

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

September 3, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 1
ISM manufacturing (Jul)
- September 2
 - Fed's Beige Book
- September 4
 - ADP report (Aug)
 - Initial jobless claims (Aug 30)
 - Trade balance (Jul)
 - ISM non-manufacturing (Aug)
- September 5
 - Non-farm payrolls (Aug)
 - Unemployment rate (Aug)

EUROZONE

- September 3
Q2 GDP (details)
- September 4
ECB policy meeting

SEE

ROMANIA

- September 2
Retail sales (Jul)
- September 3
Q2 GDP (p)

BULGARIA

- September 3
Q2 GDP (f)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US macro data continued to surprise positively on Tuesday, reinforcing market optimism about the growth prospects of the world's largest economy. Against this environment, US Treasuries weakened in early European trade on Wednesday while the US dollar index DXY extended its recent gains hitting a 14-month peak.

GREECE

An unnamed high-level Greek government official was quoted as saying in the local press that Greece's debt sustainability and the prospect of a new relief package by official lenders are not included in the agenda of **official discussions** between the Greek side and the troika in Paris. In other news, **Greece's Public Debt Management** successfully offered on Tuesday €1.138bnbn (including non-competitive bids) in 6-month T-bills.

SOUTH EASTERN EUROPE

SERBIA: Serbian Foreign Minister Ivica Dacic reportedly said on Tuesday that Serbia will not sign an international peace accord with Kosovo.

ROMANIA: The EU/RRON resumed its uptrend on Tuesday; tighter liquidity conditions in money market.

BULGARIA: Taking their cue from the positive tone in the majority of global equity markets, domestic bourses moved higher on Tuesday.

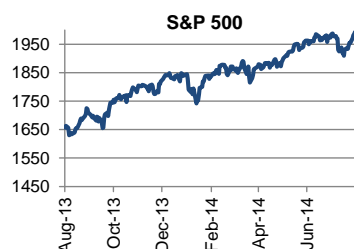
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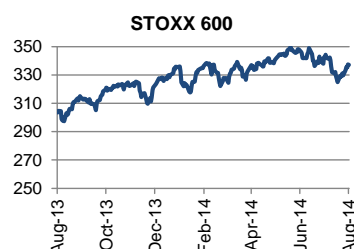
Latest world economic & market developments

GLOBAL MARKETS

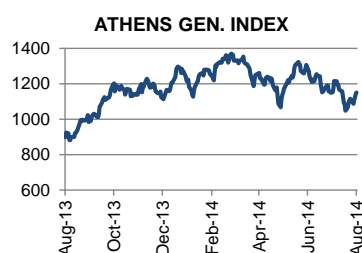
US macro data continued to surprise positively on Tuesday, reinforcing market optimism about the growth prospects of the world's largest economy. Adding to the recent string of positive US data releases, construction spending rose by 1.8% mom in July, the largest monthly gain since early 2012. Separately, the ISM-manufacturing index improved to a new 3-year peak of 59.0 in August, in contrast to market expectations for a drop to 56.9 from last month's 57.1 with the forward looking new orders subcomponent rising to its highest level in near 10 years. Against this environment, the US dollar index DXY extended its recent gains hitting a 14 month peak of 83.058 earlier today. Separately, US Treasuries weakened with the 10-yr Treasury yield trading close to 2.455% in European trade at the time of writing, its highest level in near two months after ending at 2.421% on Tuesday. Meanwhile, market expectations for further ECB monetary policy stimulus ahead prevail on the back of persistently subdued euro area inflation pressures and mounting growth concerns, especially in view of the recent escalation of geopolitical tensions. With market participants eagerly awaiting Thursday's ECB monetary policy meeting, the EUR/USD was hovering around 1.3150/55 at the time of writing, not far from a fresh year-to-date low of 1.3108 touched on Tuesday and below levels near 1.3220 recorded just a few sessions ago. The calendar today is relatively quiet with US August vehicle sales, July factory orders and the Beige Book the only releases of note.



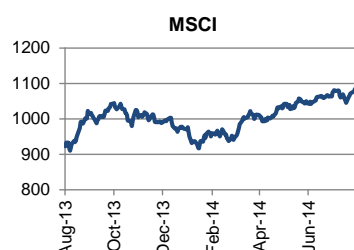
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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GREECE

An unnamed high-level Greek government official was quoted as saying in the local press that Greece's debt sustainability and the prospect of a new relief package by official lenders are not included in the agenda of **official discussions between domestic authorities and the troika in Paris**. According to the same press reports, the issues which dominated official talks on Tuesday –the first of the three days of negotiations- were, among other, the budget execution and the size of projected fiscal gap in FY-2015. As per the same sources, the troika accepted a number of changes to the operational framework of the new single property tax (ENFIA) the Greek side proposed, provided that the €2.65bn/annum receipts target is not jeopardized. In other news, **Greece's Public Debt Management** successfully offered on Tuesday €1.138bnbn (including non-competitive bids) in 6-month T-bills. The auctioned produced an average accepted yield of 2.00%, modestly lower compared to 2.02% recorded last month when paper of similar maturity was offered. The sale's bid-to-cover ratio stood at 2.4, down from 3.03 in August.

