

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, May 08, 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 GBP was among the main outperformers in FX markets on Friday following news that the Conservatives are on track to win an outright majority in the 650-seat UK parliament. Elsewhere, the USD gained some ground favored by y-day's positive US initial jobless claims which fueled market optimism for an encouraging April non-farm payrolls report, due for release later in the day. Consensus is for a 223k increase in the headline following a rise of 126k in the prior month while the unemployment rate is likely to edge down to 5.4% from 5.5% in March.

**GREECE:** The Euro Working Group will reportedly convene later today via teleconference to assess progress in official discussions between Greece and its official lenders ahead of the upcoming Eurogroup scheduled for Monday, May 11. According to recent comments by European Commission spokesman Margaritis Schinas, official talks have become more constructive lately but it is "premature" to discuss whether a common statement will be issued at the upcoming Eurogroup.

### SOUTH EASTERN EUROPE

**ROMANIA:** Net average earnings rose by 5.7%MoM in March, bringing the annual rate of increase to 7.2%YoY, following a 6.5%YoY rise in the prior month.

**SERBIA:** Prime Minister Aleksandar Vucic said on Thursday that the government is currently in talks with the IMF to extend a deadline for selling 16 loss-making state-owned companies, outlined under the country's 3-year €1.2bn loan deal.

**CESEE MARKETS:** The majority of **emerging stock markets** kicked off Friday's session on a positive footing amid hopes that Chinese authorities will adopt further stimulus measures in order to support the domestic economy. Regional **government bonds** also recovered ground in European trade on Friday, while most **CESEE currencies** were little changed in early European trade on Friday, remaining though off yesterday's multi-session lows.

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## Latest world economic & market developments

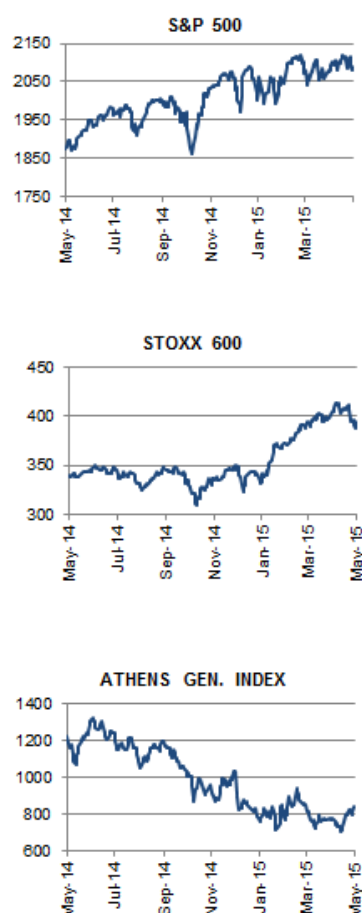
### GLOBAL MARKETS

The GBP was among the main outperformers in FX markets on Friday following news that the Conservatives are on track to win an outright majority in the 650-seat UK parliament. With nearly three quarters of votes counted, the Conservatives have reportedly won 302 seats with international newswires suggesting that the party could eventually win as many as 325. Elsewhere, the USD gained some ground favored by y-day's positive US initial jobless claims which fueled market optimism for an encouraging April non-farm payrolls report, due for release later in the day. Consensus is for a 223k increase in the headline following a rise of 126k in the prior month while the unemployment rate is likely to edge down to 5.4% from 5.5% in March. A higher-than-expected increase in April's non-farm payrolls could likely help the USD move higher on the view that, after the US Q1 GDP soft patch, the economy is poised for a rebound. On the flipside, a disappointing report could have the potential to reinforce worries over a pronounced US economic slowdown and push the USD lower. With investors eagerly awaiting the US' employment report, the EUR/USD was hovering around 1.1190/1.1200 in European trade at the time of writing after hitting a multi-week high of 1.1390 on Thursday. Technically, immediate resistance lies at 1.1390 ahead of the 1.1530 (February 2 peak) while on the downside, strong support stands at 1.1066 (April 21 trough).

