

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- May 27-29: G7 finance ministers and central bank governors meeting

US

- May 26
 - Durable goods (Apr)
 - CB consumer sentiment (May)
 - New home sales (Apr)
- May 28
 - Initial jobless claims (May 23)
 - Pending home sales (Apr)
- May 29
 - GDP (Q1, 2nd est.)
 - Chicago PMI (May)
 - UoM consumer confidence (May)

GREECE

- May 28
 - Greek PM Tsipras and Eurogroup's Dijsselbloem attend EU parliament's political leaders meeting
 - Deposits/Credit (Apr)
- May 29
 - GDP (Q1, p)
 - Retail sales (Mar)

CYPRUS

- May 25: Retail sales (Mar)
- May 28: Industrial production (Mar)
- May 29: Tourism revenues (Mar)

SEE

BULGARIA

- May 25: T-bonds auction
- May 28: External debt (Mar)
- May 29: Budget (Apr)

SERBIA

- May 25: Real gross wages (Apr)
- May 29
 - Industrial prod (Apr)
 - Trade balance (Apr)
 - Retail sales (Apr)
 - GDP (Q1, f)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of **European bourses** opened lower on Thursday after a recent bulk of firmer-than-expected US data and last week's hawkish-leaning comments by Fed Chair Janet Yellen added to the view that the US Central Bank will raise interest rates sooner rather than later. Against this backdrop, the **US dollar** retained a firm tone in European trade.

GREECE: The latest reports on **progress in the negotiations between Greece and its official creditors** as well as the chances for a comprehensive agreement in the sessions ahead, are mixed. Meanwhile, the **ECB** reportedly decided at its non-policy meeting y-day not to increase the ELA funding ceiling for the first time since granting approval for the provision of that scheme to Greek banks in mid-January.

SOUTH EASTERN EUROPE

ROMANIA: Romania's M3 money supply rose by 6.9%YoY in April, thanks to increasing deposits which registered a 6.3%YoY advance over the said month.

SERBIA: Serbia's Central Bank (NBS) Governor Jorgovanka Tabakovic said on Wednesday that it will implement further monetary policy easing with caution in view of external pressures.

CESEE MARKETS: **Emerging stock markets** closed broadly lower on Wednesday, extending their recent losses, as recent comments by Federal Reserve Chair Janet Yellen and upbeat data from the US have bolstered expectations for the FOMC to incept its rate-hiking cycle later in the year. On the flipside, **regional currencies** and **government bonds** recovered some ground to close modestly firmer on the day.

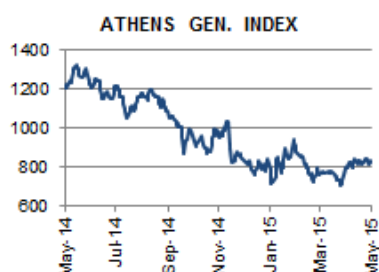
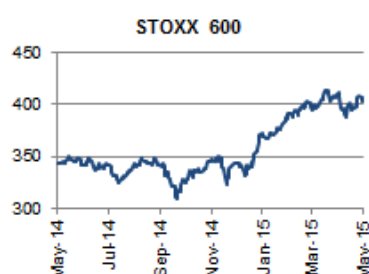
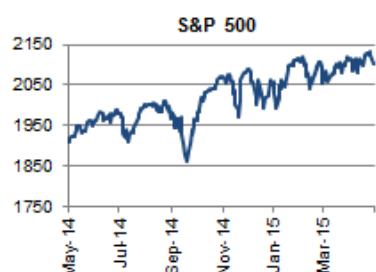
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Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the negative tone in Asia earlier today, the majority of European bourses opened lower on Thursday after a recent bulk of firmer-than-expected US data and last week's hawkish-leaning comments by Fed Chair Janet Yellen added to the view that the US Central Bank will raise interest rates sooner rather than later. Concerns over the Greek issue also weighed. Against this backdrop, the US dollar retained a firm tone in European trade today, with the DXY index hovering around levels of 97.000 at the time of writing, within distance from a 1-month peak of 97.775 hit in the prior session.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

The latest reports on progress in the negotiations between Greece and its official creditors as well as the chances for a comprehensive agreement in the sessions ahead, are mixed. Speaking to reporters y-day, Greece's Prime Minister Alexis Tsipras said that a deal is "close" and that "very soon we will be able to present more details". The above comments coincide with the release of a few reports in the local press which, quoting an unnamed high level Greek official involved in the Brussels Group talks, suggested that the two sides have started drafting a staff-level agreement, along the Greek government's "red lines" envisioning among others, low primary surpluses, no further cuts in wages and pensions and a growth package. However, such reports were refuted by a number of EU/IMF officials suggesting that, in spite of the progress achieved over the last few weeks, there is still some way to go before an agreement is finally clinched. Responding to the aforementioned reports, EU Commission Vice President Valdis Dombrovskis said to reporters y-day that a deal is still not in sight and a lot of work remains to be done. Adopting a similar tone, IMF's Managing Director Christine Lagarde said in a German television interview that much more is needed before the two sides enter the final stretch towards a comprehensive agreement, comments that reflected the view expressed by both Germany's Minister of Finance and the Eurogroup President on the sidelines of this week's G7 meeting in Dresden.

