

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 06, 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:** The recent bearish trend on US Treasuries and German bonds remained intact today mainly due to expectations for higher Fed interest rates later this year, improved euro area growth prospects and somewhat easing euro area deflation woes on the back of the ongoing implementation of the ECB's QE programme. Focus today is on the US' ADP April employment report and FOMC Chairman Janet Yellen who is scheduled to speak at the Institute for New Economic Thinking Conference on Finance and Society in Washington, D.C later today.

**GREECE:** In a statement released y-day, the Greek government highlighted "serious disagreements and contradictions between the IMF and the European Union which create obstacles in negotiations and high risks". Meanwhile, the IMF rejected recent press reports suggesting that it insisted at the April 24 Eurogroup that further debt relief for Greece is necessary as the country's public debt is deemed as not sustainable. All eyes today are on the ECB which convenes later today to review, among others, Greek banks' access to the ELA funding facility. In other news, according to the EU Commission's Spring 2015 European Economic Forecast, Greece's real GDP is now projected to grow by around 0.5% in 2015 from 2.5% previously assuming that, "by June, business confidence returns along with the liquidity of the government and banking sector".

### SOUTH EASTERN EUROPE

**BULGARIA:** At its European Economic Forecast (Spring 2015), released yesterday, the European Commission said that it expects real GDP growth to decelerate to 1.0% this year from 1.7% in 2014.

**ROMANIA:** Retail sales decreased by 1.6%MoM on a seasonally adjusted basis in March, bringing the annual rate of decline to 0.5%.

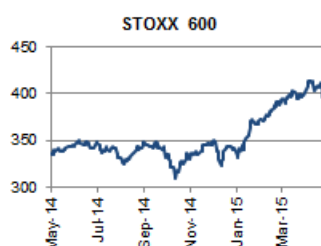
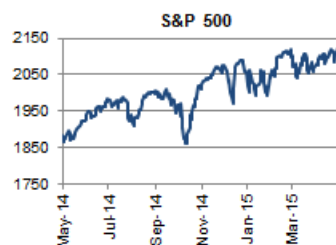
**SERBIA:** At its Spring 2015 European Economic Forecast, the European Commission noted that Serbia's economy is anticipated to slowly emerge from recession, highlighting though that growth prospects remain fragile.

**CESEE MARKETS:** Taking their cue from losses in Asian and European stock markets yesterday, the majority of **emerging bourses** closed in the red on Tuesday. Most CESEE indices also lost ground, weighed further down by worries over the progress of negotiations between Greek authorities and the Institutions. In a similar mode, **CESEE currencies** and **government bonds** closed broadly weaker. Market caution also prevailed ahead of today's key monetary policy meeting announcements in Poland and Romania, where both Central Banks are anticipated to stay put on interest rates.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The recent bearish trend on US Treasuries and German bonds remained intact today mainly due to expectations for higher Fed interest rates later this year, improved euro area growth prospects and somewhat easing euro area deflation woes on the back of the ongoing implementation of the ECB's QE programme. The 10-yr German bond yield was hovering around 0.53% in European trade at the time of writing, the highest level so far this year, while the 10-yr US Treasury yield was standing close to 2.20%, the highest since mid-March. German Bunds underperformed US Treasuries with the corresponding spread narrowing close to 166bps earlier today, the lowest since early April. EMU sovereign bond markets were also under pressure weighed down by mounting worries over the Greek issue. Amid market concerns that the negative tone in global sovereign bond markets might trigger profit-taking in other asset classes, major global bourses were also weaker today. In FX markets, the USD remained under pressure following y-day's US data release which showed a wider than expected March trade deficit suggesting risks for a downward revision in the Q1 GDP figure. The EUR/USD was hovering around 1.1240/50 at the time of writing, close to a two-month peak of 1.1290 hit earlier this week. Focus today is on the US' ADP April employment report and FOMC Chairman Janet Yellen who is scheduled to speak at the Institute for New Economic Thinking Conference on Finance and Society in Washington, D.C later today.

### GREECE

In a statement released y-day, the Greek government highlighted "serious disagreements and contradictions between the IMF and the European Union which create obstacles in negotiations and high risks". As per the same statement, the "red lines" set by the IMF in the context of the ongoing talks with domestic officials mainly include social security and labor market reforms while the European Union has adopted a tough stance on the general government primary surplus target for this year. Furthermore, the said statement noted that "against this background, there cannot be a compromise" mainly due to the inability of the institutions to agree with each other. Meanwhile, the IMF rejected recent press reports suggesting that it insisted at the April 24 Eurogroup that further debt relief for Greece is necessary as the country's public debt is deemed as not sustainable. All eyes today are on the ECB which convenes later today to review, among others, Greek banks' access to the ELA funding facility. In other news, according to the EU Commission's Spring 2015 European Economic Forecast, Greece's real GDP is now projected to grow by around 0.5% in 2015 from 2.5% previously assuming that "by June business confidence returns along with the liquidity of the government and banking sector".

