

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,

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Speaking in the post-meeting press conference y-day, ECB President Mario Draghi suggested that the Governing Council is strongly committed to fully implement the QE programme and is unanimous in the assessment that there is no reason to adjust its monetary policy stance due to the recent period of higher volatility. Responding to the ECB President's comments, German government bond yields moved higher while the EUR/USD hit a fresh multi-week peak earlier today.

GREECE: Speaking to reporters following his meeting late y-day in Brussels with the EU Commission President and the Eurogroup President, Greece's Prime Minister Alexis Tsipras said that an agreement between Greece and official creditors is "close" adding that the IMF debt repayment due on Friday will be made. Mr. Tsipras stressed that the proposals under discussion would be "the Greek proposals" and that talks must end up with a "realistic point of view". On his part, in a statement released shortly after the meeting, EU Commission President Jean-Claude Juncker said that talks were "constructive" and "intense work" for the completion of Greece's review will continue.

SOUTH EASTERN EUROPE

ROMANIA: Finance Minister Eugen Teodorovici reportedly said on Wednesday that preliminary data showed that the budget balance remained in a surplus in May as well.

CESEE MARKETS: Emerging stock markets broadly weakened on Wednesday, weighed down by a renewed uptick in US and German government bond yields. Meanwhile, news about the resignation of FIFA President Sepp Blatter had a negative impact on stocks in Qatar amid mounting concerns about the country's winning bid for the 2022 World Cup. Elsewhere, **CESEE currencies and government bonds** were mixed yesterday.

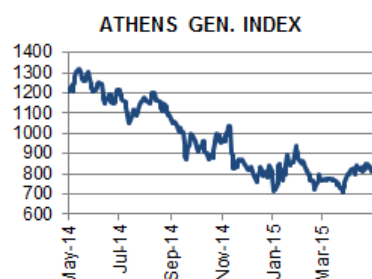
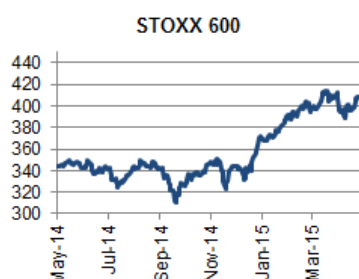
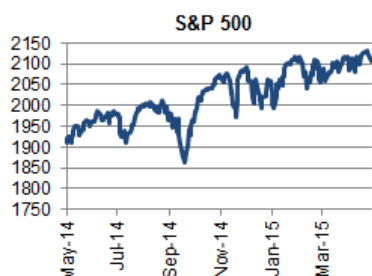
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June 4, 2015

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, there were no monetary policy announcements at y-day's ECB monetary policy meeting. Speaking in the post-meeting press conference, ECB President Mario Draghi suggested that the Governing Council is strongly committed to fully implement the QE programme and is unanimous in the assessment that there is no reason to adjust its monetary policy stance due to the recent period of higher volatility. There were no significant revisions to the ECB's staff projections with the exception of the 2015 CPI which was revised higher to 0.0%YoY from 0.3%YoY on the back of higher oil prices but inflation projections for 2016 and 2017 were left unchanged at 1.5%YoY and 1.8%YoY respectively. Responding to the ECB President's comments, German government bond yields moved higher with the 10-yr yield jumping to 0.97%, the highest since October 2014. In FX markets, the EUR retained a firm tone in European trade on Thursday favored by higher German government bond yields. The EUR/USD hit a fresh multi-week high of 1.1380 earlier today while the prospect of further gains in the coming sessions cannot be ruled out, unless the upcoming US May non-farm payrolls report due on Friday surprises to the upside. Technically, the next upside target for EUR-bulls stands at 1.1450/1.1500.

