

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, May 05, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- May 4: Industrial orders (Mar)
- May 5
  - Trade balance (Mar)
  - ISM index non-manuf (Apr)
- May 6: ADP employment change (Apr)
- May 7: Initial jobless claims (May 2)
- May 8
  - Non-farm payrolls (Apr)
  - U/E rate (Apr)

### EUROZONE

- May 4: PMI manuf (Apr)
- May 5: EU Commission Spring Forecast
- May 6: PMI, services (Apr, f)

### GREECE

- May 6
  - Labour force survey (Feb)
  - May 8: HICP/CPI (Apr)

### CYPRUS

- May 7: CPI (Apr)

### SEE

### BULGARIA

- May 7: International reserves (Apr)
- May 8
  - Retail sales (Mar)
  - Industrial production (Mar)

### ROMANIA

- May 4: International reserves (Apr)
- May 5: Retail sales (Mar)
- May 6: MPC meeting
- May 7: Net wages (Mar)
- May 8: Industrial sales (Mar)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Bucking the positive trend in Wall Street overnight, Asian bourses broadly fell on Tuesday on growth concerns in the region. Meanwhile, most European stock markets reversed earlier losses to stand in the black at the time of writing on upbeat corporate earnings results. In FX markets, the Australian dollar recovered ground following a short-lived retreat after the Reserve Bank of Australia cut its key policy rate by 25bps to a record low of 2.00%.

**GREECE:** Speaking to reporters y-day, Greek government spokesman Gabriel Sakellaris was quoted as saying that there has been progress in official discussions and appeared confident that a comprehensive agreement covering a wide range of the contentious issues could be reached by the end of May.

### SOUTH EASTERN EUROPE

**ROMANIA:** International reserves of the National Bank of Romania (NBR) (FX and gold) stood at €33.7bn in April, vs. €34.3mn in March. The stock of gold remained unchanged at 103.7 tones, while foreign exchange reserves, inched down to €30.1bn in April from €30.6bn in the prior month.

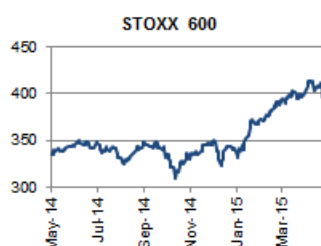
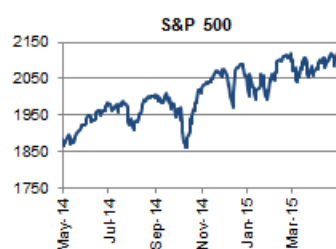
**CESEE MARKETS:** Tracking gains in global bourses, the majority of **emerging equity markets** closed in the black on Monday, on optimism that Chinese authorities will likely adopt additional economic stimulus measures ahead. Elsewhere, **CESEE currencies** and **government bonds** closed mixed on Monday.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Bucking the positive trend in Wall Street overnight, Asian bourses broadly fell on Tuesday on growth concerns in the region. According to data released on Monday, manufacturing activity in China contracted in April at its fastest rate in a year, while a recent similar survey for Japan also showed that factory activity shrunk over the same month. Market speculation about tougher margin requirements by some Chinese brokerages ahead of 25 IPOs through May 11 in China also appeared to have a negative impact. On the flipside, most European stock markets reversed earlier losses to stand in the black at the time of writing on upbeat corporate earnings results. In FX markets, the Australian dollar recovered ground following a short-lived retreat after the Reserve Bank of Australia cut its key policy rate by 25bps to a record low of 2.00%. In more detail, the AUD/USD rose ca 1% on the day to a multi-session peak near 0.7920, pulling back from a 1-½ week trough of 0.7787 hit shortly after the RBA's announcement. Elsewhere, the EUR/USD was hovering around levels of 1.1079/82 in European trade at the time of writing, remaining though within distance from a near two-month high of 1.1290 hit late last week, on the back of tentative signs of an economic pickup in the euro area and easing deflation concerns.