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

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

### BULGARIA

At its European Economic Forecast (Spring 2015), released yesterday, the European Commission (EC) said that it expects real GDP growth to decelerate to 1.0% this year from 1.7% in 2014 on the back of a likely deceleration in public investment and ongoing weak private investment. In addition, the EC noted that it foresees the general government deficit to remain at 2.9% of GDP in both 2015 and 2016 amid weaker indirect tax revenue, slightly wider from last year's 2.8% of GDP shortfall.

### ROMANIA

The retail turnover volume (excluding the trade with motor vehicles and motorcycles), decreased by 1.6%MoM on a seasonally adjusted basis in March, bringing the annual rate of decline to 0.5%. That said, retail sales rose by 3.0% in Q1 compared to the same quarter in 2014, thanks to positive growth of 6.4% and 3.2%, respectively over the first two months of the year. In other news, the finance ministry announced on Tuesday that it plans to sell RON 2.0bn in government debt in May and issue an additional RON 180mn in non-competitive offers. Separately, the European Commission highlighted at its European Economic Forecast (Spring 2015), released yesterday, that it anticipates economic activity in Romania to remain robust in 2015 (+2.8%) and 2016 (+3.3%), supported by strong private consumption and a rebound in investment. Furthermore, it added that it expects fiscal consolidation to be reversed in 2016, as a result of the government's tax cut plans, forecasting the general budget deficit to widen to 3.5% of GDP next year, from last year's 1.5% of GDP shortfall.

### SERBIA

At its European Economic Forecast (Spring 2015), the European Commission noted that Serbia's economy is anticipated to slowly emerge from recession, highlighting though that growth prospects remain fragile. The EC expects the domestic economic contraction to narrow to 0.1% this year from last year's 1.8% decline, envisioning a return to a positive growth reading of 1.2% in 2016. It added that favourable base effects, lower global oil prices and improving investor confidence thanks to the 3-year IMF agreement to provide support to investments. Moreover, stronger demand from abroad is expected to boost exports, while domestic consumption is likely to remain weak.

### CESEE MARKETS

Taking their cue from losses in Asian and European stock markets yesterday, the majority of **emerging bourses** closed in the red on Tuesday. Most CESEE indices also lost ground, weighed further down by worries over the progress of negotiations between Greek authorities and the Institutions. In a similar mode, **CESEE currencies** and **government bonds** closed broadly weaker on Tuesday. Market caution also prevailed ahead of today's key monetary policy meeting announcements in Poland and Romania. Both Central Banks are anticipated to stay put on interest rates and maintain their key policy rates at respective record low levels of 1.50% and 2.00%. However, further reductions in NBR's minimum reserve requirements seem to be on the cards. Against this backdrop, the Hungarian forint and Romanian leu broadly underperformed their regional peers. In more detail, the EUR/HUF ended ca 0.15% higher at 303.30, approaching anew a 1½-month high of 304.60 hit a couple of sessions earlier. Separately, the EUR/RON closed modestly firmer at 4.4285, within distance from the prior day's 2-week peak of 4.4330. Downside pressures on regional assets are likely to persist in the coming sessions as uncertainty over the progress of negotiations between Greek authorities and the Institutions lingers and investors eagerly await key labour data from the US for any clues on the Fed's monetary policy path ahead.

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

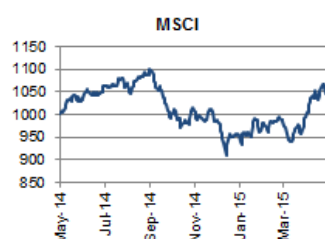
ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.00	2.00

\* 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	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

May 6, 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	2097.72	-0.8%	1.9%	EUR/USD	1.1181	0.3%	-7.6%	UST - 10yr	2.18	4	1	GOLD	1196	0.6%	0.9%
Nikkei 225	19531.63	0.1%	11.9%	GBP/USD	1.5183	0.4%	-2.5%	Bund-10yr	0.51	6	-3	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	391.02	-1.5%	14.2%	USD/JPY	119.83	0.3%	-0.1%	JGB - 10yr	0.36	0	3	LMEX	2944	0.2%	1.0%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	518	2	-473
1-week	5.69	1	-432
1-month	6.25	-1	-380
3-month	6.81	-3	-304
6-month	7.24	-8	-255