GREECE

Speaking to reporters following his meeting late y-day in Brussels with the EU Commission President and the Eurogroup President, Greece's Prime Minister Alexis Tsipras said that an agreement between Greece and official creditors is "close" adding that the IMF debt repayment due on Friday will be made. Mr. Tsipras stressed that the proposals under discussion would be "the Greek proposals" and that talks must end up with a "realistic point of view". On his part, in a statement released shortly after the meeting, EU Commission President Jean-Claude Juncker said that talks were "constructive" and "intense work" for the completion of Greece's review will continue, signaling that another official meeting will likely take place in the coming few sessions. According to press reports, Mr. Juncker presented to Mr. Tsipras the official creditors' proposals which call, among others, for two VAT rates, 11% and 23%, aiming to secure additional budgetary revenue of €1.8bn in 2015 as well as the introduction of stricter income criteria for granting the Pensioners' Social Solidary Benefit (EKAS). As per the same sources, the above proposals contradict those incorporated in the Greek government's plan, which envisions, among others, three VAT rates (a low rate of 6%, an intermediate rate of 11% and a top rate of 23%) and rules out further cuts in pensions and wages. The Euro Working Group teleconference, initially scheduled for Wednesday, has been postponed for later today.

In the Q&A session that followed y-day's ECB press conference, President Mario Draghi stated that the Governing Council wants Greece to stay in the euro with a strong official agreement that "produces growth, has social fairness, but is also fiscally sustainable and addresses the remaining sources or factors of financial instability in the financial sector". The ECB President added that the Governing Council has been considering for a while the issue of the current haircuts applied on the collateral submitted by the Greek banks and that the issue will be reassessed again at the next policy meeting taking into consideration the state of negotiations and market conditions. Furthermore, the ECB President said that the Central Bank would consider a potential increase in the limit of T-bills submitted by Greek banks as collateral for the ELA facility, provided that there should be "a credible perspective for a successful conclusion of the current review, which would imply a disbursement of the member countries".

June 4, 2015

Latest world economic & market developments in the CESEE region

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

ROMANIA

Finance minister Eugen Teodorovici reportedly said on Wednesday that preliminary data showed that the budget balance remained in a surplus in May as well. He added that the government plans to sell RON 100mn in Treasuries to retail investors aiming to diversify the country's investment base for debt and offer a broader range of savings instruments. The finance minister also said that he will know by June 15 whether a potential Eurobond issue could take place in the first half of the year.

CESEE MARKETS

Emerging stock markets broadly weakened on Wednesday, weighed down by a renewed uptick in US and German government bond yields. Meanwhile, news about the resignation of FIFA President Sepp Blatter had a negative impact on stocks in Qatar amid mounting concerns about the country's winning bid for the 2022 World Cup.

Elsewhere, **CESEE currencies** and **government bonds** were mixed yesterday. The Polish zloty broadly underperformed its regional peers, having touched a multi-session low near 4.1420/EUR in late European trade after the Central Bank vindicated market expectations staying put on interest rates. Upon the conclusion of its 2-day MPC meeting, NBP announced that it left its reference rate unchanged at the current record low level of 1.50%, also maintaining the lombard rate at 2.50%, the deposit rate at 0.50% and the rediscount rate at 1.75%. Looking ahead, we anticipate Polish interest rates to remain flat in the coming months as indicated signaled by the NBP at its March MPC meeting. Market talk about potential rate hikes in the next six months echoes rather premature in our view as deflation pressure persist – despite a somewhat easing trend witnessed of late - while annual CPI is likely to remain below the 2.5+/-1% target through this year and possibly the next.

The Turkish lira also remained under pressure as political uncertainty prevails ahead of Sunday's general elections. According to some recent poll the ruling AK Party may fail to win parliamentary majority to form a single party government. Against this backdrop, the USD/TRY hit a session high near 2.6920 intraday on Wednesday approaching anew the prior session's 1-month high of 2.6930 and a record peak of 2.7428 hit in April. On the flipside, the Romanian leu led the winners' pack spiking to a 1-month peak near 4.4160/EUR following finance ministry's comments about another surplus in the general government budget in May.

