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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 02, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 1
  - Personal income (Apr)
  - Personal spending (Apr)
  - Core PCE deflator (Apr)
  - ISM manufacturing (May)
- June 2: Industrial orders (Apr)
- June 3
  - ADP employment (May)
  - ISM non-manuf. (May)
  - Trade balance (Apr)
  - Fed Beige Book
- June 4: Initial jobless claims (May 30)
- June 5
  - NFP (May)
  - U/E rate (May)

EUROZONE

- June 1: PMI manuf. (May,f)
- June 2: HICP (May, flash)
- June 3
  - OECD Economic Outlook
  - ECB MPC meeting
- June 5: GDP (Q1)

GREECE

- June 4: U/E rate (Mar)
- June 5: IMF loan repayment (ca €300mn)

CYPRUS

- June 4: CPI (May)

SEE

BULGARIA

- June 2: Reserve assets (May)
- June 5: GDP (Q1, f)

ROMANIA

- June 2: International reserve assets (May)
- June 3: ILO U/E rate (Apr)
- June 4
  - Retail sales (Apr)
  - 3.25% 2018 T-Notes auction
- June 5: GDP (Q1, p)

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of European bourses were weaker in early trade on Tuesday amid market anxiety ahead of a bulk of key data releases this week in both sides of the Atlantic. Elsewhere, US Treasuries retained a firm tone on Tuesday while the US dollar was little changed in European trade.

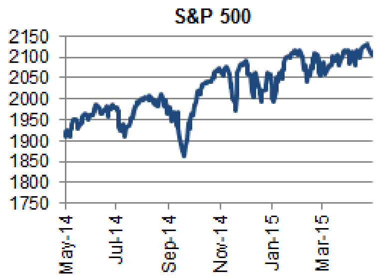
GREECE: German Chancellor Angela Merkel, France's President Francois Holland and the heads of the three Institutions (ECB, European Commission, IMF) held an extraordinary meeting late y-day in Berlin to discuss the state of official negotiations on the Greek issue in the context of the agreement reached at the Eurogroup of February 20, 2015. Speaking to reporters following the conclusion of the said meeting, a German government spokesman said that the five officials "agreed that work must continue with real intensity" and that "they have been in closest contact in recent days and want to remain so in the coming days".

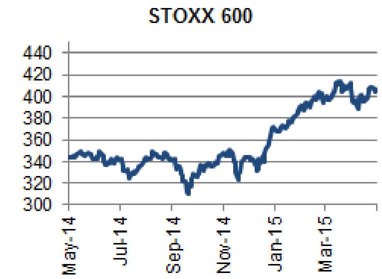
SOUTH EASTERN EUROPE

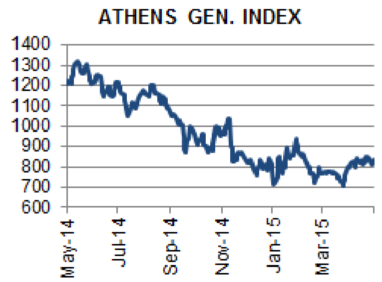
ROMANIA: In the money market, the new reserve period that started on May 24 enhanced market liquidity with the release of around RON 3bn in reserves.

SERBIA: The EUR/RSD temporarily tested the upper bound of its recent trading range of 120.00-121.00 early last week, in view of strong corporate demand for hard currency and light trade volumes.

Latest world economic & market developments







Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The majority of European bourses were weaker in early trade on Tuesday amid market anxiety ahead of a bulk of key data releases this week in both sides of the Atlantic including, among others, the US non-farm payrolls report for May on Friday, the US' May non-manufacturing ISM index on Wednesday and euro area inflation data for May later today. US data releases y-day failed to provide any clue about the timing of the expected Fed rate hike later this year; construction spending hit last month the highest level since late 2008 and ISM manufacturing index rose in May for the first time in seventh months but consumer spending growth unexpectedly stalled in April. Against this background, US Treasuries retained a firm tone on Tuesday while the US dollar was little changed in European trade with the DXY index hovering around 97.132 at the time of writing, not far from a multi-week high of 97.775 marked last week.

