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Eurobank

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, May 04, 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: Mirroring the positive tone in Asian bourses today, the majority of major European equity markets kicked off the week on a firm footing supported by increased expectations that the Chinese authorities will likely adopt additional easing measures ahead to support domestic economic activity. On the data front, focus this week is on US non-farm payrolls for April due on Friday which have the potential to assist the US currency regain some ground should they surprise positively.

GREECE: Official discussions between Greek authorities and the representatives of the institutions have reportedly 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. On the data front, he headline seasonally adjusted Markit Greece Manufacturing Purchasing Mangers' Index (PMI) registered below the 50.0 mark separating growth from contraction for the eighth month running in April. Specifically, the headline index came in at 46.5, the lowest level since June 2013, from 48.9 in Mach.

CYPRUS: Speaking in the sidelines of the inauguration of a local project in Limassol on Sunday, President Nicos Anastasiades said that the domestic economy is on a recovery path and that the government "will do everything possible, in order to soon announce or see how we can implement some of the projects suspended due to the financial crisis".

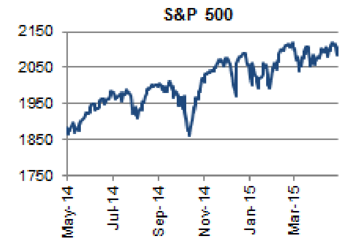
SOUTH EASTERN EUROPE

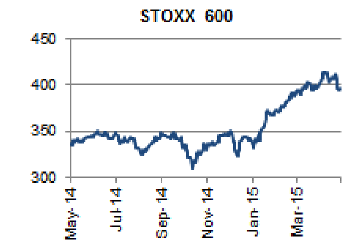
BULGARIA: Upbeat Q1 2015 domestic corporate earnings results favoured investor sentiment towards domestic equity, with the main SOFIX index ending 1.6% higher on the week.

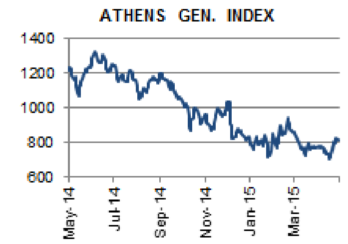
ROMANIA: Strong EUR/RON selling pressures around mid-week pushed the pair to a 2-year low of 4.3750. However, a reversal of the downtrend thereafter saw the cross ending little changed on the week near 4.4250.

SERBIA: According to the flash estimate, real GDP decreased by 1.9%YoY in Q1 2015, following a decline of 1.8%YoY registered a quarter earlier. In other news, Prime Minister Aleksandar Vucic said late last week that in view of the budget's outperformance so far this year, the government plans to begin in August negotiations with the IMF over potential increases in civil servants wages and pensions, which may come into effect later in the year.

Latest world economic & market developments







Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Mirroring the positive tone in Asian bourses today, the majority of major European equity markets kicked off the week on a firm footing supported by increased expectations that the Chinese authorities will likely adopt additional easing measures ahead to support domestic economic activity. The HSBC/Markit Purchasing Managers' Index (PMI) showed that factory activity in China contracted in April at its fastest rate in a year, fuelling worries that Q2 GDP will likely slow from the 7% annual growth rate recorded in the prior quarter. Encouraging US data released late last week, which added to market optimism that the Q1 GDP soft patch will likely prove temporary, also favored. In FX markets, the EUR/USD was hovering around 1.1150/60 in European trade at the time of writing, not far from a near two-month high of 1.1290 hit late last week supported by tentative signs of an economic pickup in the euro area and easing deflation woes. On the data front, focus this week is on US non-farm payrolls for April due on Friday which have the potential to assist the US currency regain some ground should they surprise positively. Market consensus is for a 223K increase in the headline and a drop in the unemployment rate to 5.4% from 5.5% previously.

