

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 13: Retail sales (Apr)
- May 14: Initial jobless claims (May 9)
- May 15
 - Empire state manuf (May)
 - Industrial prod. (Apr)
 - UoM cons sent (May)

EUROZONE

- May 13: GDP (Q1, flash)

GREECE

- May 11
 - Industrial prod (Mar)
 - Eurogroup meeting
- May 12: IMF loan repayment (ca €760mn)
- May 15: GDP (Q1, A)

CYPRUS

- May 12: HICP (Apr)
- May 13: GDP (Q1, p)

SEE

BULGARIA

- May 11: T-bonds auction
- May 8
 - Retail sales (Mar)
 - Industrial production (Mar)

ROMANIA

- May 11
 - 3.25% 2018 T-bonds auction
 - Trade balance (Mar)
- May 12
 - CPI (Apr)
 - Industrial production (Mar)
- May 13: GDP (Q1, A)
- May 14: 4.75% 2019 T-bonds auction
- May 15: CAD (Mar)

SERBIA

- May 11: MPC meeting
- May 12: HICP (Apr)
- May 14: 8% 2017 T-bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking the positive trend in Asian bourses today following a renewed interest rate cut by the Chinese authorities on Sunday, the majority of European equity markets opened lower amid investor anxiety ahead of today's Eurogroup meeting.

GREECE: Euro area finance ministers will convene today at 15:00 CET to take stock of the progress in official discussions between the Greek authorities and the Institutions. Although several EU officials have reportedly ruled out the likelihood of a final agreement at today's meeting, the Greek government hopes that the wording of the accompanying official statement will reflect the progress in official talks recorded over the last few sessions, giving a positive sign over the prospect of reaching a final deal soon.

CYPRUS: According to a statement issued on Friday, upon the conclusion of an EC/ECB/IMF visit to Cyprus under the country's economic reform program, staff teams "welcomed the authorities' continued progress on their reform program

SOUTH EASTERN EUROPE

BULGARIA: Taking their cue from the broadly negative tone in emerging bourses, the domestic stock market closed modestly lower on a weekly basis on Friday, with local indices quickly reversing a positive start into the week following upbeat Q1 corporate earnings reports.

ROMANIA: Short term RON rates moved progressively lower last week, in the wake of the RON 7.5bn bond redemption on April 30th. Elsewhere, the EUR/RON followed the depreciating trend in other emerging market currencies, hitting a 2-week peak of 4.4530 on Thursday.

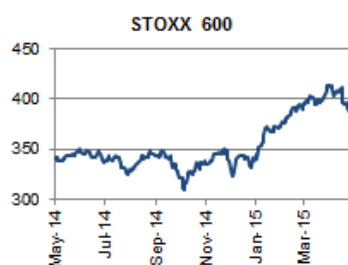
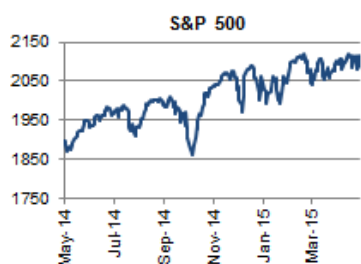
SERBIA: Monday's Central Bank monetary policy meeting takes centre stage domestically this week. In line with our expectations, the market's median forecast is for the key policy rate to remain unchanged at its current record low level of 7.00%. That said, a monetary easing announcement today should not come as a complete surprise as inflation pressures continue to be benign and domestic demand dynamics remain weak.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Bucking the positive trend in Asian bourses today following a renewed interest rate cut by the Chinese authorities on Sunday, the majority of European equity markets opened lower amid investor anxiety ahead of today's Eurogroup meeting. Favored by market cautiousness regarding the outcome of that meeting, German government bonds gained with the 10-yr Bund yield hovering around 0.52% at the time of writing, having retreated from a multi-month peak near 0.60% marked late last week. US Treasury yields also dropped following last Friday's mixed US April non-farm payrolls report which revealed a fall in the unemployment rate to a seven-year low but the headline figure came in line with expectations and average hourly earnings decelerated on a monthly basis. In FX markets, the EUR moved lower weighed down by Germany's disappointing April trade data and anxiety over the outcome of today's Eurogroup. The EUR/USD was hovering around 1.1170/80 at the time of writing in European trade, having retreated from a two-month peak near 1.1400 marked a few sessions ago. Technically, immediate support stands at today's intraday trough of 1.1135 ahead of 1.1065 (May 5 low).