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### GREECE

Speaking to reporters y-day, Greek government spokesman Gabriel Sakellariadis was quoted as saying that there has been progress in official discussions and appeared confident that a comprehensive agreement covering a wide range of the contentious issues could be reached by the end of May. Along these lines, a number of press reports suggested that official discussions between Greek authorities and the representatives of the institutions have gained speed in recent days, though a divergence of views continues to exist on a number of issues, namely social security and labor market reforms. Market focus is on the upcoming ECB policy meeting due on Wednesday, May 6, where, among others, the Central Bank will reassess Greek banks' access to the ELA funding facility. Speaking during a meeting of senior officials from Eurozone finance ministries late last week, ECB executive Board member Benoit Coeuré was quoted as saying that the Central Bank could potentially increase the present ceiling on T-bill issuance if there were "an agreement in sight" with official creditors. On the flipside, a few press reports suggested recently that some ECB members consider increasing haircuts on Greek bank collateral if they deem that a staff level agreement remains a distant prospect. Responding to a relevant question during the press conference that followed the conclusion of the April 15 ECB policy meeting, President Mario Draghi said that the issue on increased haircuts on Greek bank collateral was "mentioned, not discussed." The ECB President added that the Governing Council "decided to carefully monitor whether conditions would warrant a change in the current schedule, taking into account the change in environment" adding that "we will come back on this issue in due time".

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

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		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

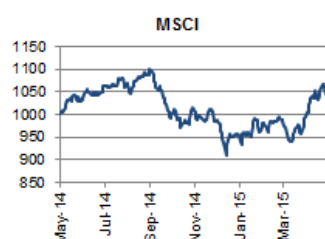
ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.00	2.00

\* 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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	7.00	7.00

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

International reserves of the National Bank of Romania (NBR) (FX and gold) stood at €33.7bn in April, vs. €34.3bn in March. The stock of gold remained unchanged at 103.7 tones, while foreign exchange reserves inched down to € 30.1bn in April from €30.6bn in the prior month. According to NBR, inflows totaled € 536mn, reflecting changes in the foreign exchange reserve requirements of the credit institutions, inflows into the European Commission's account and into the Ministry of Public Finances' accounts for EU funds. Outflows amounted to €1,041mn, primarily driven by changes in credit institutions' FX reserve requirements as well as interest and principal payments on foreign currency public debt. The latter includes a € 248mn principal payment to the IMF under the country's loan programme.

### CESEE MARKETS

Tracking gains in global bourses, the majority of **emerging equity markets** closed in the black on Monday, on optimism that Chinese authorities will likely adopt additional economic stimulus measures ahead. Against this backdrop, CESEE stock markets also firmed, largely shrugging off downbeat PMI data for April which showed a slowdown in manufacturing activity in the region. Indicatively, Hungary's purchasing managers' index (PMI) eased to 51.0 from 55.4 in March, while Poland's fell to 54.0 from 54.8, though both remaining above the 50 boom-or-bust threshold indicating expansion in the sector. Romania's BETI index marked the highest daily increase in the region, rising by ca 0.7% and approaching anew a 7-year peak hit early last week. On the flipside, Hungary's BUX led the losers' pack, ending in a modestly negative territory, yet remaining within distance from a 4-year high achieved in late April.

Elsewhere, **CESEE currencies** closed mixed on Monday. The Polish zloty led the gains in the region bouncing to a 2-week intraday peak of 3.9745/EUR in view of better growth prospects compared to other regional peers and Central Bank monetary policy differentials in the region. The Hungarian forint followed suit, firming to a multi-session high of 301.90/EUR at some point on Monday, while the Serbian dinar broadly underperformed other CESEE currencies ending ca 0.5% lower at 120.57 per euro possibly reflecting in a belated response to downbeat macroeconomic data released late last week.

In the local rates markets, **government bonds** also closed mixed yesterday. Turkish paper fared worse in view of persisting domestic political uncertainty ahead of next month's general elections. Indicatively, the corresponding 2- and 10-year benchmark yield bounced by ca 33bps and 20bps on the day to close at levels of 10.13% and 9.33%, respectively.

**Looking into this week**, monetary policy meetings in Poland and Romania (both on Wednesday), where both Central Banks are anticipated to stay put on interest rates, take centre stage. Meanwhile, non-farm payrolls data from the US also lure market attention.

