

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, May 26, 2015

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: Major European bourses opened lower on Tuesday amid increased expectations that the FOMC will probably embark on a rate tightening cycle before year-end. Elsewhere, US Treasury yields continued to consolidate around recent multi-session highs helping the USD retain a firm tone across the board.

GREECE: Speaking at a news conference y-day, government spokesman Gabriel Sakellaris reassured that the government has the money to make monthly wage and pension payments due in the period May 29 - June 2. Concerning the upcoming debt payments due to the IMF in June amounting c. €1.5bn cumulatively starting with a c. €300mn interest payment on June 5, Mr. Sakellaris reiterated the government's official stance that it has the responsibility to pay all its obligations, adding that, based on the liquidity problems the government currently faces, there is "an imperative need" for Greece and the euro area an agreement to be sealed as soon as possible.

SOUTH EASTERN EUROPE

BULGARIA: The Ministry of Finance sold on Monday BGN 50mn of 3-year T-bonds at an average accepted yield of 0.68%.

SERBIA: Average gross salaries and wages decreased for the third month running in April, marking a 2.8%YoY decline.

CESEE MARKETS: Emerging stock markets closed broadly lower on Monday on expectations that the Fed will incept its rate-hiking cycle later in the year. Investor caution also prevailed as negotiations between Greek authorities and the Institutions continue, while the unexpected defeat of incumbent Bronislaw Komorowski in Sunday's Presidential elections in Poland also weighed. In view of deteriorating sentiment towards risky assets, **regional currencies** and **government bonds** closed broadly weaker on Monday.

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Latest world economic & market developments

GLOBAL MARKETS

Major European bourses opened lower on Tuesday amid increased expectations that the FOMC will probably embark on a rate tightening cycle before year-end as investors continued to digest relative hawkish-leaning comments by FOMC Chair Janet Yellen late last week. Elsewhere, US Treasury yields continued to consolidate around recent multi-session highs helping the USD retain a firm tone across the board. Extending a recent rally triggered by the FOMC Chair's comments, the DXY index was hovering around 97.048 in European trade at the time of writing, having recovered from levels close to 94.000 early last week. Focus today is on a bulk of US data for more clues on the momentum of the US economy following a Q1 GDP soft patch, including April's durable goods orders and May's CB consumer sentiment.

GREECE

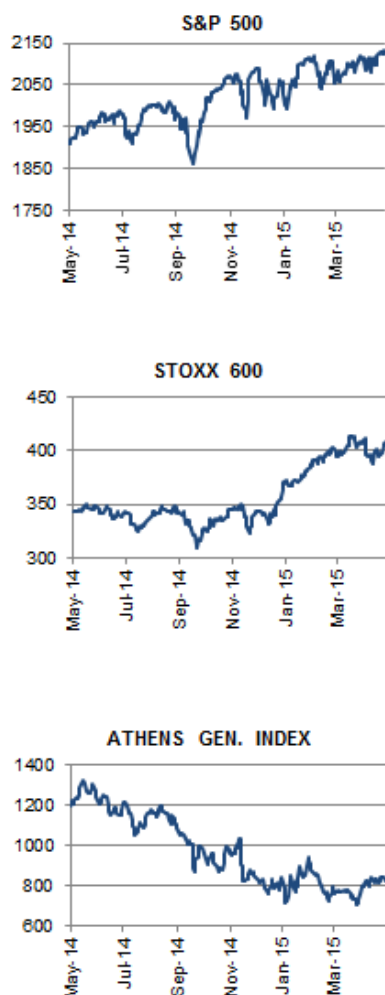
Speaking at a news conference y-day, government spokesman Gabriel Sakellaris reassured that the government has the money to make monthly wage and pension payments due in the period May 29 - June 2. Concerning the upcoming debt payments due to the IMF in June amounting c. €1.5bn cumulatively starting with a c. €300mn interest payment on June 5, Mr. Sakellaris reiterated the government's official stance that it has the responsibility to pay all its obligations, adding that, based on the liquidity problems the government currently faces, there is "an imperative need" for Greece and the euro area an agreement to be sealed as soon as possible. He dismissed as "doomsday" scenarios over the imposition of capital controls and expressed his optimism that an agreement with official creditors can be reached by early June. Official discussions in Brussels between domestic authorities and the Institutions will reportedly resume later today with Mr. Sakellaris acknowledging that divergence of views continues to exist on a number of issues including VAT policy, general government primary surplus target for this year as well as labor market and social security reform. Meanwhile, Managing Director of the European Stability Mechanism Klaus Regling was quoted as saying in an international newspaper that time is running out for Greece to reach an agreement, a key precondition for official creditors to approve the release of further funding to the country.

