

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 20, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 18: NAHB index (May)
- May 18-20: Fed's Evans speaks
- May 19
 - Housing starts (Apr)
 - Housing permits (Apr)
- May 20: FOMC Minutes (Apr)
- May 21
 - Initial jobless claims (May 16)
 - Existing home sales (Apr)
 - Philly Fed index (May)
- May 22
 - CPI (Apr)
 - Fed's Williams speaks

EUROZONE

- May 19
 - HICP (f, Apr)
 - DE: ZEW (May)
- May 21: PMI manufacturing/services (p, May)
- May 21-22: EU Summit
- May 21-23: ECB Forum on Central Banking

GREECE

- May 20: Industrial production (Mar)

CYPRUS

- May 20: Industrial production (Feb)
- May 21: Trade statistics (Feb)

SEE

BULGARIA

- May 18: 1.85% 2020 T-bonds auction

ROMANIA

- May 21: 5.75% 2020 T-bonds auction

SERBIA

- May 20: Current account balance (Mar)
- May 21: 3% T-bonds auction

Source: Reuters, Bloomberg, Eurobank
Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US housing starts for April surprised positively hitting a 7 ½ year peak, while building permits marked their highest level since 2008, adding to market optimism that the domestic economy is regaining strong momentum. Against this background, US Treasuries moved lower, while the USD gained ground across the board.

GREECE: Addressing a joint press conference in Berlin y-day, German Chancellor Angela Merkel and French President Francois Holland said that official discussions between the Greek authorities and the Institutions have to "speed up" with an aim a final agreement to be reached in the coming sessions.

CYPRUS: Speaking on the sidelines of the Annual General Meeting of the Employers and Industrialists Federation (OEB) earlier this week, Cyprus's President Nicos Anastasiades reportedly said that the government will soon announce its plans to improve the taxation framework, inclusive of tax reductions aimed at attracting foreign investments and supporting the domestic economy.

SOUTH EASTERN EUROPE

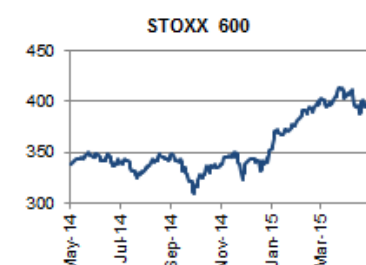
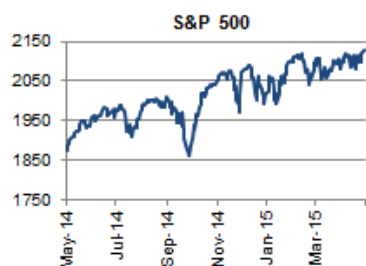
CESEE MARKETS: Regional currencies broadly firmed and government bonds gained ground on Monday, in the wake of ECB's Benoit Coeure comments suggesting that the Central Bank may increase its bond purchases ahead of the summer.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US housing starts for April surprised positively hitting a 7 ½ year peak, while building permits marked their highest level since 2008, adding to market optimism that the domestic economy is regaining strong momentum. Against this background, US Treasuries moved lower, while the USD gained ground across the board. After moving below the technically important level of 1.1470 (100-day MA), the EUR/USD was hovering close to 1.1080/85 at the time of writing, close to a multi-week low of 1.1069 recorded at some point in early European trade after rising to as high as 1.1466 earlier this week. Comments by ECB's Coeure y-day that the Central Bank should accelerate the implementation of the asset purchase programme before the summer lull, was among the main drivers behind the EUR's latest down-move. Technically, strong support for the EUR/USD lies at 1.0950, with investors awaiting the minutes of the FOMC April monetary policy meeting due for release later today.

GREECE

Addressing a joint press conference in Berlin y-day, German Chancellor Angela Merkel and French President Francois Holland said that official discussions between the Greek authorities and the Institutions have to "speed up" with an aim a final agreement to be reached in the coming sessions. Both European leaders also said that they are prepared to meet Greek Prime Minister Alexis Tsipras later this week on the sidelines of the two-day EU Summit in Riga on May 21/22. On a similar tone, speaking at a separate event, European Commission President Jean-Claude Juncker said that he expects a deal to be sealed by late May or early June and rebuffed press reports that he proposed a compromise agreement to the Greek government. According to local press reports, should a technical level agreement be reached this week, the Greek government intends to ask for an extraordinary Eurogroup, probably next Monday (May 25), where euro area finance ministers could potentially examine the unlocking of an early disbursement of the €7.2bn pending loan tranche.

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CYPRUS

Speaking on the sidelines of the Annual General Meeting of the Employers and Industrialists Federation (OEB) earlier this week, Cyprus's President Nicos Anastasiades reportedly said that the government will soon announce its plans to improve the taxation framework, inclusive of tax reductions aimed at attracting foreign investments and supporting the domestic economy. The President added that the government's primary goal for this year is to exit from the recession and restore the country's sovereign credit rating, which would pave the way for the completion of the country's economic reform programme with international lenders within the next ten months. On the data front, according to Eurostat data, Cyprus's trade deficit narrowed to €600mn in January - March 2015 from €800mn over the same period a year earlier. The aforementioned improvement came primarily on the back of a 54%YoY rise in exports to €500mn, which significantly outpaced a flat annual growth reading in imports to €1100mn in January-March 2015. Separately, HICP came in at -1.7%YoY in April from -1.4%YoY in March, marking the second highest deflation rate in the EU.

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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

CESEE MARKETS

Emerging stock markets closed mixed on Monday. In the **CESEE region**, the Romanian BETI and the Hungarian BUX led the gains, marking respective advances of ca 0.5% and 0.4% on the day. On the flipside, the broader MSCI Emerging Markets index closed nearly flat, while Ukraine's PFTS and Serbia's BELEX15 underperformed their regional peers ending 1.15% and 0.78% lower, respectively.

