

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 03, 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: According to the flash estimate released y-day, euro area annual inflation rose by 0.3%YoY in May, higher than 0.2%YoY expected, following a flat annual reading in the prior month. Reacting to the above, German government bond yields moved higher, assisting the EUR gain some ground. The ECB convenes today and market focus is on the post-meeting press conference as well as the updated macroeconomic staff projections.

GREECE: Speaking to reporters y-day, Greece's Prime Minister Alexis Tsipras revealed that a "comprehensive" and "realistic" package of reforms was sent to official creditors on Monday night. Greece's Premier stated that the government has made "difficult" concessions putting the onus for an agreement on official creditors. The Euro Working Group is reportedly expected to convene today by teleconference to discuss the Greek issue with some press reports suggesting that a Eurogroup is likely to be held on Friday. Meanwhile, Greece's Prime Minister will travel to Brussels to meet with European Commission President Jean-Claude Juncker late today.

SOUTH EASTERN EUROPE

ROMANIA: Addressing Parliament on Tuesday, Prime Minister Victor Ponta said that the domestic economy could grow by more than 4% this year, thanks to planned tax cuts and bumper harvest.

CESEE MARKETS: Emerging stock markets fell for the sixth consecutive session on Tuesday, as investors are trying to gauge the timing of the inception of the Fed's rate-hiking cycle, while caution prevailed as negotiations between Greek authorities and the Institutions continue. Most **CESEE bourses** bucked the negative trend to close broadly higher on the day, on optimism that a deal on the Greek issue will be reached soon. On the flipside, **regional currencies** ended modestly weaker on the day and **government bonds** closed mixed with paper of shorter maturity outperforming that of longer.

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Latest world economic & market developments

GLOBAL MARKETS

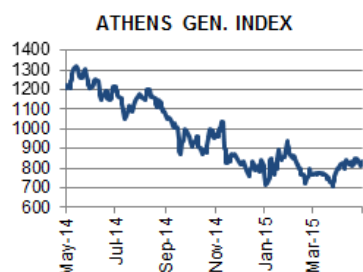
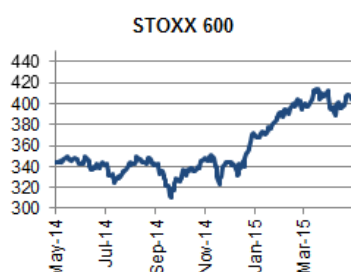
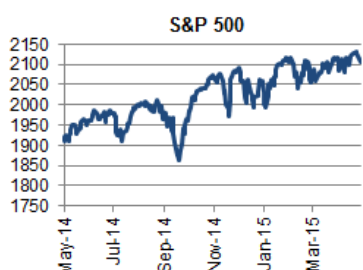
According to the flash estimate released y-day, euro area annual inflation rose by 0.3%YoY in May, higher than 0.2%YoY expected, following a flat annual reading in the prior month. Reacting to the above, German government bond yields moved higher with the 10-yr yield hovering around 0.705% at the time of writing in European trade on Wednesday, not far from y-day's two-week closing peak of 0.714%. Higher bond yields assisted the EUR gain some ground while market optimism that an agreement between Greece and its official creditors may be sealed in the coming sessions, also favored investor sentiment towards the common currency. After testing levels slightly below 1.0900 earlier this week, the EUR/USD rebounded to stand close to 1.1145/1.1150 in early European trade on Wednesday, within distance from y-day's 1.1190 two week intraday high. The ECB convenes today and market focus is on the post-meeting press conference as well as the updated macroeconomic staff projections. President Mario Draghi is expected to underline the positive effect of the QE and make anew a clear commitment to the completed implementation of the programme. Potential comments on the Greek issue during the Q&A session, also lure market attention.

GREECE

Speaking to reporters y-day, Greece's Prime Minister Alexis Tsipras revealed that a "comprehensive" and "realistic" package of reforms was sent to official creditors on Monday night. Greece's Premier stated that the government has made "difficult" concessions putting the onus for an agreement on official creditors. According to local press reports, the said proposal envisions, among others: (i) a general government primary surplus target of 0.8%-of-GDP for 2015 and 1.5%-of-GDP for 2016; (ii) tree VAT rates, a low rate of 6%, an intermediate rate of 11% and a top rate of 23%; (iii) a 30% increase in a special solidarity tax currently applied on incomes exceeding €30k/annum; (iv) maintenance of the Uniform Tax on Real Estate Property (ENFIA) this year; (v) no further cuts in pensions and wages; (vi) a gradual abolishment of an early retirement scheme; and (vii) no implementation of the "zero deficit clause" on supplementary pension funds. Unnamed euro area officials were quoted saying in the local press that Greece's proposal plan was vague and insufficient. On their part, Greece's official creditors will reportedly present their proposals for reforms to the Greek government today. The Euro Working Group is reportedly expected to convene today by teleconference to discuss the Greek issue with some press reports suggesting that a Eurogroup is likely to be held on Friday. Meanwhile, Greece's Prime Minister will travel to Brussels to meet with European Commission President Jean-Claude Juncker late today.