### GREECE

The Euro Working Group will reportedly convene later today via teleconference to assess progress in official discussions between Greece and its official lenders ahead of the upcoming Eurogroup scheduled for Monday, May 11. According to recent comments by European Commission spokesman Margaritis Schinas, official talks have become more constructive lately but it is "premature" to discuss whether a common statement will be issued at the upcoming Eurogroup. Greece's Minister of Finance Yanis Varoufakis expressed his belief that an agreement will be reached in the next few days, or weeks. Based on a number of recent official comments and press reports, issues where the two sides are thought to be closer to a compromise include, among others, the privatization programme and tax reform while contentious issues comprise of the primary surplus target for FY-2015, social security and labor market reform. Speaking at a business forum in Brussels y-day, On the data front, Greece's seasonally adjusted unemployment rate dropped in February to 25.4%, the lowest level since mid-2012, from 25.6% in January. This follows a cyclical peak of 27.9% recorded in September 2013.

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Source: Reuters, Bloomberg, Eurobank Research

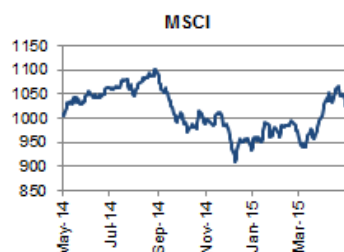
## Latest world economic & market developments in the CESEE region

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

Net average earnings rose by 5.7%MoM in March, bringing the annual rate of increase to 7.2%YoY, following a 6.5%YoY rise in the prior month. All in all, the data confirms our view that domestic consumption likely remained robust in Q1 2015, thanks to recent increases in the minimum wage and a benign inflation environment.

### SERBIA

Prime Minister Aleksandar Vucic said on Thursday that the government is currently in talks with the IMF to extend a deadline for selling 16 loss-making state-owned companies, outlined under the country's 3-year €1.2bn loan deal. The Prime minister expressed belief that Serbia will reach an agreement for a 1-year extension for these sales, while Economy Minister Zeljko Sertic said that a deal with the IMF on the issue by Monday is likely. Recall that, an IMF mission is currently underway in Serbia for the first review of the country's precautionary Stand-By Arrangement, sealed in February this year. The Fund is expected to announce its assessment of Serbia's loan programme early next week.

### CESEE MARKETS

The majority of **emerging stock markets** kicked off Friday's session on a positive footing amid hopes that Chinese authorities will adopt further stimulus measures in order to support the domestic economy. Nonetheless, gains were capped by market caution ahead of a key US labour report, due later today. Indicatively, the MSCI Emerging Markets index firmed by ca 0.7% on the day at the time of writing, paring part of recent losses. In a similar vein, **government bonds** recovered ground in European trade on Friday. Recall that, a sell-off in regional government debt prompted Poland's Finance Ministry to cancel its scheduled bond auction earlier in the week in view of unfavorable market conditions. Elsewhere, most **CESEE currencies** were little changed in early European trade on Friday, remaining though off yesterday's multi-session lows. In more detail, the EUR/RON hovered around levels of 4.4460/EUR at the time of writing, having pulled back from a 2-½ week peak of 4.5010 hit on Thursday, a day after the National Bank of Romania's (NBR) surprise decision to lower interest rates by 25bps to a new lifetime trough of 1.75%. Recall that, the market's consensus was for interest rates to remain unchanged, while the delivered reduction in the minimum reserve requirements (MRRs) was widely anticipated. On the latter, the NBR lowered the minimum reserve requirements by 2pps at 8% for RON and maintained unchanged the MRRs for FX denominated liabilities at 14%. At the same time, NBR in an attempt to further strengthen the monetary policy transmission mechanism, lowered the Lombard rate by another 50bps down to 3.25% and maintained the deposit rate unchanged at 0.25%. As a result, the interest rate corridor narrowed down to 1.75%. In our view, the benign inflation outlook argues in favour of further monetary easing ahead. Yet, we anticipate NBR to adopt a more prudent stance and remain on hold in the next couple of meetings given the lingering uncertainties from the external environment and downside risks from the government's ambitious fiscal easing plan, while factoring in the impact from the recent release of ca RON3bn of extra liquidity in the money market.