In other news, the ECB reportedly decided at its non-policy meeting y-day not to increase the ELA funding ceiling for the first time since granting approval for the provision of that scheme to Greek banks in mid-January, a development that was perceived by a number of investors as a signal that the Central Bank is not keen to provide further liquidity assistance unless an agreement is reached between the Greek government and official creditors. According to press reports, the Bank of Greece did not request an increase in the existing ceiling of €80.2bn on the view that it suffices to serve the needs of the local banking system. The ECB will review the ELA funding ceiling at its next meeting scheduled for June 3.

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May 28, 2015

Latest world economic & market developments in the CESEE region

ROMANIA

Romania's M3 money supply rose by 6.9%YoY in April, thanks to increasing deposits which registered a 6.3%YoY advance over the said month. Despite a 7.7%YoY rise in RON-denominated loans, lending declined by 3.8%YoY, in view of lower hard currency loans - 11.6%YoY). Meanwhile, credit to the central government inched up by 7.6% on an annual basis.

SERBIA

Serbia's Central Bank (NBS) Governor Jorgovanka Tabakovic said on Wednesday that it will implement further monetary policy easing with caution in view of external pressures. Her comments come on the heels of May's 50bps cut in the key policy rate to a record low of 6.50%, the third consecutive such action since March, aimed at underpinning economic activity as inflation remains firmly below the lower bound of the $4\pm 1.5\%$ target tolerance band (HICP at 1.8%YoY in April). In our view, her comments suggest that the NBS may hold its fire at the next MPC meeting on June 11 and stay put on its monetary policy. That said, further rate cuts later in the year cannot be ruled out, especially if inflation keeps undershooting expectations. However, the room for such action is limited and any such moves are likely to be of measured size amid lingering external uncertainties and fiscal consolidation risks. Also, the KPR has rather limited potential to stimulate credit (ca 70% of loans are EUR-linked). The risk of the key policy rate being reduced to levels below 6.00%, is present, though such hefty easing may weigh on the local bond markets.

CESEE MARKETS

Emerging stock markets closed broadly lower on Wednesday, extending their recent losses, as recent comments by Federal Reserve Chair Janet Yellen and upbeat data from the US have bolstered expectations for the FOMC to incept its rate-hiking cycle later in the year. In support of the aforementioned, the MSCI Emerging Markets index slid to a 6-week intraday low, while Serbia's BELEX15 index led the losses in the CESEE region with a ca 1% daily decline. On the flipside, **regional currencies** recovered some ground to close modestly firmer on the day. The Polish zloty recouped part of its recent losses on Wednesday suffered in the wake of the unexpected defeat of incumbent President Bronislaw Komorowski, backed by the ruling Civic Platform party (PO), in Sunday's election run-off. Along these lines, the EUR/PLN pulled back towards 4.1260 at the session's settlement from a 2-month intraday high near 4.1550 hit on Tuesday. With autumn's general elections looming, renewed depreciation pressures on the currency in the coming weeks are on the cards, especially as the winner of Sunday's polls was the candidate of main opposition Law and Justice party (PiS), Andrzej Duda. His victory has stirred concerns over the government's performance in the upcoming general elections, while the most recent opinion polls indicate that conservative PiS, broadly considered as rather Eurosceptic, is marginally leading over ruling PO. The Hungarian forint closed nearly flat on the day at 308.85/EUR on Wednesday. The currency's gains were capped by the Central Bank's MPC decision on Tuesday to cut its key policy rate by 15bps to a new record low of 1.65%, in line with the market's median forecast. The majority of CESEE **government bonds** recovered some ground on Wednesday, but sentiment remained fragile on expectations about Fed rate-tightening and concerns linger over the Greek issue.