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May 5, 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	2118.72	0.5%	2.9%	EUR/USD	1.1157	-0.4%	-7.8%	UST - 10yr	2.10	-1	-7	GOLD	1191	1.1%	0.5%
Nikkei 225	19531.63	0.1%	11.9%	GBP/USD	1.5122	-0.2%	-2.9%	Bund-10yr	0.43	5	-12	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	397.51	0.7%	16.0%	USD/JPY	120.13	0.0%	-0.4%	JGB - 10yr	0.36	0	3	LMEX	2944	0.2%	1.0%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	516	-9	-475
1-week	5.68	-10	-433
1-month	6.26	-7	-379
3-month	6.84	-4	-301
6-month	7.32	0	-247

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.25	-3	-80
5Y RSD	9.98	-2	-20
7Y RSD	10.21	24	-187

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.75	2	-51
USD Nov-24	6.45	1	-14

## CDS

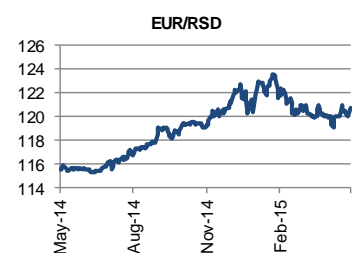
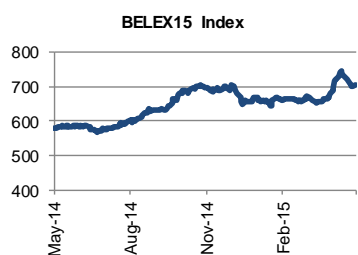
	Last	ΔDbps	ΔYTD bps
5-year	233	0	-57
10-year	285	0	-72

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	703.4	0.55%	5.45%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.72	-0.22%	0.52%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.98	#VALUE!	141
1-month	1.57	#VALUE!	66
3-month	1.49	#VALUE!	-21
6-month	1.64	#VALUE!	-37
12-month	1.65	#VALUE!	-37

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.93	2	-38
5Y RON	2.34	2	-37
10Y RON	3.40	-1	-26

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.42	#N/A N/A	-31
USD Aug-23	3.51	1	-10

## CDS

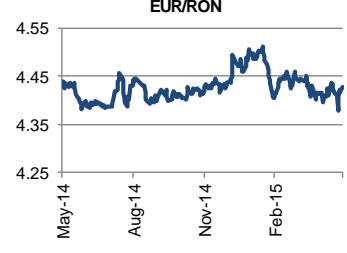
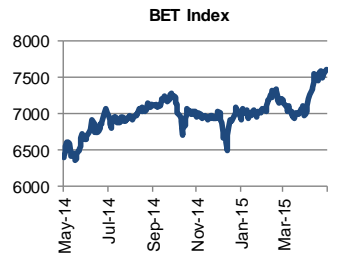
	Last	ΔDbps	ΔYTD bps
5-year	111	-7	-32
10-year	157	-8	-30

## STOCKS

	Last	ΔD	ΔYTD
BET	7602.0	0.72%	7.33%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.428	-0.19%	1.25%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-5
3-month	0.34	0	-9
6-month	0.69	0	-10
12-month	1.28	0	-22

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.48	-4	-55
5Y BGN	0.67	-14	-78
10Y BGN	1.93	0	-82

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	#VALUE!	-40
EUR Sep-24	2.30	719	-57

## CDS

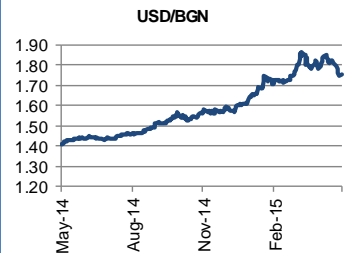
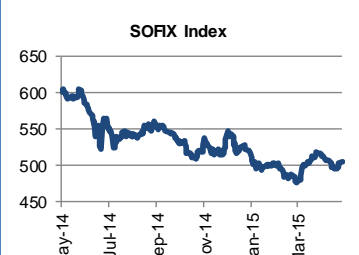
	Last	ΔDbps	ΔYTD bps
5-year	152	-6	-39
10-year	202	-7	-39

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	504.8	0.43%	-3.31%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7532	-0.39%	-7.80%



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

Data updated as of 18.00 EET of previous session

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