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Brief summary *of key market developments*

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Eurobank

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- **Major European bourses** were little changed in early trade on Monday, consolidating hefty gains recorded in the last few weeks. Investors adopt a cautious stance ahead of key macro data due for release from both sides of the Atlantic in the coming sessions.
- In FX markets, the **USD** kicked off the week on a firmer footing supported by increased market optimism about the growth prospects of the US economy.
- **Greece:** The **Eurogroup** convenes later in the day and is expected to formally approve the disbursement of the €4.2bn EFSF loan tranche to Greece, originally scheduled for Q1 2013. The said loan tranche is reportedly expected to arrive in State coffers before May 20, 2013 when four Greek sovereign bonds mature for a total notional amount of €5.6bn. According to press reports, Euro area finance ministers are also likely to reach at today's meeting a "political decision" for the disbursement of the next EFSF loan tranche of €3.3bn, subject to fulfillment of certain programme milestones. In other news, the **Greek debt agency (PDMA**) is scheduled to auction €1.0bn of 3-month in T-bills tomorrow (Tuesday, May 14, 2013).

Latest Developments/News & Macro releases

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Equity markets

Major European bourses were little changed in early trade on Monday, consolidating hefty gains recorded in the last few weeks as investors adopt a cautious stance ahead of a string of key macro data due for release from both sides of the Atlantic later this week. In the US, focus is on April's retail sales (Tuesday) ahead of the Philly Fed survey for May (Thursday) and the preliminary May reading for UM consumer confidence (Friday). Meanwhile, the Euro area gets the flash estimate for Q1 GDP (Wednesday) while the German ZEW survey for the month of May is due for release on Tuesday. Along similar lines, **major bourses in Asia** were not much changed in today's session compared to Friday's settlement. Japan's Nikkei 225 average index was among the main regional outperformers supported by the JPY's renewed weakness after the G7 finance ministers reportedly gave their tacit approval to the recent JPY's weakening trend. In the informal weekend meeting which ended without a concluding statement, the world's leading finance ministers reportedly said that they were reassured by Japan that its monetary policy is not targeting a weaker domestic currency. Turning to Wall Street, **major US equity indices** remained in an upward trend on Friday. Specifically, both the S&P 500 and the Dow Jones industrial average ended at fresh record closing highs and posted the third consecutive week of gains favored by increased market optimism about the growth prospects of the US economy as well as the latest string of firmer-than-expected Q1 earning results from big US corporate names.

FX markets

The **USD** kicked of the week on a firmer tone across the board supported by a higher-than-expected US federal budget surplus for the month of April. The latest flurry of positive US macro data releases, including the April non-farm payrolls report published earlier this month, also supported the US currency. Against this background, the **USD/JPY** extended its recent gains hitting a fresh 4 ½ year high of 102.14 earlier today in Asia before retreating modestly to levels around 101.65/75 in early European trade at the time of writing. The weekend G7 finance ministers' meeting which did not seem putting any roadblocks in the way of further JPY weakness, also favored the USD/JPY. Amid expectations for more BoJ monetary easing policy in the months ahead, the likelihood of further USD/JPY strengthening in the coming sessions/weeks can not be ruled out. This holds especially if upcoming US macro data releases deliver positive surprises. Technically, the next major resistance lies at 102.40 (October 20, 2008 peak). Elsewhere, the **EUR/USD** was hovering around 1.2965/70 at the time of writing, not far from a one-month low of 1.2935 recorded late last week. ECB policymaker Ignazio Visco's comments earlier today that the central bank could take its deposit rate to negative territory, if needed, to support the euro area economy, added to EUR-negatives. Increased market uncertainty about the growth prospects of the euro area economy, are expected to keep the EUR/USD under pressure in the coming session. Yet, any further weakness is likely to be limited as the Fed is not expected to scale back the pace of its quantitative easing programme any time soon. Technically, strong support for the EUR/USD stands at 1.2900 (April 5 low).

Government bond markets

German government bonds were modestly firmer in European trade on Monday supported by market worries over the growth prospects of the euro area economy. Euro area Q1 GDP data, due for release on Wednesday, are expected to show a 6th consecutive quarterly contraction though the pace is likely to slow to 0.1%qoq from 0.6% in the October-December 2012 period. Long-dated Bunds outperformed with the 10-yr yield trading close to 1.35% at the time of writing after ending at 1.38% in the prior session which was the highest level since March 20. Against this background, the 2/10 Bund yield curve undertook some bullish flattening with the corresponding spread hovering around 133bps at the time of writing, some 1bp narrower compared to Friday's settlement. Turning to the US, **Treasuries** were little changed as investors adopt a cautious stance ahead of a flurry of key US macro data due for release this week. The 2/10-yr UST yield spread was trading close to 165.8bps at the time of writing, not much changed compared to last session's 166bps close which was the widest since mid-March.

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