

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 13: Retail sales (Apr)
- May 14: Initial jobless claims (May 9)
- May 15
 - Empire state manuf (May)
 - Industrial prod. (Apr)
 - UoM cons sent (May)

EUROZONE

- May 13: GDP (Q1, flash)

GREECE

- May 11
 - Industrial prod (Mar)
 - Eurogroup meeting
- May 12: IMF loan repayment (ca €760mn)
- May 15: GDP (Q1, A)

CYPRUS

- May 12: HICP (Apr)
- May 13: GDP (Q1, p)

SEE

BULGARIA

- May 11: T-bonds auction
- May 8
 - Retail sales (Mar)
 - Industrial production (Mar)

ROMANIA

- May 11
 - 3.25% 2018 T-bonds auction
 - Trade balance (Mar)
- May 12
 - CPI (Apr)
 - Industrial production (Mar)
- May 13: GDP (Q1, A)
- May 14: 4.75% 2019 T-bonds auction
- May 15: CAD (Mar)

SERBIA

- May 11: MPC meeting
- May 12: HICP (Apr)
- May 14: 8% 2017 T-bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking losses in Wall Street overnight, the majority of Asian and European stock markets moved broadly lower earlier on Tuesday amid heightened worries over China's growth prospects, persisting uncertainty on the Greek issue and increased volatility in a number of major sovereign bond markets. With the May 11 Eurogroup now out of the way, market focus turns to US April retail sales due on Wednesday which have the potential to affect the short-term outlook of the EUR/USD.

GREECE: According to the official statement issued after the conclusion of y-day's Eurogroup, euro area finance ministers acknowledged the progress that has been achieved so far in official discussions between the Greek authorities and the institutions. Yet, as per the same statement, more time is required and more effort is needed for the two sides to bridge their differences on the outstanding issues so as a staff level agreement to be reached, a prerequisite for the resumption of official sector financing. In other news, Greece made y-day a c. €750mn amortization payment to the IMF, a day before it was due.

CYPRUS: According to preliminary estimates, Cyprus's trade deficit shrank by 6.4%YoY to €168mn in March, pushing the Q1 2015 shortfall ca 20% narrower on an annual basis to €797mn, as growth of 45.5%YoY in exports over that period, significantly outpaced nearly flat growth in imports.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold on Monday RON 400mn worth of 3.25% January 17, 2018 T-Notes at an average accepted yield of 2.00%, a tad below a yield of 2.11% achieved at a prior auction of same maturity paper held in April.

SERBIA: Confounding our and market expectations for staying put on its monetary policy at its meeting on Monday, the National Bank of Serbia cut its key policy rate by 50bps for the second month running to a new record low of 6.50%. In other news, upon the conclusion of a 2-week visit to Serbia in the context of the first review under the country's precautionary Stand-By Arrangement, the IMF said in a statement on Monday that the mission reached a staff-level agreement with domestic authorities.

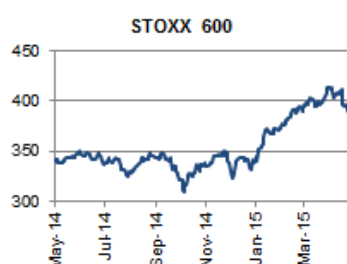
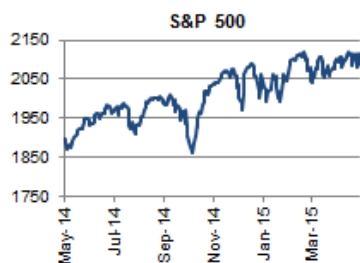
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May 12, 2015

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Tracking losses in Wall Street overnight, the majority of Asian and European stock markets moved broadly lower earlier on Tuesday amid heightened worries over China's growth prospects, persisting uncertainty on the Greek issue and increased volatility in a number of major sovereign bond markets. In FX markets, the EUR moved lower in European trade after euro area finance ministers acknowledged in y-day's Eurogroup that progress has been achieved in official discussions between Greece and the institutions but 'more time and effort are needed to bridge the gap on remaining issues'. The EUR/USD was hovering around 1.1225/30 at the time of writing, having retreated from a multi-week high near 1.1400 reached late last week. With the May 11 Eurogroup now out of the way, market focus turns to US April retail sales due on Wednesday which have the potential to affect the short-term outlook of the EUR/USD. Elsewhere, German government bonds and USTs came under renewed pressure earlier today, with the yield of the 10-year Bund hitting at some point earlier today a fresh multi-month high near 0.67%.

GREECE

According to the official statement issued after the conclusion of y-day's Eurogroup, euro area finance ministers acknowledged the progress that has been achieved so far in official discussions between the Greek authorities and the institutions. Yet, as per the same statement, more time is required and more effort is needed for the two sides to bridge their differences on the outstanding issues so as a staff level agreement to be reached, a prerequisite for the resumption of official sector financing. Responding to a relevant question in the press conference that followed, Eurogroup President Jeroen Dijsselbloem said that he stands ready to call an extraordinary Eurogroup as soon as the institutions confirm that there is a basis for a successful completion of the current review. Furthermore, he left the door open to the possibility of a partial disbursement of the pending loan tranche on the condition that Greece starts implementing some of the agreed reforms, while there has been an agreement on the full range of contentious issues. In addition to the above, the Eurogroup President appeared open to the likelihood of a referendum in Greece warning though that such a development would delay the disbursement of the pending loan tranche. On his part, Greece's Minister of Finance Yanis Varoufakis admitted that Greece's liquidity position is a "terribly urgent issue" and a final agreement has to be sealed in the next couple of weeks. The Greek Minister of Finance also noted that a referendum is a tool available for the Greek government to get democratic support adding though that, for the time being, such an option is not "on the radar screen". In other news, Greece made y-day a c. €750mn amortization payment to the IMF, a day before it was due.