GREECE

Official discussions between Greek authorities and the representatives of the institutions have reportedly 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. According to some press reports, the Greek government no longer targets an interim agreement with the institutions on a package of reforms or an extraordinary Eurogroup taking place before the next scheduled meeting of euro area finance ministers on May 11. Instead, they now reportedly seek a holistic agreement within this month that could potentially permit the ECB to allow Greek banks increase their T-bill holdings and address Greece's financing needs until 2016. According to some press reports, official discussions between the Greek authorities and the representatives of the institutions will continue through Wednesday with the two sides having come closer to a compromise on a few issues including the speeding up of the privatization project of the 14 regional airports and Greece's largest port, the Piraeus Port Authority. On the data front, the year-on-year growth of the retail trade volume index, including automotive fuel, fell by 1.8%YoY in February, recording the third annual decline in the last nine months. Elsewhere, the headline seasonally adjusted Markit Greece Manufacturing Purchasing Mangers' Index (PMI) registered below the 50.0 mark separating growth from contraction for the eighth month running in April. Specifically, the headline index came in at 46.5, the lowest level since June 2013, from 48.9 in Mach. The breakdown of the report showed that factory production contracted by the highest pace in 22 months, new orders fell sharply and employment returned to contraction after rising modestly throughout the previous four months.

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CYPRUS

Speaking in the sidelines of the inauguration of a local project in Limassol on Sunday, President Nicos Anastasiades said that the domestic economy is on a recovery path and that the government "will do everything possible, in order to soon announce or see how we can implement some of the projects suspended due to the financial crisis".

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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

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: Indicators	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

BULGARIA

Upbeat Q1 2015 domestic corporate earnings results favoured investor sentiment towards domestic equity, with the main SOFIX index ending 1.6% higher on the week to close at 502.7 points on Friday, erasing a significant part of the losses encountered a week earlier. Separately, the local bonds market was little changed, while yields on the new Eurobond issues rose further. The next government auctions are scheduled for May 18th (5-year notes) and May 25th (3-year-notes) for an approximate value of BGN 100mn cumulatively.

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ROMANIA

Strong EUR/RON selling pressures around mid-week pushed the pair to a 2-year low of 4.3750. However, a reversal of the downtrend thereafter saw the cross ending little changed on the week near 4.4250. Separately, short term RON rates remained at relatively elevated levels, close to the monetary policy rate of 2.00%, (having spent most of the year near the deposit facility of 0.25%) despite a large MoF redemption of over RON 7bn on April 30th. In the local rates markets, government bonds of longer maturity remained under pressure in line with the trend witnessed in other regional markets. Indicatively, the 5-year benchmark yield closed the week 10bps higher at around 2.55%, while the 10-year inched up 15bps on a weekly basis to 3.45%.

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SERBIA

According to the flash estimate, real GDP decreased by 1.9%YoY in Q1 2015, following a decline of 1.8%YoY registered a quarter earlier. Quarter-on-quarter data and a detailed breakdown of the aforementioned figures are not yet available and are scheduled to be released on May 29th. In other recent data releases, the contraction in industrial production narrowed to 0.2%YoY in March from 3.3%YoY in the prior month, bringing the annual rate of decline for the whole of Q1 2015 to 2.0%YoY. The breakdown of the data showed that mining and quarrying led the decline with a 16.3%YoY drop in March, as last year's flooding continued to weigh on the sector. Electricity, gas, steam and air conditioning supply followed suit with a fall of 10.8%YoY. On the flipside, manufacturing grew by 5.4%YoY. Elsewhere, the retail trade turnover in the Republic of Serbia decreased for the second month running in March, marking a 5.1%YoY decline in real terms after a 0.8%YoY drop in February, possibly reflecting the impact from recently endorsed fiscal consolidation measures. On the latter, recall that the government pushed through Parliament in late 2014, among other, cuts in public sector salaries and pensions as agreed with the IMF under the country's €1.2bn economic adjustment programme. The measures appear to be already bearing fruit, with Prime Minister Aleksandar Vucic reportedly expressing belief on Thursday that the fiscal deficit for the first four months of 2015 would come in at RSD 21bn (€18mn), vs. a RSD 71bn (€59mn) shortfall planned in the budget. The Premier added that in view of the budget's outperformance so far this year, the government plans to begin in August negotiations with the IMF over potential increases in civil servants wages and pensions, which may come into effect as of October 1 this year.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2108.29	1.1%	2.4%
Nikkei 225	19531.63	0.1%	11.9%
STOXX 600	395.83	0.3%	15.6%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1148	-0.5%	-7.9%
GBP/USD	1.5151	0.0%	-2.7%
USD/JPY	120.12	0.0%	-0.4%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.11	0	-6
Bund-10yr	0.37	0	-17
JGB - 10yr	0.36	2	3

