record low of 2.50% as was widely expected, but adopted a more dovish than expected tone in its accompanying policy statement and post-meeting press conference.

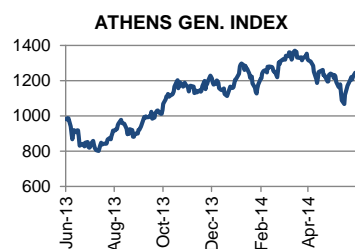
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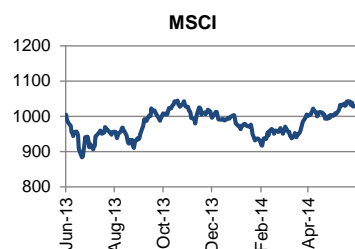
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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
	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, 3/6/2014, 15:45 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold RSD 10bn in 7Y RSD government bonds on Tuesday. The amount allotted fell short of the initially planned RSD 15bn, while the accepted yield stood at 11.80%, well below 13% achieved at a prior tender of similar maturity paper on March 18 in the wake of the national snap elections. **Market Developments:** The EUR/RSD was little changed on Tuesday, ending at 115.55/75 against levels of 115.50/70 at the prior session's settlement.

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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
	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, 4/6/2014, 09:10 EET): **Latest Political & Macro Developments:** The National Statistics Institute will release later on the day the detailed GDP growth data for Q1. According to the flash estimate released in mid-May, real GDP grew by 3.8% on an annual basis in January-March 2014. **Market Developments:** The EUR/RON remained bound on Tuesday within its recent tight range of 4.3920/4.4000. Meanwhile, RON interest rates were little changed in both money market and government bonds.

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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	
	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, 3/6/2014, 17:20 EET): **Latest Political & Macro Developments:** According to the latest Eurostat data, the unemployment rate declined by 0.2ppts on a monthly basis to 12.8% in April, after remaining stable over the prior two months and having hit a 10-year high of 13.1% in October last year. Separately, youth unemployment also decreased in April, to 27.2% from 27.7% in March. **Market Developments:** Domestic stock indices retained a negative tone on Tuesday, with the main SOFIX falling by 0.97% to close at 596.70 points.

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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	1924.24	0.0%	4.1%	EUR/USD	1.3608	-0.1%	-1.0%	UST - 10yr	2.57	-3	-46	GOLD	1246	0.1%	3.4%
Nikkei 225	15067.96	0.2%	-7.5%	GBP/USD	1.6726	-0.2%	1.0%	Bund-10yr	1.41	0	-52	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	343.30	-0.1%	4.6%	USD/JPY	102.62	-0.1%	2.6%	JGB - 10yr	0.62	3	-13	LMEX	3149	-0.6%	-0.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.26	0	-75
1-week	7.62	1	-66
1-month	8.04	-2	-54
3-month	8.42	-1	-46
6-month	8.57	0	-58

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.87	-1	-9
5Y RSD	10.90	0	-192
7Y RSD	11.60	0	-220

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.58	1	-142
USD Nov-24	2.02	-448	-488

CDS

	Last	ΔDbps	ΔYTD bps
5-year	275	-13	-134
10-year	318	-16	-129

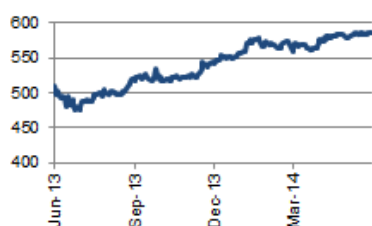
STOCKS

	Last	ΔD	ΔYTD
BELEX15	585.0	-0.09%	4.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-0.87%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.38	13	64
1-month	2.33	8	45
3-month	2.68	0	24
6-month	3.04	0	5
12-month	3.12	1	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.26	0	-69
5Y RON	3.79	-1	-86
10Y RON	4.75	1	-55

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.63	-1	-121
USD Aug-23	3.99	-4	-82

CDS

	Last	ΔDbps	ΔYTD bps
5-year	147	0	-37
10-year	#N/A N/A	0	#VALUE!

STOCKS

	Last	ΔD	ΔYTD
BET	6655.2	-0.02%	2.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4107	-0.33%	1.41%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.07	0	0
1-month	0.30	0	-2
3-month	0.57	0	-7
6-month	1.08	0	-7
12-month	2.10	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.83	-6	-27
5Y BGN	1.48	-1	-36
10Y BGN	2.99	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.62	-4	3
EUR Jul-17	1.38	0	-43

CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	0	-1
10-year	#N/A N/A	0	#VALUE!

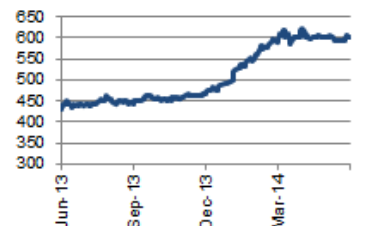
STOCKS

	Last	ΔD	ΔYTD
SOFIX	596.8	0.02%	21.43%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4374	-0.15%	-0.99%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:10 EET

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