

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, May 25, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- May 27-29: G7 finance ministers and central bank governors meeting

#### US

- May 26
  - Durable goods (Apr)
  - CB consumer sentiment (May)
  - New home sales (Apr)
- May 28
  - Initial jobless claims (May 23)
  - Pending home sales (Apr)
- May 29
  - GDP (Q1, 2<sup>nd</sup> est.)
  - Chicago PMI (May)
  - UoM consumer confidence (May)

#### GREECE

- May 28
  - Greek PM Tsipras and Eurogroup's Dijsselbloem attend EU parliament's political leaders meeting
  - Deposits/Credit (Apr)
- May 29
  - GDP (Q1, p)
  - Retail sales (Mar)

#### CYPRUS

- May 25: Retail sales (Mar)
- May 28: Industrial production (Mar)
- May 29: Tourism revenues (Mar)

#### SEE

##### BULGARIA

- May 25: T-bonds auction
- May 28: External debt (Mar)
- May 29: Budget (Apr)

##### SERBIA

- May 25: Real gross wages (Apr)
- May 29
  - Industrial prod (Apr)
  - Trade balance (Apr)
  - Retail sales (Apr)
  - GDP (Q1, f)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Addressing a business group in Providence on Friday, FOMC Chair Janet Yellen she stated that, if the domestic economy continues to improve in line with the Fed's staff projections, it would be appropriate "at some point this year to take the initial step to raise the federal funds rate target". In response to the above, US Treasuries weakened on Monday while the US dollar moved higher across the board.

**GREECE:** After two days of deliberations, the central committee of the major coalition partner SYRIZA, approved on Sunday the negotiating line proposed by Greece's Prime Minister and party leader Alexis Tsipras. Meanwhile, official negotiations in Brussels between Greek authorities and the Institutions will reportedly resume on Tuesday with the two sides mainly focusing on an overhaul of the VAT system as well as social security and labor market reform. In other news, speaking to a local TV station on Sunday, Interior Minister Nikos Vrotsis said that, as things stand at this point, Greece cannot meet its debt (interest and amortization) payments due to the IMF next month, amounting c. €1.5bn cumulatively as "this money is not there to be given".

### SOUTH EASTERN EUROPE

**SERBIA:** In view of thin trade volumes and a light government bond auctions calendar as well as in the absence of crucial macroeconomic data, the EUR/RSD remained trapped within its recent trading range between 120.00-121.00 last week.

**CESEE MARKETS:** The majority of **emerging stock markets** kicked off the week on a negative footing on expectations that the Fed will incept its rate-hiking cycle later in the year. Investor caution also prevailed as negotiations between Greek authorities and the Institutions continue. Along similar lines, **regional currencies** and **government bonds** broadly fell in early European trade on Monday.

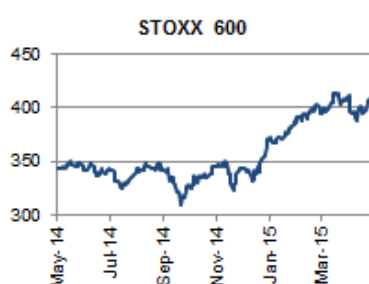
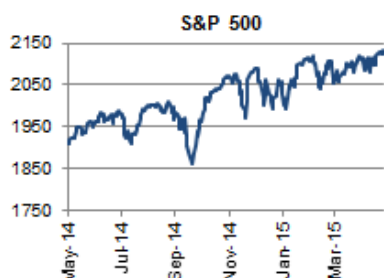
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## Latest world economic & market developments

### GLOBAL MARKETS

Addressing a business group in Providence on Friday, FOMC Chair Janet Yellen said that the US economy is expected to gain momentum following a slowdown in the early months of this year due to “transitory factors”. In addition, she stated that, if the domestic economy continues to improve in line with the Fed’s staff projections, it would be appropriate “at some point this year to take the initial step to raise the federal funds rate target” while cautioning that delaying a policy tightening until both employment and inflation meet the Central Bank’s targets risk overheating the economy. The above comments followed the release of the US’ April inflation data a few hours earlier which showed a 0.3% mom increase in core CPI, the highest in near a year, and a 1.8% rise in the annual rate, the highest since October. Against this background, major US equity markets ended lower on Friday, US Treasuries weakened while the US dollar bounced across the board. Indicatively, the EUR/USD was hovering around 1.1000 in European trade at the time of writing, after moving as low as 1.0967 earlier today for the first time since late April. In the absence of major data releases and with many markets worldwide being closed due to the Whit Monday public holiday, range trading will likely prevail today. Looking ahead, focus is on the 2<sup>nd</sup> estimate of US Q1 GDP on Friday, which has the potential to challenge the USD’s recent gains, should it surprise negatively.



