

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 18: NAHB index (May)
- May 18-20: Fed's Evans speaks
- May 19
 - Housing starts (Apr)
 - Housing permits (Apr)
- May 20: FOMC Minutes (Apr)
- May 21
 - Initial jobless claims (May 16)
 - Existing home sales (Apr)
 - Philly Fed index (May)
- May 22
 - CPI (Apr)
 - Fed's Williams speaks

EUROZONE

- May 19
 - HICP (f, Apr)
 - DE: ZEW (May)
- May 21: PMI manufacturing/services (p, May)
- May 21-22: EU Summit
- May 21-23: ECB Forum on Central Banking

GREECE

- May 20: Industrial production (Mar)

CYPRUS

- May 20: Industrial production (Feb)
- May 21: Trade statistics (Feb)

SEE

BULGARIA

- May 18: 1.85% 2020 T-bonds auction

ROMANIA

- May 21: 5.75% 2020 T-bonds auction

SERBIA

- May 20: Current account balance (Mar)
- May 21: 3% T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian bourses firmed on Friday, taking their lead from the positive momentum in Wall Street overnight, favored by increased expectations that the FOMC will probably not rush to embark on a rate tightening cycle. Against this background, US Treasuries firmed while the USD remained under pressure against most of its major currency peers. Market focus today is on FOMC Chairman Janet Yellen who is due to speak on the US economic outlook before the Greater Providence Chamber of Commerce Economic Outlook Luncheon at 17:00GMT.

GREECE: Speaking to a local TV station earlier today, government spokesman Gabriel Sakellariadis said that conditions seem to have matured for official talks to progress further adding that the government expects to seal an agreement with official creditors in the next 10 days and meet all its debt interest and amortization payments due in June.

SOUTH EASTERN EUROPE

SERBIA: Public Debt Administration sold at an auction on Thursday €50mn of 2-year T-bonds, at an average accepted yield of 2.87%, below 3.45% achieved at a prior auction of similar maturity held in February.

CESEE MARKETS: Trailing losses in major European stock markets, **CESEE bourses** closed broadly lower on Thursday, weighed down by disappointing corporate earnings results and political uncertainty ahead of Sunday's Presidential elections in Poland. Along similar lines, **regional currencies** broadly recoiled on Thursday. Mixed PMI data from the Eurozone and weaker-than-anticipated macroeconomic data from China may also had an impact. In view of deteriorating risk sentiment, the majority of **government bonds** fell on Thursday.

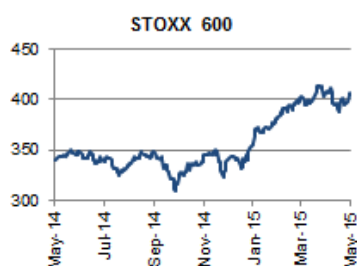
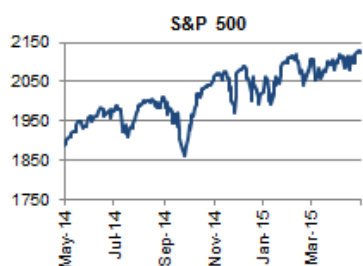
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Latest world economic & market developments

GLOBAL MARKETS

The majority of Asian bourses firmed on Friday, taking their lead from the positive momentum in Wall Street overnight, favored by increased expectations that the FOMC will probably not rush to embark on a rate tightening cycle. US data releases y-day revealed that both April Philly Fed business activity index and May existing home sales unexpectedly weakened fuelling market worries over the ability of the US economy to rebound in the quarters ahead after the Q1 GDP soft patch. Against this background, US Treasuries firmed while the USD remained under pressure against most of its major currency peers. After hitting a multi-session high of 95.837 earlier this week, the US dollar index (DXY) moved lower hovering around 95.077 in European trade at the time of writing with the technical picture suggesting that strong resistance stands at 100-day moving average of 95.620. Elsewhere, the BoJ decided to stay put on its monetary policy at its meeting today, in line with market expectations. At the post-meeting statement, the BoJ adopted a more positive assessment on the outlook of the domestic economy, giving the impression that, as things stand at this point, it does not see the need for additional stimulus any time soon, helping the JPY to gain some ground in FX markets. Market focus today is on FOMC Chairman Janet Yellen who is due to speak on the US economic outlook before the Greater Providence Chamber of Commerce Economic Outlook Luncheon at 17:00GMT.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