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	1.8
CPI (pa, yoy %)	0.9	-1.4	-0.5
Budget Balance/GDP*	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.9	0.5
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

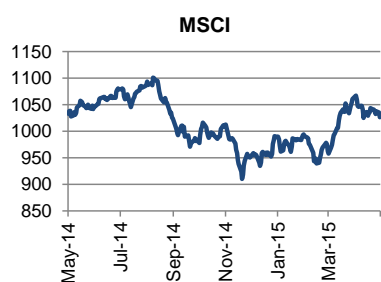
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.50	6.00

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 28, 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	2104.20	-1.0%	2.2%	EUR/USD	1.0838	-0.3%	-10.4%	UST - 10yr	2.15	1	-2	GOLD	1187	-0.1%	0.1%
Nikkei 225	20472.58	0.2%	17.3%	GBP/USD	1.5337	-0.3%	-1.5%	Bund-10yr	0.53	-2	-2	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	406.43	0.7%	18.7%	USD/JPY	123.61	-0.4%	-3.2%	JGB - 10yr	0.39	-3	6	LMEX	2761	-0.9%	-5.3%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	510	0	-481
1-week	5.45	0	-456
1-month	5.94	-3	-411
3-month	6.37	-7	-348
6-month	6.85	-5	-294

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.35	0	-173
5Y RSD	9.28	0	-91
7Y RSD	9.44	0	-264

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.55	0	-71
USD Nov-24	6.43	0	-16

CDS

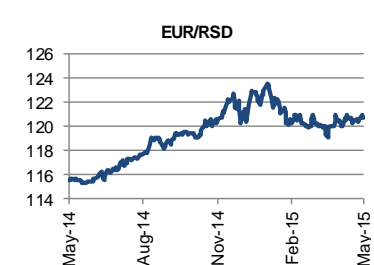
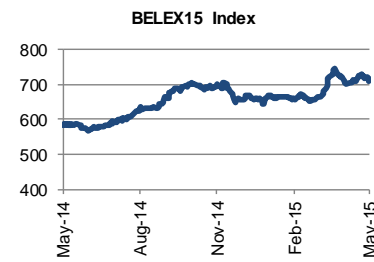
	Last	ΔDbps	ΔYTD bps
5-year	208	1	-82
10-year	248	-1	-108

STOCKS

	Last	ΔD	ΔYTD
BELEX15	709.9	-0.99%	6.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.77	0.01%	0.48%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.83	-24	26
1-month	1.15	-5	24
3-month	1.27	-4	-43
6-month	1.52	-2	-49
12-month	1.58	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.95	0	-36
5Y RON	2.50	1	-21
10Y RON	3.52	0	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.59	1	-14
USD Aug-23	3.51	-1	-11

CDS

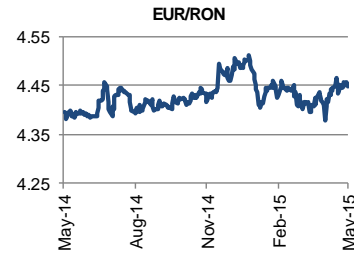
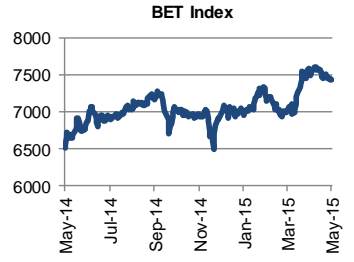
	Last	ΔDbps	ΔYTD bps
5-year	116	1	-26
10-year	163	1	-24

STOCKS

	Last	ΔD	ΔYTD
BET	7440.6	-0.04%	5.05%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4465	0.25%	0.83%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-5
3-month	0.34	0	-9
6-month	0.67	0	-13
12-month	1.27	0	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.49	1	-54
5Y BGN	0.81	1	-64
10Y BGN	2.17	0	-58

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	3.75	-597	259
EUR Sep-24	2.64	-156	-23

CDS

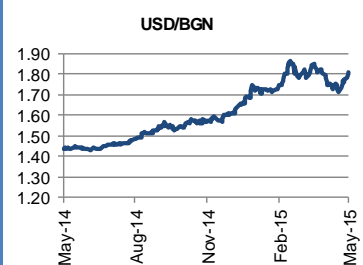
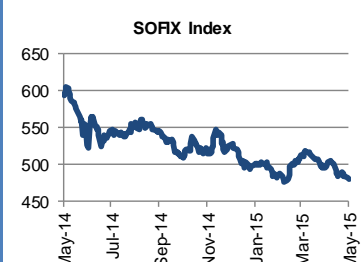
	Last	ΔDbps	ΔYTD bps
5-year	165	0	-26
10-year	215	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	479.6	-0.46%	-8.14%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8048	-0.32%	-10.43%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:30 EET of previous session

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