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CYPRUS

According to preliminary estimates, Cyprus's trade deficit shrank by 6.4%YoY to €168mn in March, pushing the Q1 2015 shortfall ca 20% narrower on an annual basis to €797mn, as growth of 45.5%YoY in exports over that period, significantly outpaced nearly flat growth in imports.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.8	0.4
HICP (pa, yoy %)	0.4	-1.4	0.7
Budget Balance/GDP	-4.9	-3.0	-3.0
Current Account/GDP	-1.9	-1.1	-0.8

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.00	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	-0.5
CPI (pa, yoy %)	7.9	2.1	3.5
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.0	-4.7
EUR/RSD (eop)	114.60	120.96	125.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.50	6.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

ROMANIA

The finance ministry sold on Monday RON 400mn worth of 3.25% January 17, 2018 T-Notes at an average accepted yield of 2.00%, a tad below a yield of 2.11% achieved at a prior auction of same maturity paper held in April. Reflecting strong investor demand, the bid to cover ratio stood at 1.9%. On the data front, Romania's trade deficit rose to €813mn in March from a shortfall of €384mn a month earlier, pushing the Q1 deficit 22.6%YoY wider to €1.37bn. According to the breakdown of the data, imports increased by 6.3%YoY to €14.8bn in January-March outpacing a concomitant 4.9%YoY rise in exports which totaled €13.4bn over the same period. In all, the data reflects strengthening domestic demand dynamics, driven by a sustained improvement in private consumption.

SERBIA

Confounding our and market expectations for staying put on its monetary policy at its meeting on Monday, the National Bank of Serbia cut its key policy rate by 50bps for the second month running to a new record low of 6.50%. Justifying its decision, the NBS highlighted that inflation remains below the lower bound of the 4±1.5% target tolerance band, price pressures are persistently subdued and inflation expectations declined further over recent months while domestic demand dynamics remain weak. It is also worth noting that investor sentiment towards Serbia also appears to have significantly improved in the aftermath of the IMF agreement, while the Fund has also signaled its support towards gradual monetary easing ahead in order to support the domestic economic recovery. In view of the aforementioned, further monetary easing in the months ahead cannot be ruled out, especially if inflation keeps undershooting expectations. However, the room for such action seems rather limited as any such moves are likely to be of measured size amidst lingering external uncertainties and risks to the government's fiscal consolidation plans. In addition, we reiterate that the key policy rate has rather limited potential to spur credit, as ca 70% of loans are EUR-linked. The risk of the key policy rate being reduced to levels below 6.00% is always present, though such hefty easing may weigh on the local government bond markets.

Upon the conclusion of a 2-week visit to Serbia in the context of the first review under the country's precautionary Stand-By Arrangement, the IMF said in a statement on Monday that the mission reached a staff-level agreement with domestic authorities. The completion of the review is subject to a final approval by the Fund's Management and the Executive Board, tentatively scheduled for late June. It is expected to make about €146mn available for disbursement, though the government has noted in the past that it does not intend to draw any of the program's available funds. In the said statement, the IMF mission acknowledged that economic prospects have somewhat improved and revised its 2015 real GDP growth projection to 0% from -0.5% before. Additionally, the Fund noted that the Q1 budget performance was "fully in line with the program targets", while "monetary and financial sector policies have remained on track".

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May 12, 2015

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	2113.54	-0.1%	2.7%	EUR/USD	1.1153	-0.4%	-7.8%	UST - 10yr	2.21	7	4	GOLD	1188	-0.1%	0.2%
Nikkei 225	19620.91	1.2%	12.4%	GBP/USD	1.5562	0.7%	-0.1%	Bund-10yr	0.60	5	6	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	401.77	0.4%	17.3%	USD/JPY	119.94	-0.2%	-0.2%	JGB - 10yr	0.40	-3	7	LMEX	2933	-0.2%	0.6%

CESEE 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	517	-1	-474	O/N	1.24	-14	67	LEONIA	0.02	0	0		
1-week	5.65	0	-436	1-month	1.35	-5	44	1-month	0.17	0	-5		
1-month	6.25	1	-380	3-month	1.4	-2	-30	3-month	0.34	0	-9		
3-month	6.81	0	-304	6-month	1.61	0	-40	6-month	0.67	-2	-12		
6-month	7.28	0	-251	12-month	1.64	1	-38	12-month	1.28	0	-23		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	8.25	0	-79	3Y RON	2.02	2	-29	3Y BGN	0.52	-2	-52		
5Y RSD	9.17	0	-101	5Y RON	2.49	3	-22	5Y BGN	0.85	8	-60		
7Y RSD	9.82	0	-226	10Y RON	3.53	1	-13	10Y BGN	2.12	-1	-63		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.64	-4	-62	EUR Sep-20	1.58	5	-15	EUR Jul-17	0.80	0	-36		
USD Nov-24	6.43	-1	-16	USD Aug-23	3.66	7	4	EUR Sep-24	2.45	17	-42		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	233	0	-57	5-year	108	-2	-34	5-year	151	-1	-40		
10-year	287	0	-69	10-year	154	-2	-33	10-year	201	-1	-40		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	708.7	-0.39%	6.24%	BET	7562.1	-0.29%	6.76%	SOFIX	490.5	-1.90%	-6.04%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.58	0.16%	0.64%	EUR/RON	4.4492	-0.11%	0.77%	USD/BGN	1.7538	-0.44%	-7.83%		

SERBIA		ROMANIA		BULGARIA	
BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 18.00 EET of previous session

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