GREECE

Euro area finance ministers will convene today at 15:00 CET to take stock of the progress in official discussions between the Greek authorities and the Institutions. Although several EU officials have reportedly ruled out the likelihood of a final agreement at today's meeting, the Greek government hopes that the wording of the accompanying official statement will reflect the progress in official talks recorded over the last few sessions, giving a positive sign over the prospect of reaching a final deal soon. The wording of the Eurogroup statement is of particular importance ahead of the ECB meeting on Wednesday where the Central Bank will assess, among others, Greek banks' access to the ELA funding facility. Speaking to an international newspaper, Eurogroup President Jeroen Dijsselbloem acknowledged that the Greek government and the Institutions have made progress lately adding though that a final agreement is still some way off. On the data front, Greece's Harmonized Index of Consumer Prices dropped by 1.8%YoY in April, marking a negative rate of growth for the 26th straight month and remaining below the euro area average for the 41th month in a row.

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CYPRUS

According to a statement issued on Friday, upon the conclusion of an EC/ECB/IMF visit to Cyprus under the country's economic reform program, staff teams "welcomed the authorities' continued progress on their reform program, including the strong improvement in the public finances and the implementation of important reforms, including the recent adoption of modern insolvency and foreclosure legislation." According to the said statement, official creditors also noted that significant progress has been made towards reaching a staff-level agreement on the pending review adding that "the teams look forward to a swift conclusion as soon as all elements of the insolvency and foreclosure framework are available."

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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

Taking their cue from the broadly negative tone in emerging bourses, the domestic stock market closed modestly lower on a weekly basis on Friday, with local indices quickly reversing a positive start into the week following upbeat Q1 corporate earnings reports. In more detail, the main SOFIX index closed ca 0.5% lower near 500 points. In line with the deterioration in global risk sentiment, the yields of Bulgarian Eurobonds surged to new highs on Thursday, with that of 20-year paper broadly underperforming other maturities as the corresponding yields jumped by 32bps on a weekly basis to 3.548% by Friday's settlement. Accordingly, the 7-year and 12-year issues followed suit with corresponding yields rising by 20bps to 2.204% and 27bps to 2.902%, respectively.

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ROMANIA

Short term RON rates moved progressively lower last week, in the wake of the RON 7.5bn bond redemption on April 30th. Indicatively, the 1W implied rate from swaps dropped to 0.95% on Friday from 1.75% a week earlier, while the 3M rate decreased from 1.45% to 1.30%. Government bond yields of 3-10-year maturities closed ca 15-20bps higher on the week as the global debt sell-off reversed a post MPC decision rally and erased support towards local paper witnessed in the aftermath of the finance ministry's announcement of an extremely light issuance calendar for May (total issuance just RON 2bn, no papers over 5Y offered). Elsewhere, the EUR/RON followed the depreciating trend in other emerging market currencies, hitting a 2-week peak of 4.4530 on Thursday before pulling back towards 4.4470 by Friday's settlement to close ca 0.7% higher on a weekly basis.

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SERBIA

The EUR/RSD inched up last week as local demand for hard currency intensified. The pair reached on Thursday a 2-week peak at the upper bound of its recent 120.35/55-120.90/10 trading range, with any additional upside pressures probably capped by profit taking. Looking into this week, a break above the 121.00 area may produce a shift to a more bullish EUR/RSD tone in the coming sessions. On the other side, strong support lies at 120.00, a level where the Central Bank (NBS) may intervene anew in the FX markets in order to halt any further gains for the dinar. Monday's Central Bank monetary policy meeting takes centre stage domestically this week. In line with our expectations, the market's median forecast is for the key policy rate to remain unchanged at its current record low level of 7.00%, especially in view of renewed depreciation pressures on the dinar over recent sessions. That said, a monetary easing announcement today should not come as a complete surprise as inflation pressures continue to be benign and domestic demand dynamics remain weak. The IMF has recently signaled its support towards gradual monetary easing ahead. Furthermore, HICP stood below the lower bound of the Central Bank's tolerance band of $4 \pm 1.5\%$ for the 13th month running in March (1.9%YoY), while high frequency indicators, such as real wage and retail sales data, for January-March, appear to be reflecting the impact of recently endorsed fiscal consolidation measures on private consumption. A potential agreement between the government and the IMF over a delay in the implementation of a 15% hike in electricity prices, scheduled to come into effect in June, is also likely to provide the Central Bank with an additional argument in favor of another rate cut today.

