

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, June 08, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

- June 7-8: G7 Summit

### US

- June 11
  - Initial jobless claims (June 5)
  - Retail sales (May)
- June 12: UoM consumer sentiment (Jun)

### GREECE

- June 9: industrial production (Apr)
- June 10
  - T-Bills auction
  - CPI (May)
  - HICP (May)
- June 11: U/E rate (Q1)
- June 12: IMF loan repayment (c. €350m)

### CYPRUS

- June 9
  - HICP (May)
  - GDP (Q1, f)

### SEE

#### BULGARIA

- June 8
  - Industrial production (Apr)
  - Retail sales (Apr)
- June 9: Trade balance (Apr)

#### ROMANIA

- June 8
  - Net wages (Apr)
  - 5.95% 2021 T-Bonds auction
- June 10
  - Industrial sales (Apr)
  - Trade balance (Apr)
- June 11: CPI (May)
- June 12: Industrial production (Apr)

#### ROMANIA

- June 11: MPC meeting
- June 12: HICP (May)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US May's non-farm payrolls data surprised positively pushing US Treasury bond yields to fresh highs while major US stock indices ended lower on Friday and the USD gained some ground in European trade on Monday amid increased expectations that the Fed will embark on a rate tightening cycle sooner rather than later.

**GREECE:** Speaking before the Hellenic Parliament on Friday aiming to inform lawmakers on the state of official negotiations, Greece's Prime Minister Alexis Tsipras rejected official creditors' proposals as "absurd" and "unrealistic". The Greek PM held a teleconference with German Chancellor Angela Merkel and French President Francois Holland the day after and all agreed to meet on the sidelines of the EU-Latin America summit on Wednesday, June 10. Meanwhile, Greece's Minister of Finance Yanis Varoufakis will meet with his German counterpart in Berlin this morning.

### SOUTH EASTERN EUROPE

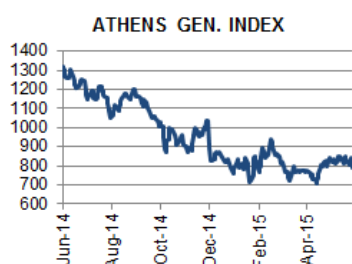
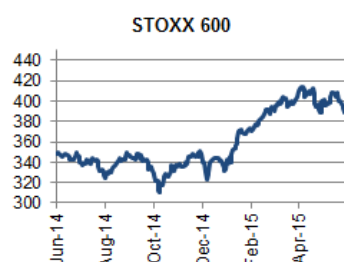
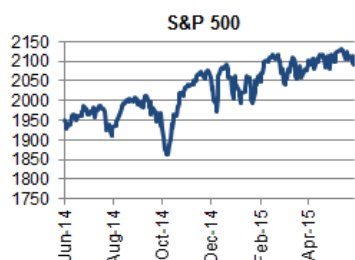
**BULGARIA:** According to preliminary data, Q1 2015 real GDP growth came in at 2.0%YoY, in line with a flash estimate, having picked up pace from a 1.3%YoY rise marked in the prior quarter.

**ROMANIA:** The leu has largely traded on its own fundamentals over the last few days, coming under pressure towards the end of last week and giving back its earlier gains following news of corruption charges being brought against Prime Minister Ponta. On the data front, the detailed Q1 2015 GDP data vindicated our expectations that private spending has taken over as the leading driver of economic activity.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

US May's non-farm payrolls data surprised positively pushing US Treasury bond yields to fresh highs while major US stock indices ended lower on Friday and the USD gained some ground in European trade on Monday amid increased expectations that the Fed will embark on a rate tightening cycle sooner rather than later. US non-farm payrolls rose by a higher than expected 280k in May, average hourly earnings increased by 2.3%YoY, the highest since August 2013 and the unemployment rate inched up by one notch to 5.5% but that was due to an increase in the labor force participation rate. The 10-yr US Treasury bond yield was hovering around 2.40% at the time of writing, the highest since last December while the DXY index stood close to 96.316, not far from a multi-session peak of 96.909 marked on Friday soon after the release of the US employment report. Focus this week is on US May's retail sales due on Thursday which have the potential to assist the USD extend its recent gains should they yield positive surprises.

### GREECE

Speaking before the Hellenic Parliament on Friday aiming to inform lawmakers on the state of official negotiations, Greece's Prime Minister Alexis Tsipras rejected official creditors' proposals as "absurd" and "unrealistic". He made no mention of early elections and noted that the government would not accept an agreement that does not include a debt relief scenario expressing, though, his confidence that an agreement with official lenders was "closer than ever before". The Greek PM held a teleconference with German Chancellor Angela Merkel and French President Francois Holland the day after and all agreed to meet on the sidelines of the EU-Latin America summit on Wednesday, June 10. EU Commission President Jean Claude Juncker urged the Greek government to put forward alternative proposals to speed up negotiations while Eurogroup President Jeroen Dijsselbloem stressed that any new measures proposed by Greek authorities must be "financially sound". Meanwhile, Greece's Minister of Finance Yanis Varoufakis will meet with his German counterpart in Berlin this morning. The local press quoted the German FinMin's spokesman saying that no news conference will take place after the meeting.