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May 8, 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	2088.00	0.4%	1.4%	EUR/USD	1.1239	-0.2%	-7.1%	UST - 10yr	2.16	-2	-1	GOLD	1188	0.3%	0.3%
Nikkei 225	19379.19	0.5%	11.1%	GBP/USD	1.5456	1.4%	-0.8%	Bund-10yr	0.59	0	5	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	394.82	1.5%	15.3%	USD/JPY	120.03	-0.2%	-0.3%	JGB - 10yr	0.42	-1	9	LMEX	2937	-0.3%	0.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	518	1	-473
1-week	5.66	-3	-435
1-month	6.25	-1	-380
3-month	6.82	1	-303
6-month	7.28	3	-251

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	8.25	0	-79
5Y RSD	9.17	0	-101
7Y RSD	9.82	0	-226

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.71	0	-55
USD Nov-24	6.44	-1	-15

## CDS

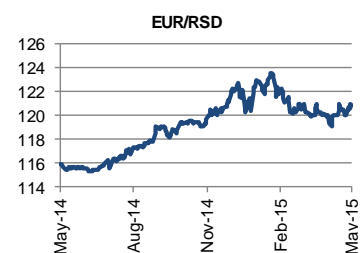
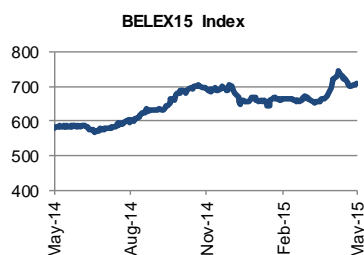
	Last	ΔDbps	ΔYTD bps
5-year	233	0	-57
10-year	287	0	-69

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	708.4	-0.14%	6.20%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.85	0.09%	0.41%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.38	24	81
1-month	1.4	2	49
3-month	1.42	1	-28
6-month	1.61	0	-40
12-month	1.63	0	-39

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.00	1	-31
5Y RON	2.45	1	-26
10Y RON	3.54	0	-12

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.61	3	-12
USD Aug-23	3.64	-3	3

## CDS

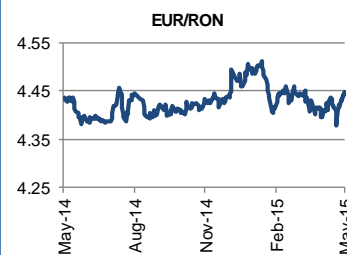
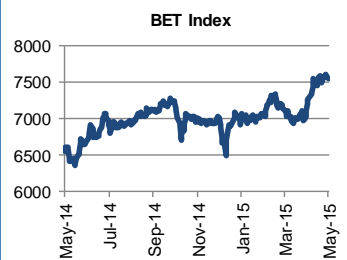
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-32
10-year	156	0	-31

## STOCKS

	Last	ΔD	ΔYTD
BET	7542.6	-0.30%	6.49%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4491	-0.18%	0.77%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
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	0.53	2	-50
5Y BGN	0.77	3	-68
10Y BGN	2.01	-1	-74

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.78	5	-38
EUR Sep-24	2.45	97	-42

## CDS

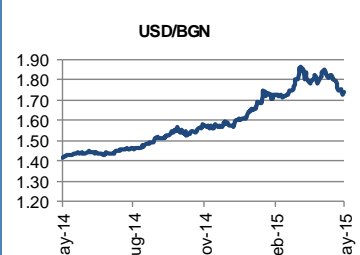
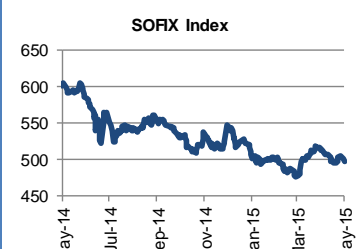
	Last	ΔDbps	ΔYTD bps
5-year	152	0	-39
10-year	202	0	-39

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	497.8	-0.50%	-4.65%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7404	-0.26%	-7.12%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11.30 EET

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