The ECB reportedly decided y-day to renew its approval for the provision of ELA facility to Greek banks and increased the funding ceiling by €500mn to €80.7bn. According to the same sources, Greek banks retain a liquidity buffer of about c. 3.0bn. As per the same reports, ECB officials discussed the likelihood of the Central Bank increasing the haircut imposed on the securities Greek banks submit as ELA collateral but a decision was finally postponed.

The headline seasonally adjusted Market Greece Manufacturing Purchasing Managers' Index remained below the boost-or-bust level of 50.0 for the ninth consecutive month in May coming in at 48.0, albeit higher compared to April's 11-month low of 46.5. Goods production fell for the fifth consecutive month, albeit at a slower rate compared to that recorded in the prior month. New orders dropped as uncertainty and adverse financial conditions continued to weigh on demand, employment decreased for the second month in a row while input price inflation hit a four-year high.



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

ROMANIA

Addressing Parliament on Tuesday, Prime Minister Victor Ponta said that the domestic economy could grow by more than 4% this year, thanks to planned tax cuts and bumper harvest. This compares with a market median forecast of 3.2%. Separately, a document released by the government reportedly noted that economic growth of 5% next year is feasible. The said document also read that the government's financing needs are expected to fall by RON 10bn in 2016 and by nearly RON 17bn in 2017 adding that the finance ministry has a financing buffer to cover more than five months of funding needs. On the data front, international reserves of the National Bank of Romania (NBR), including foreign currencies and gold inched up to €33.83bn in May from €32.68bn in April. The breakdown of the data showed that the stock of gold remained unchanged at 103.7 tones, while foreign exchange reserves rose to € 30.22bn from €30.09bn in the prior month. According to NBR, inflows totaled € 528mn, reflecting, among other, changes in the foreign exchange reserve requirements of the credit institutions into the Ministry of Public Finances' accounts. Outflows amounted to €402mn, primarily driven by changes in credit institutions' FX reserve requirements, interest and principal payments on foreign currency public debt and payments from the European Commission's account.

CESEE MARKETS

Emerging stock markets fell for the sixth consecutive session on Tuesday, as investors are trying to gauge the timing of the inception of the Fed's rate-hiking cycle, while caution prevailed as negotiations between Greek authorities and the Institutions continue. In more detail, the MSCI Emerging Markets index closed modestly lower (-0.3%) at a new 2-month low just below 1,000 points. Most **CESEE bourses** bucked the negative trend to close broadly higher on the day, on optimism that a deal on the Greek issue will be reached imminently. On the flipside, **regional currencies** ended modestly weaker on the day. The Hungarian forint underperformed its regional peers, with the EUR/HUF easing to a 4-month low near 312.45 at some point on Tuesday, after the Central Bank announced that it will replace its main monetary policy instrument, the 2-week deposit rate, with the three-month, fixed-interest rate deposit as of September 23. The MNB noted that it anticipates that the aforementioned amendments will underpin demand for government bonds. Among the changes announced on its key monetary policy instruments was the imposition of a quantity limit on its two-week facility which will be available at auctions. According to the statement released at its website, the MNB's Financial Stability Board is currently working on a proposal to increase the liquidity coverage ratio (LCR) ahead of the current schedule, to 100% as early as possible, in 2016. Elsewhere, the Polish zloty closed modestly weaker around 4.1215 per euro, ahead of the conclusion of the Central Bank's two day monetary policy meeting later today. The NBP is broadly expected to leave the reference rate unchanged at the current record low level of 1.50% as growth remains solid (+3.6%YoY in Q1 2015) and deflation pressures appear to be easing of late (-1.1%YoY in April vs. a record low of -1.6%YoY in February). The Central Bank signaled at its March MPC meeting the conclusion of the current monetary policy easing cycle and recent depreciation pressures instigated on the domestic currency since last month's presidential elections also argue in favour of stable interest rates today. In the local rates markets, **government bonds** closed mixed yesterday with paper of shorter maturity outperforming that of longer. Hungarian short term government bonds led the gains in the region, with the corresponding 3-year yield easing by 9bps to close at 2.21%.

