

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

August 29, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- August 25: New home sales (Jul)
- August 26
 - Durable goods orders (Jul)
 - CB consumer sentiment (Aug)
- August 28:
 - GDP (Q2, 2nd est.)
 - Initial jobless claims (Aug 22)
 - Pending home sales (Jul)
- August 29
 - Personal income (Jul)
 - Personal spending (Jul)
 - UoM consumer confidence (Aug)

EUROZONE

- August 25: De: Ifo business climate (Aug)
- August 29: CPI (Aug)

SEE

SERBIA

- August 25: Real wages (Jul)
- August 26: 5-year EUR bond auction
- August 29
 - Ind. production (Jul)
 - Trade balance (Jul)
 - Retail sales (Jul)

ROMANIA

- August 25: T-bonds auction

BULGARIA

- August 25
 - T-bonds auction
 - Gross external debt (Jun)
- August 29: Budget balance (Jul)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In FX markets, selling pressure on the EUR persisted on Friday amid mounting expectations for further ECB monetary policy stimulus ahead. Against this background, today's euro area inflation data for the month of August lure market attention.

GREECE

According to the most recent Bank of Greece data, **euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG)** improved in July for the fifth month in a row. In other news, the **Economic Sentiment Indicator for Greece** dropped in August for the second month in a row remaining though not far from a six-year high of 103.7 marked two months ago.

SOUTH EASTERN EUROPE

SERBIA: The dinar remained under pressure on Thursday with the EUR/RON hitting a new record high.

ROMANIA: Government bonds firmed on Thursday and the RON moved lower on the back of renewed Ukraine Jitters.

BULGARIA: The total business climate indicator dropped in August for the third consecutive monthly mainly due to the more unfavourable business climate in service sector, construction and retail trade.

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Latest world economic & market developments

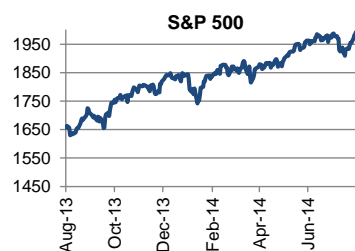
GLOBAL MARKETS

Taking their cue from the negative tone in Wall Street overnight, **the majority of Asian bourses** moved lower on Friday pressured by renewed Ukraine-Russia tensions. Yet, losses were limited on the back of increased market optimism that the world's largest economy remains on a steady recovery path. Adding to the recent string of positive US data, Thursday's official releases showed that US Q2 GDP growth was revised up by 0.2ppts to 4.2%qoq annualized mainly due to stronger business investment. Consensus was for a downward revision to 3.9%qoq annualized. Furthermore, the Pending Home Sales index of the US National Association of Realtors rose to its highest level since mid-2013 while US initial jobless claims for the week ending August 23 dropped by 1,000 to a seasonally adjusted 298,000, underscoring that the labor market remains on an improving trend. On the flipside, major **European bourses** were standing in positive territory in early trade on Friday mainly supported by firmer drugmakers. Persisting expectations for further ECB monetary policy stimulus ahead also had a positive impact. Improved risk appetite dented the safe-haven appeal of German government bonds with the **10-yr Bund yield** standing close to 0.90% at the time of writing after ending at a new record low of 0.88% in the prior session. **In FX markets**, selling pressure on the EUR persisted on Friday amid mounting expectations for further ECB monetary policy stimulus ahead. Against this background, today's euro area inflation data for the month of August lure market attention. Consensus is for a drop in the annual Harmonized Index of Consumer Prices (HICP) to 0.3% from 0.4% in the prior month, well below the ECB's medium-term price stable target of "below, but close to, 2.0%YoY".

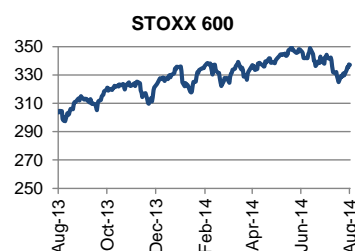
GREECE

According to the most recent Bank of Greece data, **euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG)** improved in July for the fifth month in a row. Specifically, private sector deposits edged up by €0.16mn coming in at ca €163.2bn. Greece's banking system deposit base currently stands ca €12.6bn higher compared to a seven-year trough recorded in June 2012. In other news, **the Economic Sentiment Indicator for Greece** dropped in August for the second month in a row coming in at 101.9 from July's 102.6. In spite the August decline, the Indicator remained not far from a six-year high of 103.7 marked two months ago. The breakdown of the report showed that the all sub-confidence indicators moved lower with the exception of the Retail Trade and Services Indicators which both advanced hitting their highest level since mid-August 2008.