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

After two days of deliberations, the central committee of the major coalition partner SYRIZA, approved on Sunday the negotiating line proposed by Greece’s Prime Minister and party leader Alexis Tsipras. In more detail, out of the 201 committee members, 95 voted in favor, 30 were absent, one casted a blank vote and the remaining 75 voted against, supporting instead the proposal submitted by the so-called radical “Left Platform” of the party which called for a clash with official creditors. According to some press reports, the text finally adopted by the majority of the central committee, calls for a compromise with official lenders based on the following terms: (i) low general government primary surplus targets; (ii) no further cuts in wages and pensions; (iii) some form of debt restructuring; and (iv) a significant package for public investment, particularly in the areas of infrastructure and new technologies. Meanwhile, official negotiations in Brussels between Greek authorities and the Institutions will reportedly resume on Tuesday with the two sides mainly focusing on an overhaul of the VAT system as well as social security and labor market reform. In other news, speaking to a local TV station on Sunday, Interior Minister Nikos Vrotsis said that, as things stand at this point, Greece cannot meet its debt (interest and amortization) payments due to the IMF next month, amounting c. €1.5bn cumulatively as “this money is not there to be given”. On the data front, the current account balance showed a deficit of €2.2bn in Q1 2015, up by €1bn year-on-year mainly due to a deterioration in the primary and the secondary income accounts as well as in the services balance.

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## Latest world economic & market developments in the CESEE region

### SERBIA

In view of thin trade volumes and a light government bond auctions calendar as well as in the absence of crucial macroeconomic data, the EUR/RSD remained trapped within its recent trading range between 120.00-121.00 last week. Against a similar backdrop, we expect the EUR/RSD to remain within the said three-month trading range over the coming sessions. The lingering prospect of new Central Bank interventions in the FX markets, in either side of the aforementioned range, also bodes well for range-trading to hold.

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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

### CESEE MARKETS

The majority of **emerging stock markets** kicked off the week on a negative footing on expectations that the Fed will incept its rate-hiking cycle later in the year. Investor caution also prevailed as negotiations between Greek authorities and the Institutions continue. Against this backdrop, the MSCI Emerging Markets index fell modestly in Asian trade, adding to last week's 0.6% decline. In the **CESEE region**, Poland's WIG index led the losses with a 0.7% drop in early European trade as exits polls showed that conservative candidate Andrzej Duda, supported by the opposition Law and Justice party (PiS), won Sunday's presidential elections with a share of 53%, beating incumbent Bronislaw Komorowski who scored 47%. Although the President has rather limited powers, incumbent Bronislaw Komorowski's defeat, backed by the ruling Civic Platform (PO), raised concerns about the government's prospects in the upcoming parliamentary polls in autumn. Official results over the May 24 presidential run-off are expected to be announced later on Monday.

Along similar lines, **regional currencies** broadly recoiled in early European trade on Monday. The Polish zloty broadly underperformed its regional peers, with the EUR/PLN spiking to a 2-month high near 4.1320 in Asia before pulling back towards 4.1150 at the time of writing. Elsewhere, the Turkish lira remained under pressure against a backdrop of a firming US dollar, with the USD/TRY consolidating around a multi-session peak of 2.6070 hit late last week. The Hungarian forint was modestly weaker, hovering around levels of 307.45/80 to the euro earlier today paring part of Friday's gains recorded in the wake of Fitch's announcement about a revision in the outlook on Hungary's long-term foreign and local currency Issuer Default Ratings (IDR) to positive from stable, amid improving external metrics.

In view of deteriorating risk sentiment, the majority of **government bonds** fell on Monday. Polish paper led the losers' pack in the wake of Sunday's presidential elections. In more detail, the corresponding 2 and 10-year benchmark yields rose by ca 6bps and 4bps compared to Friday's settlement, to stand near 1.82% and 2.87% respectively at the time of writing.

Looking into this week, final Q1 GDP readings in Poland and Serbia take centre. With respect to upcoming government bond auctions, this week's calendar is very light with Bulgaria's tender later today being of note.

