

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: US retail sales for April came in weaker than expected, adding to market worries over whether the domestic economy is poised to rebound strongly from the Q1 GDP soft patch. Against this background, the majority of European equity markets opened lower on Thursday while the USD came under renewed pressure. Elsewhere, German government bonds and US Treasuries weakened mainly due to technical factors while macroeconomic fundamentals were shrugged off.

GREECE: Greece's stats agency (EL.STAT.) released y-day its flash GDP estimate for the first quarter of this year. The data revealed that real output contracted by 0.2% on quarter-on-quarter seasonally adjusted (QoQ s.a.) basis, a bit better than our NOWcasting (mid-point) estimate of -0.5% that was published in early April./ In an attempt to speed up official discussions so as to secure a timely agreement with the institutions, the Greek government is reportedly expected to submit to parliament for approval in the coming sessions a bill incorporating the legislation required for the implementation of a number of measures, estimated to be worth up to c. €14bn in the period 2015-2016, aiming to boost budgetary revenue and improve VAT collection.

CYPRUS: In Q1-2015, Cyprus recorded the first positive growth rate on a quarterly and yearly basis since Q2-2011. GDP growth expanded by +1.6% qoq/+0.2% yoy in Q1-2015 up from -0.4% qoq/-1.8% yoy in Q4-2014.

SOUTH EASTERN EUROPE

BULGARIA: The domestic economy picked up pace in Q1-2015, growing at the strongest rate since Q2-2011. In more detail, GDP growth expanded by 0.9% qoq/+2.0% yoy over the first three months of the year, up from +0.4% qoq/+1.3% yoy in Q4-2015.

ROMANIA: According to the flash estimate, GDP expanded by +1.6% qoq/+4.3% yoy in Q1-2015 up from +1% qoq/+2.7% yoy in Q4-2014 largely exceeding consensus expectations (+0.6% qoq/+2.6% yoy).

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May 14, 2015

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US retail sales for April came in weaker than expected, adding to market worries over whether the domestic economy is poised to rebound strongly from the Q1 GDP soft patch. Against this background, the majority of European equity markets opened lower on Thursday while the USD came under renewed pressure with the DXY index hovering around 93.326 at the time of writing, within distance from a near four-month trough of 93.175 recorded earlier today. Favored by the USD's broad-based weakness, the EUR/USD extended its recent gains hitting a fresh multi-week peak of 1.1430 earlier today, moving above the 1.1400 level for the first time since early February. However, amid lingering concerns about the Greek issue, any further EUR/USD weakness in the coming sessions is likely to prove limited. Elsewhere, German government bonds and US Treasuries weakened with their corresponding yields hitting fresh multi-month highs mainly due to technical factors while macroeconomic fundamentals were shrugged off. Volatility in major government bond markets is likely to prevail in the sessions ahead while investors are awaiting more clear hints about the Fed's monetary policy deliberations and the outlook of the euro area.

GREECE

Greece's stats agency (EL.STAT.) released y-day its flash GDP estimate for the first quarter of this year. The data revealed that real output contracted by 0.2% on quarter-on-quarter seasonally adjusted (QoQ s.a.) basis, a bit better than our NOWcasting (mid-point) estimate of -0.5% that was published in early April. This translates into slightly positive year-on-year (YoY) growth of +0.3% and compares with a realization of -0.4% QoQ/+1.3% YoY in Q4 2014. In an attempt to speed up official discussions so as to secure a timely agreement with the institutions, the Greek government is reportedly expected to submit to parliament for approval in the coming sessions a bill incorporating the legislation required for the implementation of a number of measures (mainly revenue-side), estimated to be worth up to c. €14bn in the period 2015-2016, aiming to boost budgetary revenue and improve VAT collection. / According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem edged up in April for the eighth month in a row coming in at €112.84bn, the highest since December 2012 and up by €5.66bn compared to the level in the prior month. In more detail, refinancing through the ECB stood at €38.47bn while refinancing through the emergency liquidity assistance (ELA) mechanism came in at €74.37bn, €5.86bn higher relative to the level recorded in the prior month and up by €69.14bn compared to January, shortly before the ECB's unexpected decision to lift waiver of minimum credit-rating requirements for marketable instruments issued or guaranteed by the Hellenic Republic.

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CYPRUS

In Q1-2015, Cyprus recorded the first positive growth rate on a quarterly and yearly basis since Q2-2011. GDP growth expanded by +1.6% qoq/+0.2% yoy in Q1-2015 up from -0.4% qoq/-1.8% yoy in Q4-2014 vs. -0.4/-3.2% yoy in Q1-2014. Even though the reading is marginally positive, it is still illustrative of the progress Cyprus has made within the programme period. After spending two years in the programme, Cyprus is showing tangible signs of turnaround. The economic environment has stabilized while the first signs of green shoots have become more visible. Sentiment has been on an improving trend recovering towards pre-Lehman era levels (April 2015 ESI: 107.3). In addition, capital controls have been fully lifted as a result of the confidence coming back to the financial sector. Moreover, the fiscal and external accounts adjustment is impressive by any standards of comparison. More importantly, the progress is acknowledged by rating agencies while the compression of yield spreads has led to a gradual restoration of access to the financial markets.