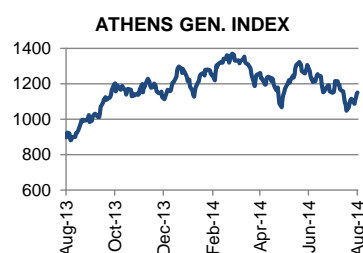
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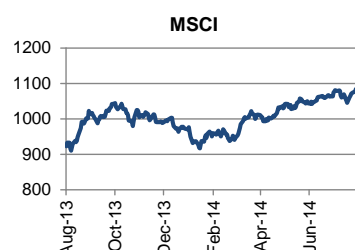
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 28/8/2014, 15:50 CET): **Market Developments:** The EUR/RSD resumed its uptrend on Thursday hitting a new record high of 117.85/05 with the dinar failing to capitalise on renewed intervention by the national bank of Serbia (NBS). The NBS appears to have sold approximately €10mn. Technically, strong resistance lies at 118.00. **Latest Political & Macro Developments:** Out of the targeted amount of RSD 3bn in 6M RSD T-Bills, the Public Debt Agency sold RSD 2.4bn (€20.6mn) on Thursday. The auction produced an average accepted yield of 7.24%, down 41bps compared to that achieved on June 5th when paper of similar maturity was issued.

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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, 29/8/2014, 9:20 EET): **Market Developments:** Taking its cue from other major regional currencies, the RON moved lower on Thursday pressured by renewed Ukraine jitters. Against this background, the EUR/RON firmed hitting an intraday high of 4.4080 before closing at 4.4050 and marking daily gains of ca 0.3%. Interest rates in money markets were little changed on Thursday while sovereign bonds moved higher across the curve by ca 5-10 bps.

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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, 28/8/2014, 17:15 EET): **Market Developments:** Domestic stock markets lost some ground on Thursday with the BSE benchmark SOFIX index falling by 0.51% to 554.01 points. **Latest Political & Macro Developments:** According to data from the National Statistics Institute (NSI), the total business climate indicator decreased by 1.6 percentage points in August compared to its July level, marking its third consecutive monthly decline mainly due to the more unfavourable business climate in service sector, construction and retail trade. Specifically, the business climate indicator in construction decreased by 2.2 percentage points while the respective indicator for services and retail trade fell by 5.3 and 0.9 percentage points.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	1996.74	-0.2%	8.0%
Nikkei 225	15424.59	-0.2%	-5.3%
STOXX 600	341.98	0.3%	4.2%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.3187	0.0%	-4.0%
GBP/USD	1.66	0.1%	0.3%
USD/JPY	103.9	-0.2%	1.4%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.35	1	-68
Bund-10yr	0.90	1	-103
JGB - 10yr	0.50	0	-25

Commodities

	Last	ΔD	ΔYTD
GOLD	1286	-0.3%	6.6%
BRENT CRUDE	181	0.0%	8.0%
LMEX	3259	-0.9%	3.2%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	6.70	1	-131
1-week	6.92	2	-136
1-month	7.22	1	-136
3-month	7.71	2	-117
6-month	8.04	1	-111

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.39	0	-57
5Y RSD	10.29	0	-253
7Y RSD	11.25	0	-256

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.83	0	-118
USD Nov-24	-2.14	-869	-905

CDS

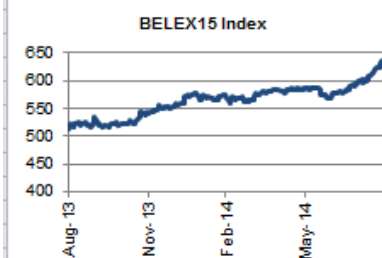
	Last	ΔDbps	ΔYTD bps
5-year	250	-13	-159
10-year	298	-12	-149

STOCKS

	Last	ΔD	ΔYTD
BELEX15	632.6	-0.21%	13.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.00%	-2.78%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.53	3	79
1-month	2.1	11	22
3-month	2.28	5	-16
6-month	2.58	0	-41
12-month	2.7	1	-45

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.64	2	-131
5Y RON	3.27	1	-138
10Y RON	4.15	2	-115

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.08	2	-177
USD Aug-23	3.75	2	-105

CDS

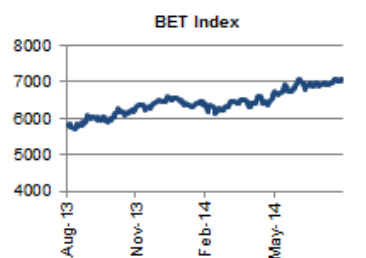
	Last	ΔDbps	ΔYTD bps
5-year	133	-6	-50
10-year	177	-7	-55

STOCKS

	Last	ΔD	ΔYTD
BET	7103.6	0.75%	9.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.406	-0.02%	1.52%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.05	0	-2
1-month	0.23	0	-9
3-month	0.48	0	-17
6-month	0.85	-1	-30
12-month	1.65	-1	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.29	0	19
5Y BGN	1.89	0	4
10Y BGN	3.15	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.58	-1	-1
EUR Jul-17	1.36	-7	-44

CDS

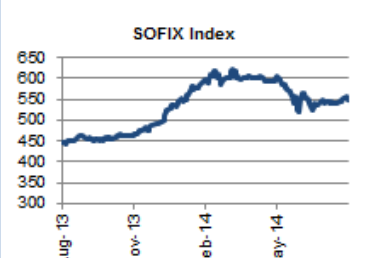
	Last	ΔDbps	ΔYTD bps
5-year	130	-3	9
10-year	176	-1	1

STOCKS

	Last	ΔD	ΔYTD
SOFIX	547.5	-1.18%	11.38%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4831	0.05%	-4.05%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:00 EET

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