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CYPRUS

According to provisional estimates, the Turnover Volume Index of Retail Trade for March 2015 increased by 1.5%YoY, bringing the cumulative increase in Q1 2015, to 3.4%YoY.

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Source: Reuters, Bloomberg, Eurobank Research

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.8	0.4
HICP (pa, yoy %)	0.4	-0.3	-0.8
Budget Balance/GDP*	-4.9	-8.8	-1.1
Current Account/GDP	-3.0	-5.1	-3.9

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

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

The Ministry of Finance sold on Monday BGN 50mn of 3-year T-bonds at an average accepted yield of 0.68%. The issue matures on January 28, 2018 and bears a coupon of 1.1%. Meanwhile, the auction's bid-to-cover ratio came in at 2.51.

SERBIA

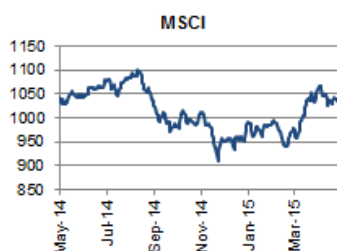
SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.50	6.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Average gross salaries and wages decreased for the third month running in April, marking a 2.8%YoY decline, with the pace of annual contraction marginally easing from March's 2.9% drop. The aforementioned declines reflect fiscal consolidation measures adopted by the government late last year, such as cuts in civil servants wages, which have weighed on domestic consumption this year.

CESEE MARKETS

Emerging stock markets closed broadly lower on Monday on expectations that the Fed will incept its rate-hiking cycle later in the year. Investor caution also prevailed as negotiations between Greek authorities and the Institutions continue, while the unexpected defeat of incumbent Bronislaw Komorowski in Sunday's Presidential elections in Poland also weighed. Along these lines, Poland's WIG index led the losses in the CESEE region, ending ca 1.5% lower, with domestic banks posing among the worst performers. Note that incoming President Andrzej Duda, backed by the main opposition party Law and Justice, recently cited plans to convert Swiss-franc denominated mortgages into zlotys at historical exchange rates. Additionally, concerns are on the rise about the government's performance in the upcoming parliamentary elections in autumn. According to the latest opinion surveys, main opposition Law and Justice is currently marginally leading over ruling Civic Platform.



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

In view of deteriorating sentiment towards risky assets, **regional currencies** closed broadly weaker on Monday. The Turkish lira led the losers' pack in view of the US dollar's renewed uptrend, while persisting concerns ahead of the June 7 general elections continue to weigh. According to the latest opinion survey, released yesterday, the ruling AK Part may not be able to achieve an outright majority in the 550-seat parliament to form a single party government. Against this backdrop, the USD/TRY closed ca 0.7% higher near 2.6160, after hitting a multi-session peak of 2.6190 intraday. Separately, the Polish zloty broadly closed nearly flat, having recovered some ground from a 2-month intraday low near 4.1320/EUR hit earlier in the day.

In a similar vein, the majority of **government bonds** fell on Monday. Polish paper led the losers' pack with the corresponding 2 and 10-year benchmark yields rising by ca 11bps and 3bps compared to Friday's settlement, to stand near 1.86% and 2.85% respectively at the time of writing.

