



# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 27, 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, 2<sup>nd</sup> 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:** Trailing losses in **Wall Street** overnight, **Asian stock markets** moved broadly lower on Wednesday after better-than-expected data from the US released in the prior session further added to the view that the Fed will probably embark on a rate tightening cycle before year-end. Against this backdrop, the **US dollar** retained a firm tone in European trade today.

**GREECE:** According to final January-April 2015 state budget execution data, published yesterday by the Ministry of Finance, the state budget balance recorded a deficit of €510mn against a target for a €2.918bn shortfall, while the state budget primary balance ran a surplus of €2.103bn outperforming a target for a deficit of €310mn.

### SOUTH EASTERN EUROPE

**ROMANIA:** In accordance to this year's good fiscal performance, the general government consolidated budget surplus rose to 0.85% of GDP (cash basis) in the first four months of the year from 0.7% in Q1 2015.

**SERBIA:** Minister for state and local administration, Kori Udovicki, reportedly said yesterday that the total number of its public servants will be reduced by ca 3% this year, less than the 5% agreed under a Stand-By Arrangement with the International Monetary Fund.

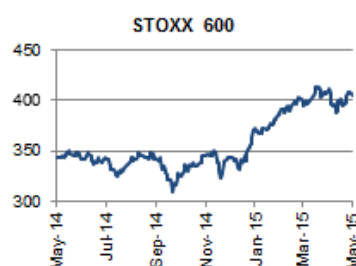
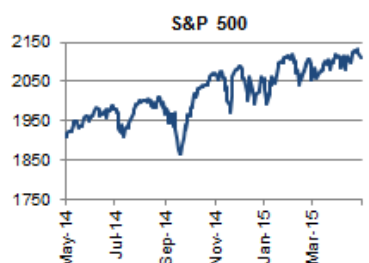
**CESEE MARKETS:** Emerging stock markets closed broadly lower on Tuesday, extending this week's downtrend amid persisting expectations that the Fed will incept its rate-hiking cycle later in the year. Investor caution also prevailed as negotiations between Greek authorities and the Institutions continue. **Regional currencies** extended their recent losses on Tuesday, as the US dollar's upside momentum remained intact, while **CESEE government bonds** also fell.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Trailing losses in **Wall Street** overnight, **Asian stock markets** moved broadly lower on Wednesday after better-than-expected data from the US, released in the prior session, further added to the view that the Fed will probably embark on a rate tightening cycle before year-end. Concerns over the Greek issue also weighed. In more detail, durable goods orders fell 0.5%MoM, in line with the market's median forecast, but non-defense cap orders (excl. aircraft) rose 1.0%MoM, beating market expectations for a smaller - 0.4%MoM - increase, while the March reading was upwardly revised to +1.5%MoM from -0.5%MoM previously announced. In addition, the Conference Board reported that consumer confidence rose to 95.4 in May from a downwardly revised reading of 94.3 in the prior month and new home sales for April as well as the Richmond Fed manufacturing index beat estimates, though the Dallas Fed manufacturing index disappointed expectations. On the flipside, **European stock markets** opened in the black earlier today, snapping a multi-session losing streak. Against this backdrop, the **US dollar** retained a firm tone in European trade today, with the DXY index hovering around levels of 97.016 at the time of writing, within distance from a 1-month peak of 97.380 hit earlier in the session. Meanwhile, the USD/JPY traded near 122.95/98, not far from an 8-year peak of 123.33 hit on Tuesday.

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### GREECE

The Ministry of Finance published yesterday the final data (on a modified cash basis) of the state budget execution for the 4 months period of January-April 2015. The said data showed that the state budget balance recorded a deficit of €510mn against a target for a €2.918bn shortfall. In addition, the state budget primary balance recorded a surplus of €2.103bn against a target for a deficit of €310mn. This divergence to the said targets is mainly attributed to lower than planned ordinary budget expenditure, particularly that of the primary expenditure by €1.455bn, i.e., a realization equal to €12.410bn relative to a target of €13.865bn.

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## Latest world economic & market developments in the CESEE region

### ROMANIA

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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

In accordance to this year's good fiscal performance, the general government consolidated budget surplus rose to 0.85% of GDP (cash basis) in the first four months of the year from 0.7% in Q1 2015. The said data, released yesterday from the finance ministry, is likely to further strengthen the case for the government's tax-cut plans envisioned to come into effect over the next three years. That said, potential fiscal relaxation over the medium term has raised concerns over downside risks on public finances. It is worth noting that for the whole of 2015 the fiscal deficit target agreed with official lenders stands at 1.8% of GDP in cash terms (1.4% of GDP in ESA terms), almost flat versus the outcome of 2014.

### SERBIA

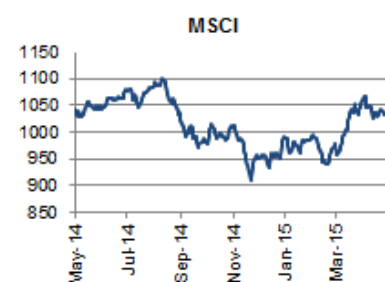
SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	6.50	6.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Energy regulator AERS reportedly said on Tuesday that retail prices for natural gas generated to households and small business consumers will decrease by around 5% as of June, on the back of lower global oil prices. In other news, minister for state and local administration, Kori Udovicki, reportedly said yesterday that the total number of its public servants will be reduced by ca 3% this year, less than the 5% agreed under a Stand-By Arrangement with the International Monetary Fund. The latter news follows Economy Minister Zeljko Sertic's comments last week that the government is planning to amend a law on privatisations in order to extend a deadline for the sale of 17 loss-making state-owned corporations, despite having agreed under the IMF programme to complete the privatization of some 500 companies by the end of the year, as part of its fiscal consolidation efforts.