Speaking to reporters after the conclusion of the meeting y-day in the Latvian capital, Riga, on the sidelines of the Eastern Partnership EU Summit between the German Chancellor, the French President and Greece's Prime Minister, an unnamed Greek official was quoted saying that discussions were "friendly and constructive". As per the same sources, Greece's Premier Alexis Tsipras raised the issue "about a long-term agreement that would bring the prospect of an exit from the crisis" while the two other EU leaders underlined the need official discussions to speed up the process towards a comprehensive agreement. The Greek Prime Minister is reportedly scheduled to meet European Commission President Jean-Claude Juncker later today./ Speaking to a local TV station, government spokesman Gabriel Sakellaris said that conditions seem to have matured for official talks to progress further, adding that the government expects to seal an agreement with official creditors in the next 10 days and meet all its debt interest and amortization payments due in June.

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Latest world economic & market developments in the CESEE region

SERBIA

Public Debt Administration sold at an auction on Thursday €50mn of 2-year T-bonds, maturing on May 25, 2017 and bearing a 3% annual coupon. The average accepted yield came in at 2.87%, below a yield of 3.45% achieved at a prior auction of similar maturity held in February. Investor demand totaled €70.74mn.

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

CESEE MARKETS

Trailing losses in major European stock markets, **CESEE bourses** closed broadly lower on Thursday, weighed down by disappointing corporate earnings results and political uncertainty ahead of Sunday's Presidential elections in Poland. According to the latest opinion surveys, incumbent President Bronislaw Komorowski, backed by the ruling Civic Platform (PO), is the front runner with a score of 47%. Andrzej Duda, who is supported by the opposition Law and Justice party (PiS) and unexpectedly led the tally in the first round of the elections on May 10, is the runner up with a share of 45%. Polish assets have come under pressure over recent sessions, as a disappointing result for incumbent Komorowski on the May 24 run-off will likely raise concerns about the government's prospects in autumn's parliamentary polls. A recent streak of weaker-than-anticipated data domestically has also weighed.



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

Along similar lines, **regional currencies** broadly recoiled on Thursday. Mixed PMI data from the Eurozone and weaker-than-anticipated macroeconomic data from China may also had an impact. The Polish zloty led the losers' pack for the second session running amid mounting domestic political uncertainty ahead of Sunday's Presidential run-off and revived concerns about domestic growth prospects. In more detail, the EUR/PLN spiked near a 1-week peak of 4.1060 intraday before pulling back towards 4.0920 towards the session's settlement. The Turkish lira reversed early gains to close weaker, despite a snap in the US dollar's recent renewed strengthening momentum and CBT comments suggesting that future monetary policy decisions will be dependent on the inflation outlook. Against this backdrop, the USD/TRY ended ca 0.5% higher on the day near 2.5880 having retreated from a multi-month low of 2.5570 hit in Asian trade. On the flipside, the Serbian dinar bucked the region's negative trend, moving towards the lower bound of its recent trading range in the wake of a successful government bond auction. The EUR/RSD hovered around levels of 120.30 close to the session's settlement, remaining within 120.00-121.00, a range held over the last two months or so.

In view of deteriorating risk sentiment, the majority of **government bonds** fell on Thursday. Hungarian paper posed among the region's worst performers, with the corresponding 2 and 10-year benchmark yields inching by ca 4bps each higher on the day to stand near 2.44% and 3.64% respectively at the session's close.

