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- The **EUR** regained some ground against the US currency in European trade on Thursday following Spain's well received sovereign bond auctions. Elsewhere, the **GBP** retained a firm tone against its major currency peers supported by the BoE's minutes for the April meeting which downplayed expectations for a new round of QE any time soon.
- **Greece:** The "**Growth for Greece**" programme European Commission President **Jose Manuel Barroso** presented to the European Parliament on Wednesday, encompassed a set of priority actions aiming, among others, to revive domestic economic activity and boost employment.
- **Turkey's** central bank held interest rates unchanged at its MPC meeting yesterday, in line with expectations.
- **CEE stock markets** broadly rose in morning trade on Thursday in tandem with major European bourses; regional currencies were little changed.

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Greece: The "**Growth for Greece**" programme European Commission President **Jose Manuel Barroso** presented to the European Parliament on Wednesday, encompassed a set of priority actions aiming, among others, to revive domestic economic activity and boost employment. According to the European Commission President, there are three main sectors that should be given priority; i) the effective monitoring of public finances, ii) the recapitalization of the domestic banking sector along with a cash flow supply of up to €5bn for Small and Medium-sized enterprises and, iii) improvement of the business climate via the implementation of structural reforms and tackling bureaucracy.

Turkey's central bank (CBT) held interest rates unchanged at its MPC meeting yesterday, in line with expectations. Accordingly, the key policy 1-week repo rate remained at a record low level of 5.75%, while the overnight borrowing and lending rates were kept at 5.00% and 11.50% (11.00% provided for primary dealers) respectively. The CBT also maintained required reserve ratios (RRRs) for foreign currency and lira deposits at their earlier levels. Casting a rather more hawkish tone, the Committee noted at its accompanying statement that it "will not tolerate temporary factors to have an adverse impact on the inflation outlook" and added that further monetary tightening may be employed more frequently in the forthcoming period in order to contain inflation pressures. All in all, we anticipate the CBT to continue along its current monetary policy mix in the coming months, rendering additional bouts of monetary tightening in episodes of rising inflation risks and particularly in times of pronounced TRY weakness. These tightening periods are likely to be short in duration as the bank will try to avoid exacerbating downside risks to the domestic economy, which is braced for a soft landing this year. The upcoming Inflation Report (due on April 26) will likely further illuminate the Committee's policy deliberations ahead.

Elsewhere, **Poland's** corporate sector wages increased by 3.8%yoy in March, as was broadly expected, with the rate of increase slowing from 4.3%yoy a month earlier. Meanwhile, corporate employment advanced by 0.5%yoy in March to 5.54 million individuals, in line with February's increase but slightly underperforming the market's median forecast of 0.6%yoy. Separately,

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Hungary's gross average wage growth picked up pace in February, coming in at 6.9%yoy from 4.3%yoy in the prior month.

Equity markets

Asian equity markets were mostly weaker on Thursday, taking their cue from Wall Street's losses overnight following weaker-than-expected earning results from **IBM** and **Intel**. Meanwhile, fears that the euro area debt crisis may flare up again, are on the rise. The **Italian government** revised upward its 2012 GDP forecast to -1.2%yoy from -0.4%yoy projected in December and, according to a draft document due to be approved by the cabinet, it will delay by a year its plan to reach a balanced budget in 2013 due to a weakening domestic economic outlook. As per the plan, Mario Monti's government will raise the 2012 deficit target to 1.7%-of-GDP from 1.6%-of-GDP while the 2013 goal will be raised to 0.5%-of-GDP from 0.1%-of-GDP. Separately, **Portugal Prime Minister Passos Coelho** said earlier this week that there are not guarantees that his country will return to international debt markets by the end of next year, as planned, as there are many unpredictable factors. Adding to market jitters, in its updated World Economic Outlook, the IMF forecasts a 6%-of-GDP 2012 deficit shortfall for **Spain** followed by 5.7%-of-GDP in 2013 against the Spanish government's target to achieve a 3%-of-GDP budget deficit by 2013. Moreover, concerns about the outlook of the Spanish banking sector prevail. According to Bank of Spain data, non-performing loans increased by €3.8bn to €143.8bn in February from the previous month, the highest level since October 1994. Against this environment, MSCI's broadest index of Asia-Pacific shares outside Japan edged 0.1% lower, Japan's Nikkei 225 average index lost 0.9% while Australian shares outperformed the region with a 0.4% gain.