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May 25, 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	2126.06	-0.2%	3.3%	EUR/USD	1.0971	-0.4%	-9.3%	UST - 10yr	2.21	0	4	GOLD	1205	-0.1%	1.7%
Nikkei 225	20413.77	0.7%	17.0%	GBP/USD	1.5486	0.0%	-0.6%	Bund-10yr	0.61	0	7	BRENT CRUDE	184	0.1%	5.3%
STOXX 600	407.27	-0.1%	18.9%	USD/JPY	121.62	-0.1%	-1.6%	JGB - 10yr	0.42	1	10	LMEX	2785	-1.1%	-4.5%

### CESEE MARKETS

#### SERBIA

##### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	508	0	-483
1-week	5.45	1	-456
1-month	5.97	1	-408
3-month	6.44	1	-341
6-month	6.90	1	-289

##### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.35	1	-173
5Y RSD	9.25	-3	-93
7Y RSD	9.44	0	-264

##### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.57	0	-69
USD Nov-24	6.44	2	-15

##### CDS

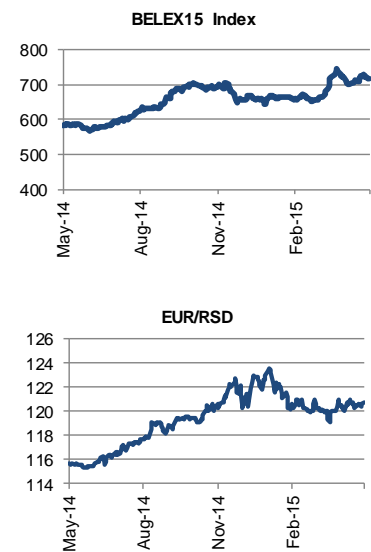
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-82
10-year	251	0	-105

##### STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.8	0.08%	7.76%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.75	0.06%	0.50%



#### ROMANIA

##### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.3	57	73
1-month	1.23	1	32
3-month	1.33	1	-37
6-month	1.55	1	-46
12-month	1.58	1	-44

##### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	-1	-37
5Y RON	2.49	0	-22
10Y RON	3.50	0	-16

##### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.57	0	-16
USD Aug-23	3.46	-3	-16

##### CDS

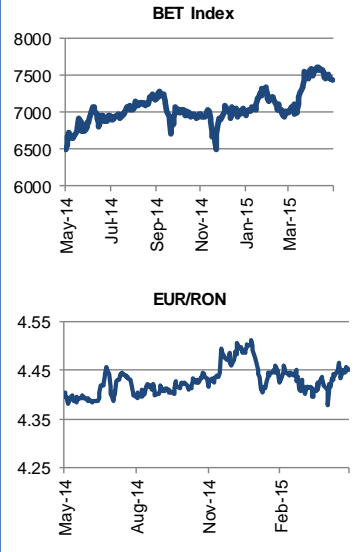
	Last	ΔDbps	ΔYTD bps
5-year	116	0	-27
10-year	162	1	-24

##### STOCKS

	Last	ΔD	ΔYTD
BET	7430.6	-0.42%	4.91%

##### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4508	0.10%	0.73%



#### BULGARIA

##### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-4
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	0.51	-3	-53
5Y BGN	0.86	8	-59
10Y BGN	2.21	0	-54

##### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	0	-40
EUR Sep-24	2.45	77	-42

##### CDS

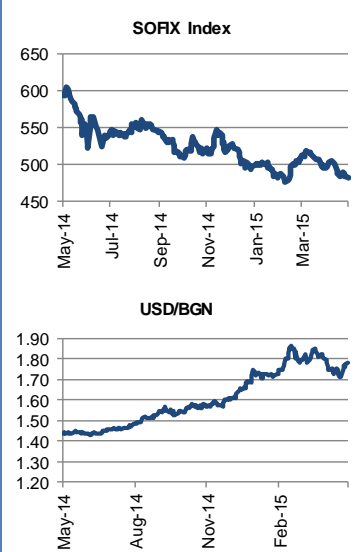
	Last	ΔDbps	ΔYTD bps
5-year	165	1	-26
10-year	214	0	-26

##### STOCKS

	Last	ΔD	ΔYTD
SOFIX	480.8	-0.74%	-7.90%

##### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7827	-0.38%	-9.32%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:50 EET

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