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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	2126.06	-0.2%	3.3%	EUR/USD	1.0971	-0.4%	-9.3%	UST - 10yr	2.21	0	4	GOLD	1205	-0.1%	1.7%
Nikkei 225	20413.77	0.7%	17.0%	GBP/USD	1.5486	0.0%	-0.6%	Bund-10yr	0.61	0	7	BRENT CRUDE	184	0.1%	5.3%
STOXX 600	407.27	-0.1%	18.9%	USD/JPY	121.62	-0.1%	-1.6%	JGB - 10yr	0.42	1	10	LMEX	2785	-1.1%	-4.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	508	0	-483
1-week	5.45	1	-456
1-month	5.97	1	-408
3-month	6.44	1	-341
6-month	6.90	1	-289

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.35	1	-173
5Y RSD	9.25	-3	-93
7Y RSD	9.44	0	-264

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.57	0	-69
USD Nov-24	6.44	2	-15

CDS

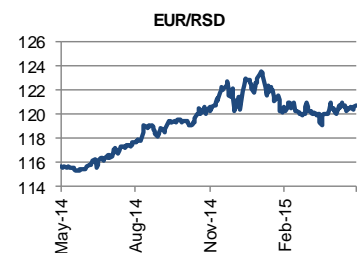
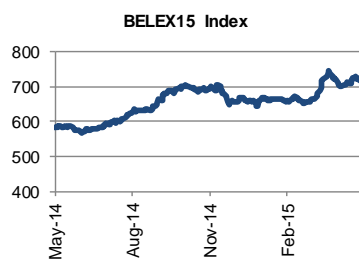
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-82
10-year	251	0	-105

STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.8	0.08%	7.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.75	0.06%	0.50%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.3	57	73
1-month	1.23	1	32
3-month	1.33	1	-37
6-month	1.55	1	-46
12-month	1.58	1	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	-1	-37
5Y RON	2.49	0	-22
10Y RON	3.50	0	-16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.57	0	-16
USD Aug-23	3.46	-3	-16

CDS

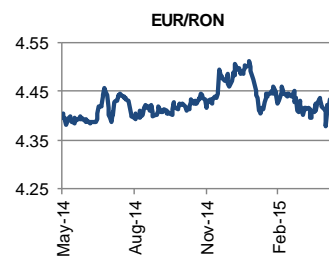
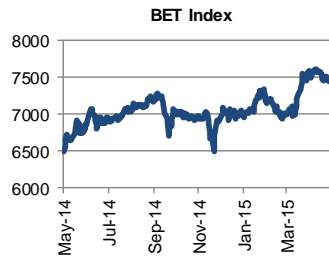
	Last	ΔDbps	ΔYTD bps
5-year	116	0	-27
10-year	162	1	-24

STOCKS

	Last	ΔD	ΔYTD
BET	7430.6	-0.42%	4.91%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4508	0.10%	0.73%



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	0.51	-3	-53
5Y BGN	0.86	8	-59
10Y BGN	2.21	0	-54

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	0	-40
EUR Sep-24	2.45	77	-42

CDS

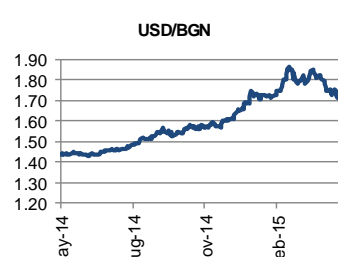
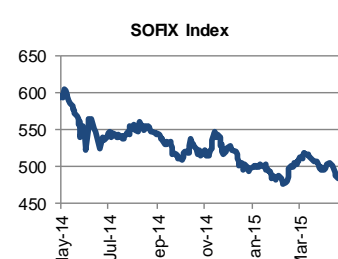
	Last	ΔDbps	ΔYTD bps
5-year	165	1	-26
10-year	214	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	480.8	-0.74%	-7.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7827	-0.38%	-9.32%



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

Data updated as of 18:50 EET of previous session

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