On the flipside, **major European bourses** moved higher in early trade on Spain's well received 2-year and 10-year sovereign bond auctions earlier today. The announcement from the **IMF** that it has raised \$320bn in **financial firepower** so far to help contain the euro area's debt crisis, may also had an impact. Deputy Finance Ministers of the Group of G20 will convene in Washington today ahead of the meeting of Finance Ministers and Central Bank Governors on Friday where the issue of the IMF boosting bailout funds will reportedly dominate. IMF head Christine Lagarde is reportedly hoping to secure at least \$400bn in bailout commitments, with Eurozone countries having already committed to provide around \$200bn. Earlier this week, Japan pledged \$60bn, Sweden said that it is ready to immediately commit \$10bn and increase the amount to \$14.7bn later, Denmark said that it will offer \$7bn, Poland \$8bn and Switzerland pledged to provide "a substantial amount".

FX markets

The EUR edged higher against the US currency in European trade on Thursday, supported by Spain's bond auctions which met solid demand. The Spanish Treasury sold €1.1bn of a bond maturing Oct. 31, 2014 at an average yield of 3.463% and a bid-to-cover ratio of 3.3, compared to a ratio of 2.0 at the last auction in October. Spain also sold €1.4bn of the benchmark bond due Jan. 31, 2022, at a yield of 5.743%. The bond was 2.4 times oversubscribed, after 2.2 times at the last primary auction in January when the bond sold at an average yield of 5.403%. The **EUR/USD** was hovering around 1.3140/45 at the time of writing, having rebounded from lows near 1.3050 recorded on Wednesday. However, on the back of lingering fears over Spain's and Italy's public finances, uncertainty about the outlook of the Eurozone's economy and anxiety over the outcome of the upcoming French presidential elections, any further EUR strengthening in the coming sessions is likely to prove limited. According to the technical picture, strong resistance lies at 1.3210 (April 12 high).

Elsewhere, the GBP retained a firm tone as the less dovish-than-expected tone of the latest BoE minutes published y-day which downplayed expectations for a new round of QE any time soon, continued to have an impact. Specifically, the **BoE's minutes for the April meeting** showed that 8-1 members voted against further monetary stimulus with Adam Posen - a well-known dovish member of the board and frequent advocate of monetary easing - moved out of the dovish camp this time and voted in line with the majority of the central bank to keep its Asset Purchase Facility at the current £325bn. David Miles was the only BoE dove member who voted in favor of a further £25bn increase in the central bank's asset purchases saying, though, that his decision was 'finely balanced'. The **EUR/GBP** was hovering around 0.8175/80 in early European trade, not far from a 19-month low of 0.8163 recorded earlier today. Technically, near-term support stands at around 0.8140 (August 23, 2010), a break below that could open the way for further EUR/GBP weakness towards the 2010 low of 0.8065.

Emerging markets

CEE stock markets broadly rose in morning trade on Thursday in tandem with major European bourses in view of the Spanish debt auctions. As a result, most bourses in the region were registering gains to the tune of ca 0.5% at the time of writing, while regional currencies were little changed.

The Turkish lira broadly outperformed its regional peers in the wake of the MPC meeting yesterday where the central bank signaled it is ready to further tighten monetary conditions if necessary. Although sharp lira depreciation may be somewhat avoided in this fashion, the currency will likely remain closely correlated to global developments, with renewed euro area debt crisis jitters to probably weigh on the TRY anew. Against this background, the **USD/TRY** temporarily touched a 2-week low of 1.7820 in Europe earlier today, before rebounding slightly towards 1.7850/1.7920 shortly after. Meanwhile, the pair's technical picture suggests that immediate support stands at today's

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trough ahead of levels near 1.7800 (50 day MA).

In the **local rates markets**, **Poland** is holding today a PLN5.0-7.5bn (€1.19-1.79bn) auction in zero-coupon bonds maturing in July 2014 and fixed-rate bonds due Oct. 2016. Later on the day, **Romania** offers RON500mn (€114.25mn) in five-year paper, while **Hungary** tenders a total of HUF 40bn (€0.135bn) of government bonds, a key test for investors' appetite towards the country's assets as uncertainty remains over the progress towards a financial aid package with international lenders. Hungarian Prime Minister Viktor Orban is expected to meet European Commission President Jose Manuel Barroso next Tuesday, a move which could pave the way for the initiation of official credit line talks with the EU/IMF.

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