### CESEE MARKETS

**Emerging stock markets** closed broadly lower on Tuesday, extending this week's downtrend amid persisting 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. In the CESEE region, Ukraine's PFTS led the losers' pack, recording a 1.6% daily decline. Poland's WIG index dropped by 0.7% adding to cumulative losses of 1.8% marked in the prior two sessions on escalating domestic political jitters after incumbent Bronislaw Komorowski, backed by ruling Civic Platform, was unexpectedly defeated in Sunday's Presidential elections. This has stirred concerns over the government's performance in the upcoming parliamentary elections in autumn. **Regional currencies** extended their recent losses on Tuesday, as the US dollar's upside momentum remained intact. The Polish zloty posed among the region's worst performers closing ca 1% weaker against the euro, remaining just off a 2-month intraday low near 4.1510/EUR hit earlier in the session. The Hungarian forint also weakened, after the Central Bank cut its key policy rate by 15bps to a new record low of 1.65%, in line with the market's median forecast. Against this backdrop, the EUR/HUF spiked to a 3-½-month peak of 309.65 in European trade before pulling back towards 309.00 by the session's settlement. In a similar vein, the majority of **government bonds** fell on Tuesday. Turkish paper broadly underperformed its regional peers with the corresponding 2 and 10-year benchmark yields rising by ca 23bps and 12bps on the day to 9.72% and 9.11%, respectively, by the session's settlement.

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### 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

## 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	2109.95	-0.8%	2.5%	EUR/USD	1.0876	-0.9%	-10.1%	UST - 10yr	2.19	-2	2	GOLD	1187	-1.3%	0.2%
Nikkei 225	20437.48	0.1%	17.1%	GBP/USD	1.5356	-0.7%	-1.4%	Bund-10yr	0.57	-4	3	BRENT CRUDE	184	0.1%	#VALUE!
STOXX 600	404.76	-0.4%	18.2%	USD/JPY	123.3	-1.4%	-2.9%	JGB - 10yr	0.42	0	9	LMEX	2785	-1.1%	-4.5%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	510	2	-481
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	0	-173
5Y RSD	9.28	0	-91
7Y RSD	9.44	0	-264

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.54	-3	-72
USD Nov-24	6.43	-1	-16

## CDS

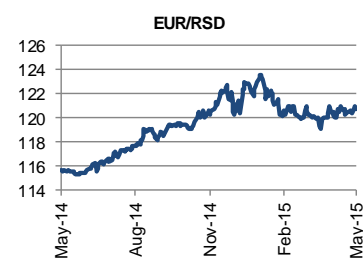
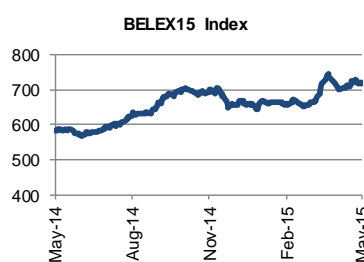
	Last	ΔDbps	ΔYTD bps
5-year	207	-1	-83
10-year	250	-1	-107

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.0	-0.73%	7.49%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.86	0.04%	0.40%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.07	-23	50
1-month	1.2	-3	29
3-month	1.31	-2	-39
6-month	1.54	-1	-47
12-month	1.58	0	-44

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.95	0	-36
5Y RON	2.49	0	-22
10Y RON	3.51	1	-15

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.58	1	-15
USD Aug-23	3.52	5	-10

## CDS

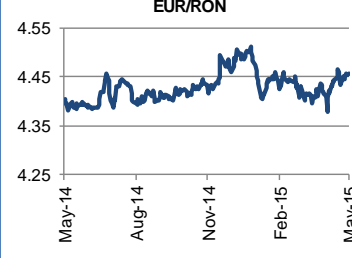
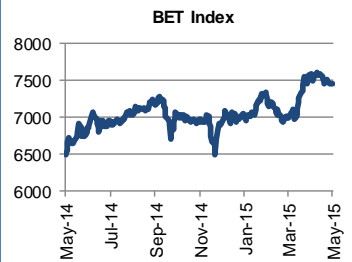
	Last	ΔDbps	ΔYTD bps
5-year	116	0	-27
10-year	162	0	-24

## STOCKS

	Last	ΔD	ΔYTD
BET	7443.5	-0.11%	5.09%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4572	-0.08%	0.59%



## 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	-23

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.49	-2	-55
5Y BGN	0.80	-4	-64
10Y BGN	2.17	0	-58

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.71	9	-45
EUR Sep-24	2.45	56	-42

## CDS

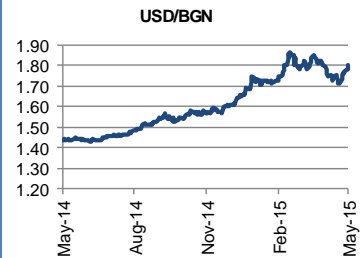
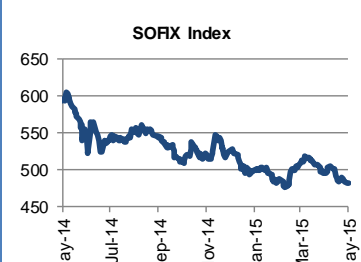
	Last	ΔDbps	ΔYTD bps
5-year	165	0	-26
10-year	215	0	-26

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	481.8	0.06%	-7.71%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7986	-0.93%	-10.12%



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

Data updated as of 17:30 EET of previous session

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