GREECE

German Chancellor Angela Merkel, France's President Francois Holland and the heads of the three Institutions (ECB, European Commission, IMF) held an extraordinary meeting late y-day in Berlin to discuss the state of official negotiations on the Greek issue in the context of the agreement reached at the Eurogroup of February 20, 2015. Speaking to reporters following the conclusion of the said meeting, a German government spokesman said that the five officials "agreed that work must continue with real intensity" and that "they have been in closest contact in recent days and want to remain so in the coming days". In an article published on Sunday on the website of a French daily newspaper, Greece's Prime Minister Alexis Tsipras said that Greece should not be blamed for not yet reaching a deal and called on official creditors to bypass technical talks and come to a political agreement. According to local press reports, the two sides have already come close to a compromise on a number of issues including, inter alia, the privatization agenda and the full independence of the General Secretariat of Public Revenue, but important divergences continue to exist on several key areas such as the size of the FY-2015 fiscal gap as well as the labor market and the social security reform agenda./ According to updated national accounts data, real GDP grew by 0.35%YoY on a seasonally adjusted basis in Q1 2015, a slower pace of growth compared to 1.28%YoY in the prior quarter. On a QoQ basis, the pace of real GDP contracted for the second quarter in a row, coming in at -0.16% compared to -0.41% in Q4 2014. Elsewhere, according to the most recent Bank of Greece data, euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in April for the seventh month in a row. Specifically, private sector deposits fell by €4.9bn in April coming in at ca €133.6bn, the lowest since October 2004, having declined by €31.1bn cumulatively since September 2014.

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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

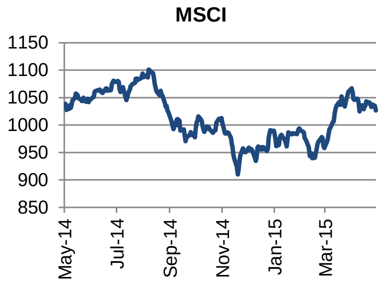
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

Latest world economic & market developments in the CESEE region

ROMANIA

The EUR/RON remained range-bound within 4.4370/650 last week, little changed from a week earlier. In the money market, the new reserve period that started on May 24 enhanced market liquidity with the release of around RON 3bn in reserves, as decided at the last monetary policy meeting. Along these lines, the implied 1-month RON rate dropped to 0.80% on Friday from around 1.00% a week earlier, while 3-12 month rates moved some 5bps lower. In a similar vein, short-term government bond yields with maturity up to 3-years moved some 5-10bps lower, while paper of longer tenure ended little changed on a weekly basis. Domestic government bonds are likely to remain supported in the coming days from the extra market liquidity and a light issuance calendar announced for June by the MoF last week. Note that, the MoF plans to sell this month RON 0.8bn in 3-month and 12-month T-Bills and only RON 1.7bn in a wide range of small auctions for 2-10 year bonds.

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SERBIA

The EUR/RSD temporarily tested the upper bound of its recent trading range of 120.00-121.00 early last week, in view of strong corporate demand for hard currency and light trade volumes. Looking ahead, we expect the pair to remain bound within the aforementioned trading range in the coming days/weeks. Strong support holds at 120.00 in view of potential new Central Bank interventions in the FX markets, while dinar demand is likely to remain weak due to seasonal factors.