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

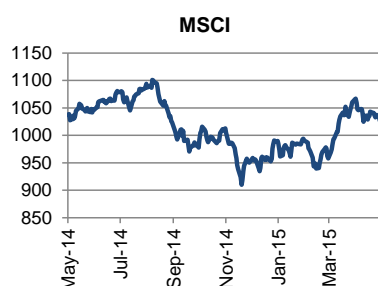
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

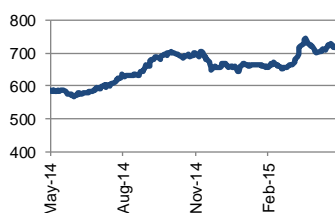
GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2108.26	-0.2%	2.4%	EUR/USD	1.1127	1.8%	-8.0%	UST - 10yr	2.27	9	9	GOLD	1192	0.3%	0.6%
Nikkei 225	20543.19	-0.1%	17.7%	GBP/USD	1.5328	0.8%	-1.6%	Bund-10yr	0.71	16	16	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	396.45	-1.0%	15.7%	USD/JPY	124.19	0.5%	-3.6%	JGB - 10yr	0.42	1	9	LMEX	2744	0.3%	-5.8%

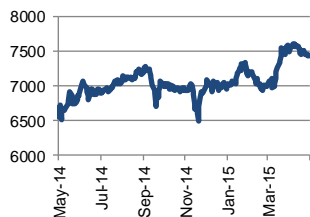
CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	5.10	2	-481	O/N	0.66	#VALUE!	9	LEONIA	0.02	0	0
1-week	5.43	-1	-458	1-month	1.06	#VALUE!	15	1-month	0.17	0	-5
1-month	5.94	-2	-411	3-month	1.26	#VALUE!	-44	3-month	0.34	-1	-10
3-month	6.50	6	-335	6-month	1.54	#VALUE!	-47	6-month	0.67	0	-13
6-month	6.95	5	-284	12-month	1.58	#VALUE!	-44	12-month	1.25	-2	-25
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	7.35	-1	-174	3Y RON	1.91	-3	-40	3Y BGN	0.47	1	-57
5Y RSD	9.25	30	-93	5Y RON	2.48	2	-23	5Y BGN	0.86	3	-58
7Y RSD	9.21	0	-287	10Y RON	3.52	2	-14	10Y BGN	2.34	0	-41
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	4	-64	EUR Sep-20	1.64	6	-9	EUR Jul-17	0.86	0	-30
USD Nov-24	6.44	0	-15	USD Aug-23	3.60	3	-1	EUR Sep-24	2.72	-134	-15
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	199	-2	-91	5-year	116	-1	-27	5-year	170	-2	-21
10-year	247	0	-109	10-year	161	-1	-26	10-year	219	-3	-22
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	701.6	-0.58%	5.18%	BET	7543.5	0.48%	6.50%	SOFIX	489.2	0.64%	-6.31%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.70	-0.06%	0.54%	EUR/RON	4.4408	0.09%	0.96%	USD/BGN	1.7578	1.83%	-8.04%

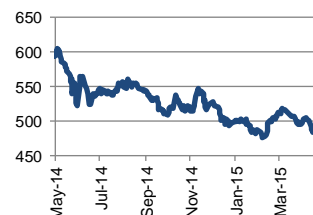
BELEX15 Index



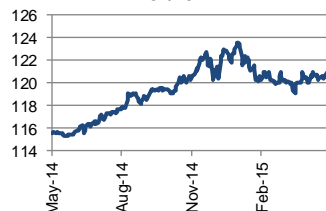
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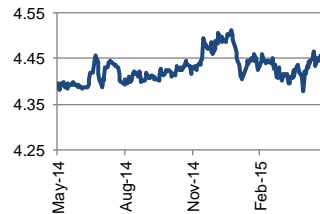
SOFIX Index



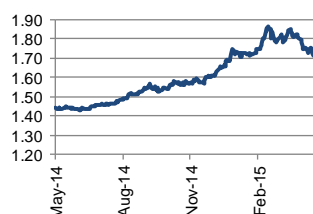
EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 19:00 EET of previous session

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