Commodities

	Last	ΔD	ΔYTD
GOLD	1183	0.4%	-0.2%
BRENT CRUDE	176	0.0%	0.2%
LMEX	2944	0.2%	1.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	525	-7	-466
1-week	5.78	-2	-423
1-month	6.33	-2	-372
3-month	6.88	-1	-297
6-month	7.32	-3	-247

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.26	-1	-83
5Y RSD	10.00	1	-18
7Y RSD	9.97	0	-211

RS Eurobonds

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

CDS

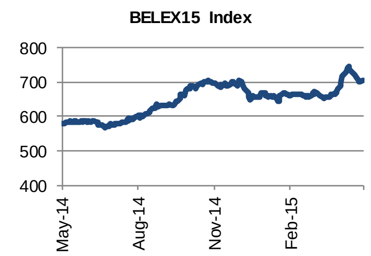
	Last	ΔDbps	ΔYTD bps
5-year	233	0	-57
10-year	285	0	-72

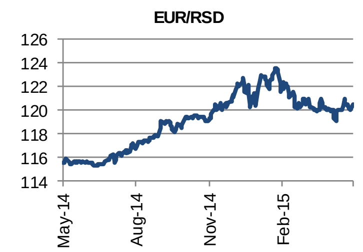
STOCKS

	Last	ΔD	ΔYTD
BELEX15	705.4	0.84%	5.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.56	-0.08%	0.65%





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	2.35	3	-36
10Y RON	3.41	0	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.42	#N/A N/A	-31
USD Aug-23	3.50	-1	-12

CDS

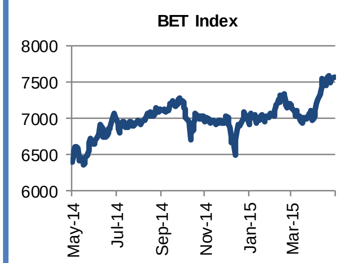
	Last	ΔDbps	ΔYTD bps
5-year	111	-7	-32
10-year	157	-8	-30

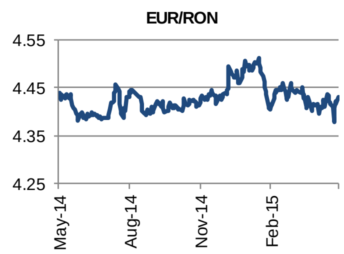
STOCKS

	Last	ΔD	ΔYTD
BET	7567.8	0.27%	6.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4313	-0.27%	1.18%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	0	-5
3-month	0.34	0	-9
6-month	0.69	0	-10
12-month	1.28	0	-23

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.48	-5	-56
5Y BGN	0.80	0	-64
10Y BGN	1.94	0	-81

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.79	#VALUE!	-37
EUR Sep-24	2.30	719	-57

CDS

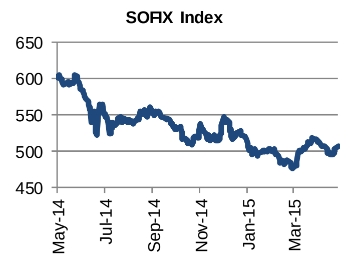
	Last	ΔDbps	ΔYTD bps
5-year	152	-6	-39
10-year	202	-7	-39

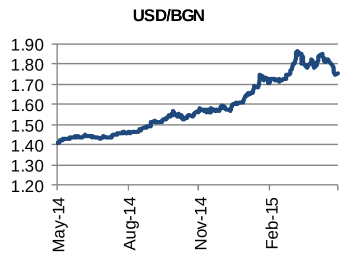
STOCKS

	Last	ΔD	ΔYTD
SOFIX	506.1	0.68%	-3.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7544	-0.46%	-7.86%





Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11.25 EET

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