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

May 14, 2015

Latest world economic & market developments in the CESEE region

BULGARIA

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	6.50	6.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



L-T ccy	Credit Ratings		
	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

The domestic economy picked up pace in Q1-2015, growing at the strongest rate since Q2-2011. In more detail, GDP growth expanded by 0.9% qoq/+2.0% yoy over the first three months of the year, up from +0.4% qoq/+1.3% yoy in Q4-2014. The detailed national accounts data will be published at a later stage and will most likely include significant revisions and reallocations within the individual growth drivers' components. From a qualitative point of view, final consumption appeared weak -0.6% qoq/+0.6% yoy slowing down from +0.3% qoq/+3.3% yoy in Q1-2014. The latter is explained to some extent by the high base of Q1-2014 but also from the negative contribution of public consumption as fiscal consolidation started taking hold. The performance of investments was mediocre for yet another quarter, as gross fixed capital formation grew by +0.4% qoq/+2.6% yoy in Q1-2015 down from +1.1% qoq/+4.8% yoy in Q1-2014. Net exports appeared to have made a strong positive contribution. The latter reflects the improvement of the external environment stemming from the better than anticipated Euroarea growth performance but also the terms of trade gains versus non-Euroarea partners from the devaluation trend of the Euro to which Lev is pegged. Lower input costs also helped as energy prices were down on a yearly basis which implies huge gains because Bulgaria has the highest energy intensity in EU-28. Exports impressed accelerating by +1.2% qoq/+9.1% yoy in Q1-2015 up +8.3% qoq/+5.4% yoy in Q4-2015. Meanwhile, imports came in at +0.1% qoq/+4.9% yoy in Q1-2015 down from +4.6% qoq/+7.5% yoy in Q4-2014. All in all, Q1 2015 growth exceeded market expectations. Yet, the reading is closer to our full year growth forecast-currently at 1.8%-vindicating our expectations that growth would gain momentum in 2015 instead of slowing down. Notably, the rebound would have been much higher had it not been for the financial sector turbulence in the 2H-2014, which is expected to have a carryover effect in 2015 as well.

ROMANIA

According to the flash estimate, GDP expanded by +1.6% qoq/+4.3% yoy in Q1-2015 up from +1% qoq/+2.7% yoy in Q4-2014 largely exceeding consensus expectations (+0.6% qoq/+2.6% yoy). Although the breakdown of the data is not yet available, it would be fair to say that consumer spending has taken over as the leading growth driver vs. net exports. Sustained improvement in private spending appears to be supported by robust real wage growth, improved consumer sentiment and labor market tightening. The nominal wage growth in March (+7.2% YoY) was the highest in the last three years. Subtracting for inflation, real wage growth stood at 6.4% in March boosting consumer purchasing power. Gains in wages are broad-based in the private as well as public sector. In fact, public wages have been restored to their pre-2009 levels. The economic sentiment index (ESI) has been climbing in the recent months touching over a new post-Lehman period high at 103.0 in April from 102.2 in March. Meanwhile, total employment increased by 110k on yearly basis in February. The key question arising is whether investments have contributed to this extraordinary performance as well. Investments stood at 22% of GDP in 2014 vs. 24.1% in 2013 and a multi-year high at 33.4% in 2008. In our view, we believe investments ought to pick up in 2015 thanks to improved EU funds absorption, public investments spending, lax monetary and credit conditions and tax incentives provided by the reduction of social security contributions for employers plus the trimming of the special constructions tax. Overall, the extraordinary performance of Q1 prompts us to put our full year growth forecast of 2015-currently at 2.7%-under review for a positive upgrade.

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May 14, 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	2100.72	0.1%	2.0%	EUR/USD	1.1369	1.4%	-6.0%	UST - 10yr	2.27	2	10	GOLD	1217	1.9%	2.7%
Nikkei 225	19764.72	0.7%	13.3%	GBP/USD	1.5745	0.5%	1.1%	Bund-10yr	0.72	5	18	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	395.46	-0.2%	15.4%	USD/JPY	119.12	0.6%	0.5%	JGB - 10yr	0.46	1	13	LMEX	2949	1.2%	1.2%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	5.16	6	-475	O/N	0.74	-33	17	LEONIA	0.02	0	0		
1-week	5.61	-2	-440	1-month	1.23	-7	32	1-month	0.16	0	-5		
1-month	6.15	-1	-390	3-month	1.36	-2	-34	3-month	0.34	0	-10		
3-month	6.66	9	-319	6-month	1.56	-3	-45	6-month	0.67	0	-13		
6-month	7.14	3	-265	12-month	1.6	-2	-42	12-month	1.27	0	-23		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	8.25	0	-83	3Y RON	2.03	-1	-28	3Y BGN	0.52	1	-52		
5Y RSD	9.17	0	-101	5Y RON	2.56	0	-15	5Y BGN	0.81	0	-64		
7Y RSD	9.77	-4	-231	10Y RON	3.60	0	-6	10Y BGN	2.16	0	-59		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.67	-1	-59	EUR Sep-20	1.55	-16	-18	EUR Jul-17	0.79	0	-37		
USD Nov-24	6.47	1	-12	USD Aug-23	3.70	-5	9	EUR Sep-24	2.50	5	-37		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	233	0	-57	5-year	115	-2	-27	5-year	163	0	-28		
10-year	286	0	-70	10-year	161	-3	-25	10-year	213	-1	-27		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	716.2	1.21%	7.37%	BET	7526.2	-0.41%	6.26%	SOFIX	484.8	-0.55%	-7.15%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.25	0.18%	0.92%	EUR/RON	4.4617	0.12%	0.49%	USD/BGN	1.7202	1.40%	-6.03%		

BELEX15 Index		BET Index		SOFIX Index	

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

Data updated as of 19.00 EET of previous session

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