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.10	-15	-95
5Y RSD	9.17	-81	-101
7Y RSD	9.96	-31	-212

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.77	4	-49
USD Nov-24	6.45	0	-14

## CDS

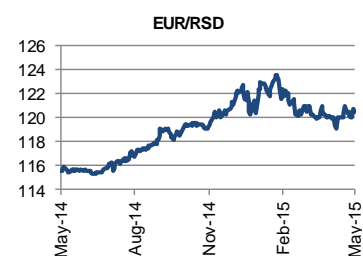
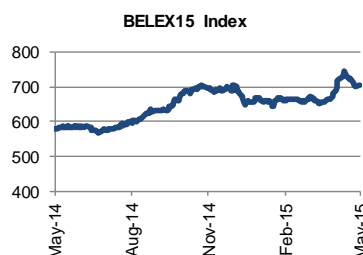
	Last	ΔDbps	ΔYTD bps
5-year	231	-2	-59
10-year	284	-1	-72

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	704.1	0.10%	5.56%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.53	0.16%	0.68%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.81	-17	124
1-month	1.51	-6	60
3-month	1.46	-3	-24
6-month	1.62	-2	-39
12-month	1.64	-1	-38

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	-1	-39
5Y RON	2.32	-2	-39
10Y RON	3.39	-1	-27

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.45	3	-28
USD Aug-23	3.55	4	-7

## CDS

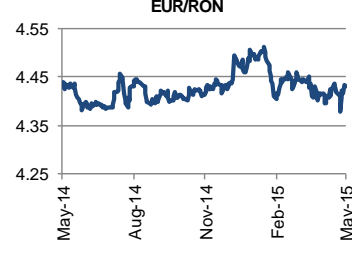
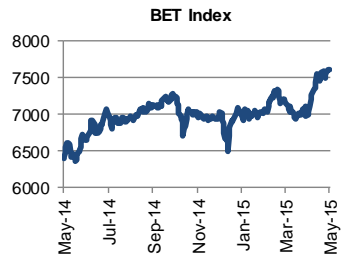
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-32
10-year	156	-1	-31

## STOCKS

	Last	ΔD	ΔYTD
BET	7605.0	0.04%	7.37%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.432	-0.05%	1.16%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	1	0
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	0.47	-2	-57
5Y BGN	0.72	5	-72
10Y BGN	1.93	0	-82

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.78	-5	-38
EUR Sep-24	2.33	-24	-54

## CDS

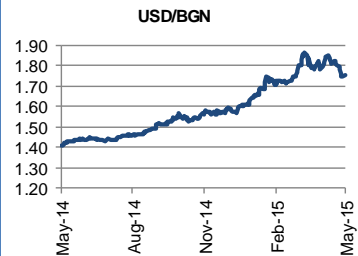
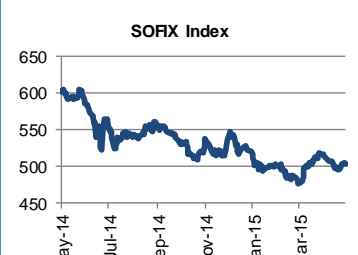
	Last	ΔDbps	ΔYTD bps
5-year	152	0	-39
10-year	202	0	-39

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	502.2	-0.53%	-3.82%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.749	0.31%	-7.58%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 18.50 EET of previous session



**Contributors**

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Regional Contributors**

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Đorđe Lučić**  
Fixed Income Dealer, Eurobank a.d. Beograd  
+381 11 2065891  
[djordje.lucic@eurobank.rs](mailto:djordje.lucic@eurobank.rs)

**Ivan Radović**  
Head, Brokerage, Eurobank ad Beograd  
+381 11 30 27 533  
[Ivan.Radovic@eurobank.rs](mailto:Ivan.Radovic@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

**Eurobank Economic Analysis and Financial Markets Research**

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), + 30 210 37 18 903

**Research Team**

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 37 18 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), + 30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), + 30 210 33 71 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), + 30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), + 30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), + 30 210 33 71 228

**Global Markets Sales**

**Nikos Laios: Head of Treasury Sales**  
[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), + 30 210 37 18 910

**Alexandra Papathanasiou: Head of Institutional Sales**  
[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), + 30 210 37 18 996

**John Seimenis: Head of Corporate Sales**  
[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), + 30 210 37 18 909

**Achilleas Stogioglou: Head of Private Banking Sales**  
[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), + 30 210 37 18 904

**George Petrogiannis: Head of Shipping Sales**  
[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), + 30 210 37 18 915

**Vassilis Gioulbaxiotis: Head Global Markets International**  
[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), + 30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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