On the other hand, **regional currencies** broadly firmed on Monday, in the wake of ECB's Benoit Coeure comments earlier in the session suggesting that the Central Bank may increase its bond purchases ahead of the summer. In more detail, the Hungarian forint led the gains in the region rallying ca 1% vs. the euro to a multi-session closing peak near 304.40. The Polish zloty followed suit ending around 0.5% higher near 4.0495/EUR and, in a similar vein, the Romanian leu firmed by approximately 0.15% to 4.4430 at the session's settlement. On the flipside, the Turkish lira came under pressure, with the USD/TRY rising to a multi-session high of 2.6040 at some point on Monday, weighed down by a stronger US dollar and market caution ahead of today's MPC meeting. The market's consensus is for the CBT to stay put on its monetary policy today, maintaining all three rates unchanged at respective levels of 7.50% (key policy rate), 10.75% (overnight lending rate), and 7.25% (overnight borrowing rate), as domestic political uncertainty lingers ahead of the June 7 parliamentary elections, inflation remains persistently above the Central Bank's target and external risks also persist.

In the **local rates markets**, government bonds closed broadly higher on Monday, favoured by ECB's Benoit Coeure comments. In more detail, the Polish and Hungarian 10-year benchmark bond yields slid by 3.7bps and 2.0bps, respectively, on the day to stand near 2.83% and 3.64% at the session's settlement.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.4	-0.5
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	-0.5
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

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	2127.70	-0.1%	3.3%	EUR/USD	1.1141	-1.5%	-7.9%	UST - 10yr	2.27	3	9	GOLD	1208	-1.5%	1.9%
Nikkei 225	20026.38	0.7%	14.8%	GBP/USD	1.5506	-0.9%	-0.5%	Bund-10yr	0.62	-3	8	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	404.10	1.5%	18.0%	USD/JPY	120.66	-0.6%	-0.8%	JGB - 10yr	0.38	-1	5	LMEX	2887	-0.9%	-1.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	508	0	-483
1-week	5.46	-1	-455
1-month	5.98	0	-407
3-month	6.48	-1	-337
6-month	6.99	-1	-280

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.34	0	-174
5Y RSD	9.28	0	-91
7Y RSD	9.68	0	-240

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	0	-64
USD Nov-24	6.43	-2	-16

CDS

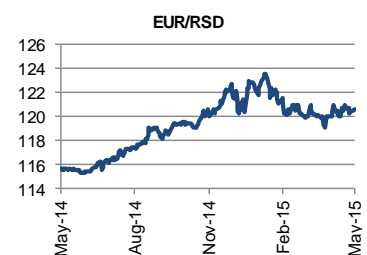
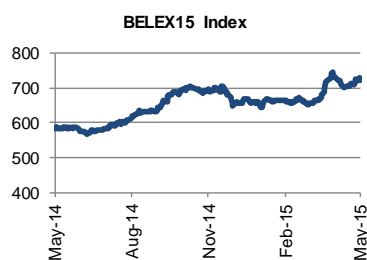
	Last	ΔDbps	ΔYTD bps
5-year	234	0	-56
10-year	286	0	-70

STOCKS

	Last	ΔD	ΔYTD
BELEX15	722.0	-0.78%	8.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.65	-0.11%	0.58%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	-2	6
1-month	1.21	-1	30
3-month	1.33	-1	-37
6-month	1.56	1	-45
12-month	1.58	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.98	-2	-33
5Y RON	2.55	-4	-16
10Y RON	3.57	-5	-9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.64	4	-9
USD Aug-23	3.50	-4	-11

CDS

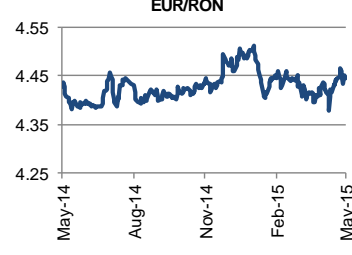
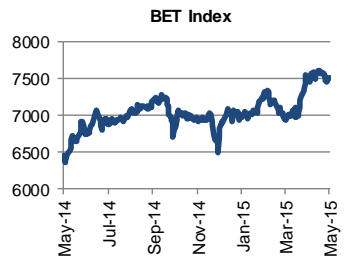
	Last	ΔDbps	ΔYTD bps
5-year	116	-1	-27
10-year	162	-1	-25

STOCKS

	Last	ΔD	ΔYTD
BET	7518.7	0.47%	6.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4476	0.10%	0.81%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-5
3-month	0.34	0	-9
6-month	0.67	0	-13
12-month	1.27	0	-23

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.50	0	-54
5Y BGN	0.79	-3	-66
10Y BGN	2.15	0	-60

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	5	-40
EUR Sep-24	2.55	-17	-32

CDS

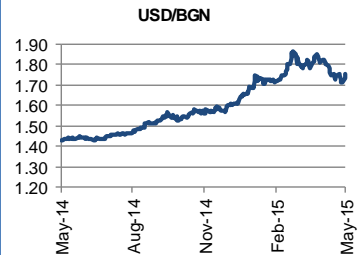
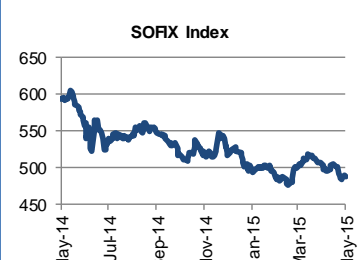
	Last	ΔDbps	ΔYTD bps
5-year	164	-1	-27
10-year	215	-1	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	487.3	-0.56%	-6.66%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7557	-1.54%	-7.93%



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

Data updated as of 18:15 EET of previous session

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