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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

Latest developments in the CESEE region

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.5	-0.4
CPI (pa, yoy %)	7.8	7.8	2.5
Budget Balance/GDP	-7.5	-5.8	-8.0
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	117.00
	2013	current	2014f
Policy Rate (eop)	9.50	8.50	8.00

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

SERBIA

(Belgrade, 1/9/2014, 17:10 CET): **Market Developments:** Shrugging off National Bank of Serbia (NSB) renewed intervention, EUR/RSD retained a firm tone on Tuesday hitting a new multi-year closing high of 118.08/28. The NBS appears to sold approximately €10mn. **Latest Political & Macro Developments:** According to press reports, Serbian Foreign Minister Ivica Dacic said on Tuesday that Serbia will not sign an international peace accord with Kosovo. On the other hand, Kosovo's outgoing Prime Minister Hasim Taci had reportedly announced last week during the Western Balkan Conference in Berlin that a "peace treaty" is to be signed soon, a development that could pave the way for the country's eventual EU membership.

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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	1.7
Budget Balance/GDP	-3.0	-2.3	-2.2
Current Account/GDP	-4.4	-1.1	-1.0
EUR/RON (eop)	4.44	4.46	4.40
	2013	current	2014f
Policy Rate (eop)	4.00	3.25	3.00

Source: EC Economic Forecasts, Reuters, Bloomberg, Eurobank Global Markets Research, local authorities

ROMANIA

(Bucharest, 3/9/2014, 9:00 EET): **Market Developments:** The EUR/RON resumed its uptrend on Tuesday, rising by ca 0.4% on the day to close at 4.4140. Liquidity conditions in the money market were slightly tighter, with the 1W implied rate from swaps rising to 2.50% compared to levels around 2.30% late last week, while the 1M rate climbed above 2.40% from 2.25% just a few sessions ago. On the flipside, 6-12M implied rates from swaps were little changed on the day. In government bond markets, papers with 3yr-7yr maturity weakened on Tuesday with the respective yields rising by ca 5bps.

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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	-0.9
Budget Balance/GDP	-0.8	-1.5	-3.0
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

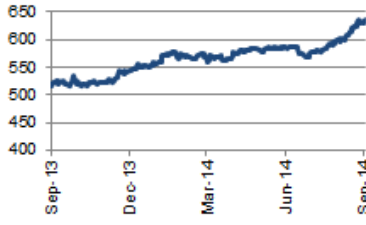
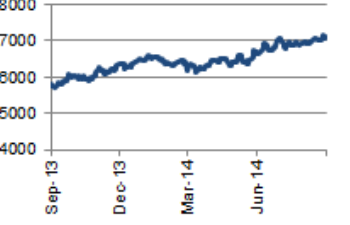


(Sofia, 3/9/2014, 09:00 EET): **Market Developments:** Taking their cue from the positive tone in the majority of global equity markets, domestic bourses moved higher on Tuesday with the SOFIX index gaining 1.25% to close at 553.62 points. Elsewhere, sovereign bonds with maturity up to 5-years moved higher while money market rates ended little changed on the day.

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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	2002.28	-0.1%	8.3%	EUR/USD	1.3136	0.0%	-4.4%	UST - 10yr	2.45	3	-58	GOLD	1268	0.2%	5.2%
Nikkei 225	15728.35	0.4%	-3.5%	GBP/USD	1.6488	0.1%	-0.4%	Bund-10yr	0.96	3	-97	BRENT CRUDE	181	0.0%	8.0%
STOXX 600	345.86	0.9%	5.4%	USD/JPY	105.03	0.1%	0.3%	JGB - 10yr	0.53	3	-21	LMEX	3275	0.2%	3.7%

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	6.68	0	-133	O/N	2.61	6	87	LEONIA	0.05	0	-2
1-week	6.92	2	-136	1-month	2.35	14	47	1-month	0.23	0	-9
1-month	7.24	3	-134	3-month	2.38	8	-6	3-month	0.48	0	-17
3-month	7.73	3	-115	6-month	2.67	7	-32	6-month	0.85	0	-30
6-month	8.04	1	-111	12-month	2.75	3	-40	12-month	1.65	0	-55
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.39	6	-57	3Y RON	2.67	0	-128	3Y BGN	1.24	-1	15
5Y RSD	10.29	0	-253	5Y RON	3.28	-2	-137	5Y BGN	1.87	-5	3
7Y RSD	11.25	0	-255	10Y RON	4.16	-2	-114	10Y BGN	3.09	0	-40
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.86	1	-115	EUR Sep-20	2.11	2	-174	USD Jan-15	0.50	-11	-9
USD Nov-24	-2.45	-902	-936	USD Aug-23	3.79	-2	-102	EUR Jul-17	1.29	3	-51
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	248	-15	-161	5-year	135	-4	-50	5-year	129	-4	8
10-year	298	-12	-149	10-year	179	-5	-53	10-year	177	0	2
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	634.5	0.57%	13.72%	BET	7112.4	0.20%	9.53%	SOFIX	554.3	0.12%	12.77%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.22%	-3.04%	EUR/RON	4.4055	0.10%	1.53%	USD/BGN	1.4891	0.01%	-4.43%
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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