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May 22, 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	2130.13	0.2%	3.5%	EUR/USD	1.112	0.2%	-8.1%	UST - 10yr	2.21	-4	4	GOLD	1206	-0.3%	1.8%
Nikkei 225	20202.87	0.0%	15.8%	GBP/USD	1.5668	0.8%	0.6%	Bund-10yr	0.64	0	10	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	407.90	0.4%	19.1%	USD/JPY	121.15	0.2%	-1.2%	JGB - 10yr	0.41	2	9	LMEX	2815	-0.2%	-3.4%

Ma CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	508	-1	-483
1-week	5.44	-1	-457
1-month	5.96	0	-409
3-month	6.43	-3	-342
6-month	6.89	-7	-290

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.34	0	-174
5Y RSD	9.27	0	-91
7Y RSD	9.44	0	-264

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.58	-5	-68
USD Nov-24	6.44	0	-15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	209	0	-81
10-year	250	0	-106

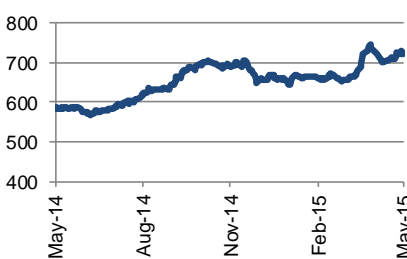
STOCKS

	Last	ΔD	ΔYTD
BELEX15	722.9	-0.21%	8.37%

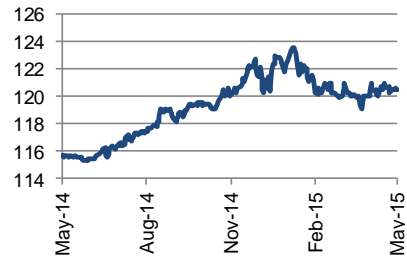
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.39	0.06%	0.80%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	3	6
1-month	1.22	1	31
3-month	1.33	0	-37
6-month	1.55	0	-46
12-month	1.59	1	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.96	0	-35
5Y RON	2.50	0	-21
10Y RON	3.50	-1	-16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.59	-1	-14
USD Aug-23	3.49	-3	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	0	-27
10-year	161	0	-25

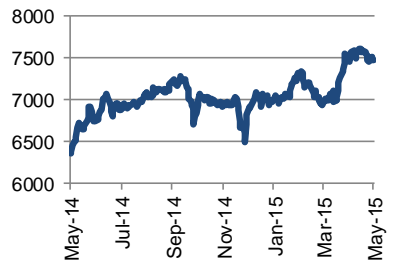
STOCKS

	Last	ΔD	ΔYTD
BET	7463.6	-0.19%	5.37%

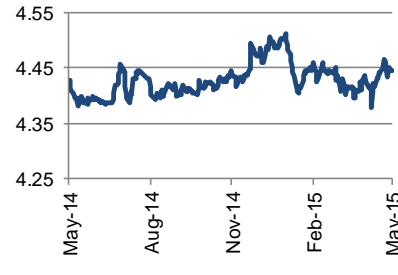
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4453	0.02%	0.86%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-4
3-month	0.34	0	-9
6-month	0.67	0	-13
12-month	1.27	0	-23

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.49	0	-55
5Y BGN	0.80	0	-65
10Y BGN	2.15	0	-60

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.79	0	-37
EUR Sep-24	2.51	52	-36

CDS

	Last	ΔDbps	ΔYTD bps
5-year	164	-1	-27
10-year	215	-1	-26

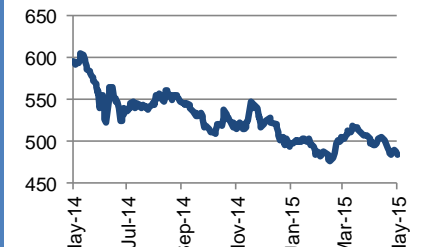
STOCKS

	Last	ΔD	ΔYTD
SOFIX	484.3	-0.78%	-7.25%

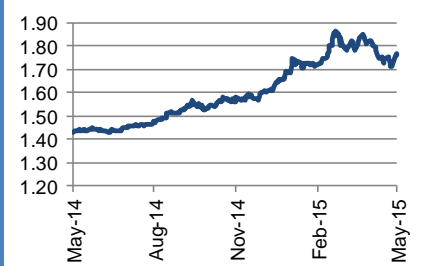
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.759	0.22%	-8.10%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 18:10 EET of previous session

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