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Eurobank Global Markets Research

June 2, 2015

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Eurobank

GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	2111.73	0.2%	2.6%
Nikkei 225	20543.19	-0.1%	17.7%
STOXX 600	397.47	-0.8%	16.0%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.0988	0.6%	-9.2%
GBP/USD	1.5242	0.3%	-2.2%
USD/JPY	124.52	0.2%	-3.9%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.21	3	4
Bund-10yr	0.61	7	7
JGB - 10yr	0.42	1	9

Commodities	Last	ΔD	ΔYTD
GOLD	1187	-0.2%	0.2%
BRENT CRUDE	184	0.0%	5.3%
LMEX	2744	0.3%	-5.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	508	0	-483
1-week	5.44	0	-457
1-month	5.96	0	-409
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	8.93	-3	-125
7Y RSD	9.22	0	-286

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.61	3	-65
USD Nov-24	6.43	0	-16

CDS

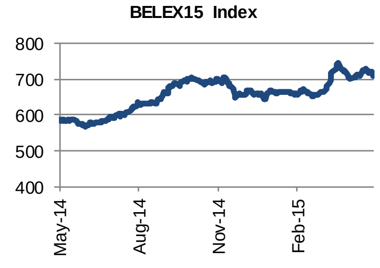
	Last	ΔDbps	ΔYTD bps
5-year	199	-2	-91
10-year	247	0	-109

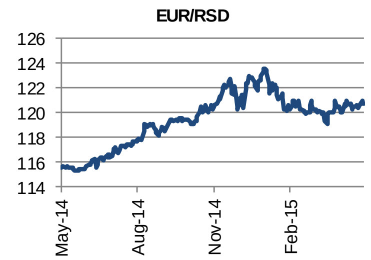
STOCKS

	Last	ΔD	ΔYTD
BELEX15	705.2	-0.08%	5.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.58	0.04%	0.64%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.66	#VALUE!	9
1-month	1.06	#VALUE!	15
3-month	1.26	#VALUE!	-44
6-month	1.54	#VALUE!	-47
12-month	1.58	#VALUE!	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	-3	-40
5Y RON	2.48	1	-23
10Y RON	3.51	2	-15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.60	3	-13
USD Aug-23	3.60	2	-2

CDS

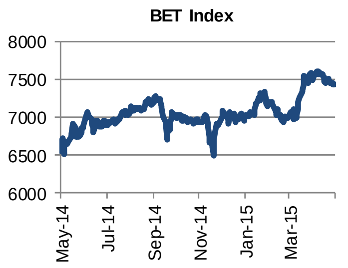
	Last	ΔDbps	ΔYTD bps
5-year	116	-1	-27
10-year	161	-1	-26

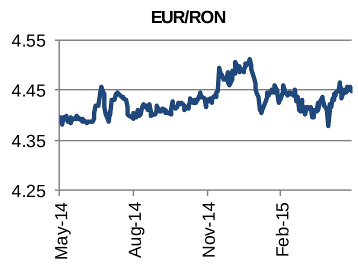
STOCKS

	Last	ΔD	ΔYTD
BET	7489.8	-0.23%	5.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4447	0.00%	0.87%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-5
3-month	0.34	-1	-10
6-month	0.67	0	-13
12-month	1.25	-2	-25

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.45	-1	-59
5Y BGN	0.85	1	-60
10Y BGN	2.33	0	-42

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.86	0	-30
EUR Sep-24	2.72	-134	-15

CDS

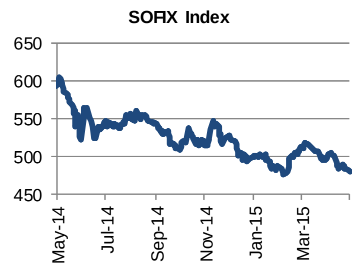
	Last	ΔDbps	ΔYTD bps
5-year	170	-2	-21
10-year	219	-3	-22

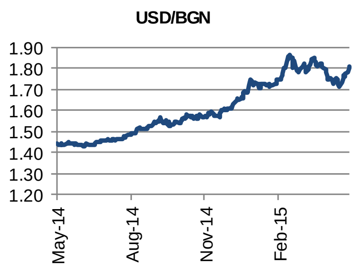
STOCKS

	Last	ΔD	ΔYTD
SOFIX	487.2	0.23%	-6.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.78	0.56%	-9.19%





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

Data updated as of 12:00 EET

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