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| 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 11, 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 | 2116.10 | 1.3% | 2.8% | EUR/USD | 1.119 | -0.1% | -7.5% | UST - 10yr | 2.15 | 0 | -2 | GOLD | 1186 | -0.2% | 0.1% |
| Nikkei 225 | 19620.91 | 1.2% | 12.4% | GBP/USD | 1.543 | -0.1% | -1.0% | Bund-10yr | 0.55 | 0 | 1 | BRENT CRUDE | 176 | 0.0% | 0.2% |
| STOXX 600 | 400.16 | 2.9% | 16.8% | USD/JPY | 119.9 | -0.1% | -0.2% | JGB - 10yr | 0.40 | -2 | 7 | LMEX | 2933 | -0.2% | 0.6% |

CESEE MARKETS

SERBIA

| Money Market | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| BELIBOR | | | |
| T/N | 518 | 0 | -473 |
| 1-week | 5.65 | -1 | -436 |
| 1-month | 6.24 | -1 | -381 |
| 3-month | 6.81 | -1 | -304 |
| 6-month | 7.28 | 0 | -251 |

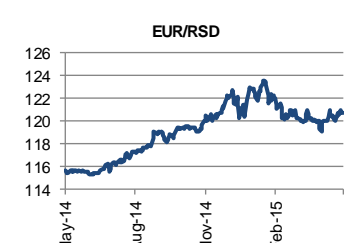
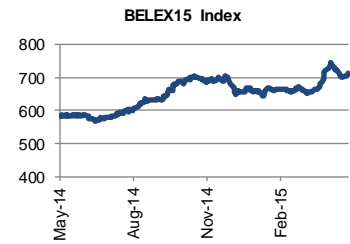
| RS Local Bonds | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 3Y RSD | 8.25 | 0 | -79 |
| 5Y RSD | 9.17 | 0 | -101 |
| 7Y RSD | 9.83 | 0 | -225 |

| RS Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| USD Nov-17 | 3.66 | -2 | -61 |
| USD Nov-24 | 6.43 | -1 | -16 |

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

| STOCKS | | | |
|---------|-------|-------|-------|
| | Last | ΔD | ΔYTD |
| BELEX15 | 711.5 | 0.29% | 6.66% |

| FOREX | | | |
|---------|--------|-------|-------|
| | Last | ΔD | ΔYTD |
| EUR/RSD | 120.70 | 0.06% | 0.54% |



ROMANIA

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

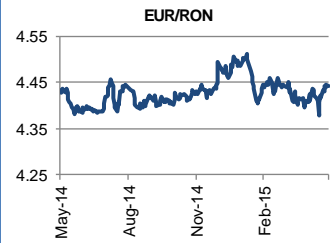
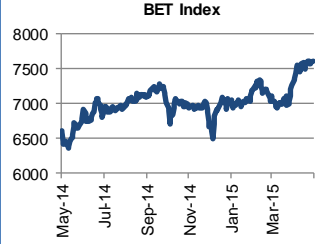
| RO Local Bonds | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 3Y RON | 2.01 | 1 | -30 |
| 5Y RON | 2.46 | 1 | -25 |
| 10Y RON | 3.53 | 1 | -13 |

| RO Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| EUR Sep-20 | 1.55 | 2 | -18 |
| USD Aug-23 | 3.65 | 6 | 4 |

| CDS | | | |
|---------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 5-year | 108 | -2 | -34 |
| 10-year | 154 | -2 | -33 |

| STOCKS | | | |
|--------|--------|-------|-------|
| | Last | ΔD | ΔYTD |
| BET | 7603.6 | 0.26% | 7.35% |

| FOREX | | | |
|---------|--------|-------|-------|
| | Last | ΔD | ΔYTD |
| EUR/RON | 4.4435 | 0.02% | 0.90% |



BULGARIA

| Money Market | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| SOFIBOR | | | |
| 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 |

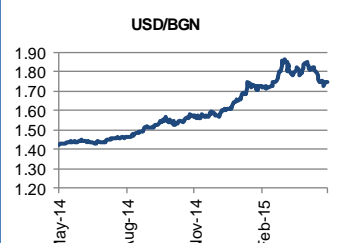
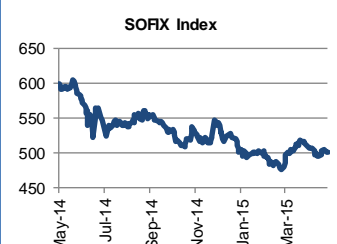
| BG Local Bonds | | | |
|----------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| (yields) | | | |
| 3Y BGN | 0.53 | 0 | -51 |
| 5Y BGN | 0.85 | 8 | -60 |
| 10Y BGN | 2.00 | 0 | -75 |

| BG Eurobonds | | | |
|--------------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| EUR Jul-17 | 0.82 | -5 | -34 |
| EUR Sep-24 | 2.45 | 14 | -42 |

| CDS | | | |
|---------|------|-------|----------|
| | Last | ΔDbps | ΔYTD bps |
| 5-year | 151 | -1 | -40 |
| 10-year | 201 | -1 | -40 |

| STOCKS | | | |
|--------|-------|--------|--------|
| | Last | ΔD | ΔYTD |
| SOFIX | 500.0 | -0.06% | -4.23% |

| FOREX | | | |
|---------|--------|--------|--------|
| | Last | ΔD | ΔYTD |
| USD/BGN | 1.7477 | -0.10% | -7.51% |



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

Data updated as of 10.00 EET

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