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June 4, 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	2113.97	0.2%	2.7%	EUR/USD	1.1269	1.1%	-6.9%	UST - 10yr	2.34	8	17	GOLD	1191	-0.2%	0.5%
Nikkei 225	20473.51	-0.3%	17.3%	GBP/USD	1.5339	0.0%	-1.5%	Bund-10yr	0.87	16	33	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	396.59	0.0%	15.8%	USD/JPY	124.08	0.0%	-3.5%	JGB - 10yr	0.47	5	15	LMEX	2743	0.0%	-5.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	503	-7	-488
1-week	5.44	1	-457
1-month	5.95	1	-410
3-month	6.51	1	-334
6-month	6.98	3	-281

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	7.34	-1	-174
5Y RSD	9.28	-1	-90
7Y RSD	9.24	3	-284

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	1	-63
USD Nov-24	6.44	0	-15

CDS

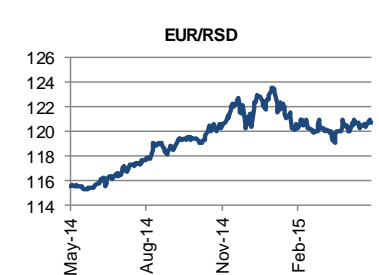
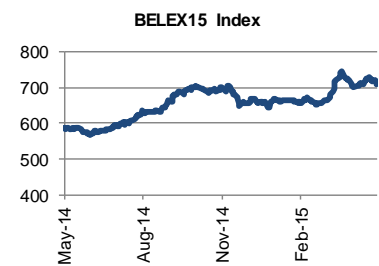
	Last	ΔDbps	ΔYTD bps
5-year	198	-1	-92
10-year	247	0	-109

STOCKS

	Last	ΔD	ΔYTD
BELEX15	704.6	0.43%	5.64%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.66	0.03%	0.57%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.69	3	12
1-month	1.08	2	17
3-month	1.25	-1	-45
6-month	1.52	-2	-49
12-month	1.56	-2	-46

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.99	8	-32
5Y RON	2.59	10	-12
10Y RON	3.68	17	2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.73	8	0
USD Aug-23	3.62	0	0

CDS

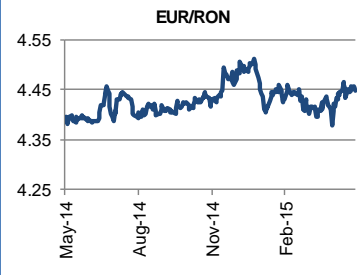
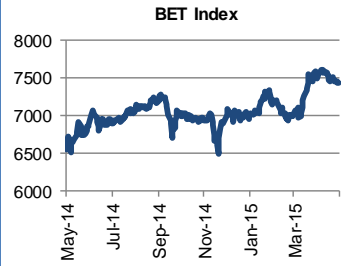
	Last	ΔDbps	ΔYTD bps
5-year	116	0	-27
10-year	161	0	-26

STOCKS

	Last	ΔD	ΔYTD
BET	7532.9	-0.14%	6.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4304	0.11%	1.20%



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	1.26	0	-25

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.46	0	-58
5Y BGN	0.86	0	-58
10Y BGN	2.35	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.91	-9	-25
EUR Sep-24	2.72	0	-15

CDS

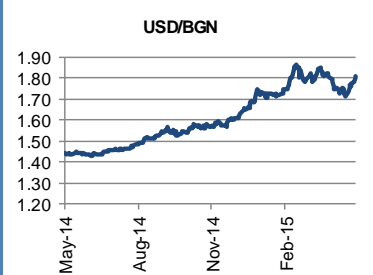
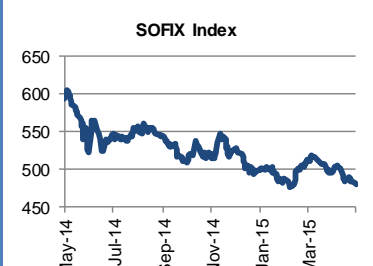
	Last	ΔDbps	ΔYTD bps
5-year	171	1	-20
10-year	220	1	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	490.5	0.26%	-6.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7356	1.07%	-6.86%



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

Data updated as of 17:20 EET of previous session

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