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## 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		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

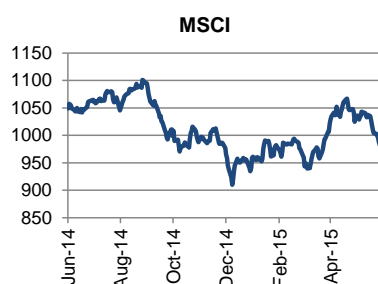
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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



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

According to preliminary data, Q1 2015 real GDP growth came in at 2.0%YoY, in line with a flash estimate, having picked up pace from a 1.3%YoY rise marked in the prior quarter and recording the strongest rate of annual increase since Q2-2011. The breakdown of the data showed that final consumption slowed to 1.1%YoY from 1.4%YoY in Q4 2015, reflecting unfavourable base effects and the impact of fiscal restraint on domestic demand. Investments' growth remained modest at 2.1%YoY in Q1 2015, slowing from 3.3%YoY in Q4 2014. On a more positive tone, net exports appeared to be the primary contributor to economic activity last quarter with growth of 12.9%YoY in exports significantly outpacing that of imports (+9.7%YoY). The latter reflects improving external conditions, such as better than anticipated Euroarea growth as well as improved terms of trade gains versus non-Euroarea partners from the depreciation over that period of the euro to which Lev is pegged. Lower input costs in the face of energy prices also favoured.

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### ROMANIA

The leu has largely traded on its own fundamentals over the last few days, coming under pressure towards the end of last week and giving back its earlier gains following news of corruption charges being brought against Prime Minister Ponta. Against this backdrop, the EUR/RON closed 0.5% higher around 4.4600 on Friday, having hit a multi-week peak of 4.4675 on Thursday in a bounce from a 1-month low of 4.4220 a session earlier. On the other hand, abundant RON liquidity kept interest rates in the money market near their recent low levels (the 1W implied rate at 0.50% and the 1M rate around 0.90%). Meanwhile, government bonds reversed the previous week's gains after the ECB meeting and came under hefty pressure in line with the movement in Bunds, with corruption allegations against the Prime Minister additionally weighing. Paper of longer maturities underperformed that of shorter with the corresponding benchmark yield curve undertaking some bearish steepening. Indicatively, the 1Y yield remained around 1.45% levels, while the 3Y moved 20bps higher on a weekly basis to 2.10% and the 10Y rose by 40bps to 3.90%. On the data front, the detailed Q1 2015 GDP data vindicated our expectations that private spending has taken over as the leading driver of economic activity. In support of the aforementioned, private consumption rose by 4.2%YoY providing a 3.2pps contribution in the annual growth rate made a hefty contribution. The performance of gross fixed capital formation (+8.0%YoY, +1.2pps) together with inventories pile up (+1.3pps) suggested that investments are making a comeback. Despite their robust performance, exports' growth (+9.7%YoY, +5.0pps) was outpaced by that in imports (+12.6%YoY, +6.3pps) in reflection of the revival in domestic demand, with the net contribution remaining negative (-1.3pps). All in all, sustained improvement in private spending is supported by robust real wage growth (+6.4%YoY in March), improved economic sentiment (ESI-Index climbing for an eight month in a row touching a new post-Lehman period high at 103.2 in May) and improving labor market conditions (110k jobs added in March on an annual basis). The extraordinary first quarter growth performance (+1.6%QoQ/+4.3%YoY) - the highest in EU28 - makes Romania stand out of the pack for the second consecutive year, arguing in favor of the recent upward revision in our 2015 growth forecast from 2.7% to 3.1%.

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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	2092.83	-0.1%	1.6%	EUR/USD	1.116	0.4%	-7.8%	UST - 10yr	2.40	-1	23	GOLD	1174	0.2%	-0.9%
Nikkei 225	20457.19	0.0%	17.2%	GBP/USD	1.5273	0.0%	-2.0%	Bund-10yr	0.89	5	35	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	388.31	-0.2%	13.4%	USD/JPY	125.21	0.3%	-4.4%	JGB - 10yr	0.50	1	17	LMEX	2716	0.2%	-6.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	498	-7	-493
1-week	5.27	-12	-474
1-month	5.76	-14	-429
3-month	6.24	-17	-361
6-month	6.61	-26	-318

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.50	-1	-258
5Y RSD	9.26	-3	-92
7Y RSD	9.24	0	-284

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.72	1	-54
USD Nov-24	6.45	0	-14

## CDS

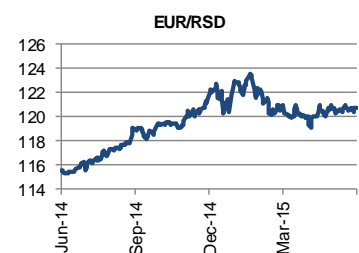
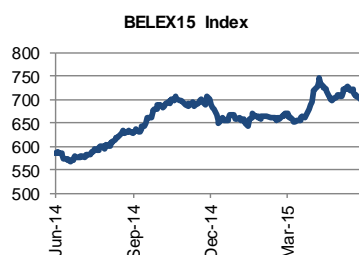
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-91
10-year	247	0	-109

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	697.8	-0.08%	4.61%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.68	0.00%	0.55%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	6
1-month	1.07	0	16
3-month	1.24	0	-46
6-month	1.53	0	-48
12-month	1.58	0	-44

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.10	0	-21
5Y RON	2.75	1	4
10Y RON	3.87	1	21

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.71	1	-2
USD Aug-23	3.84	-6	22

## CDS

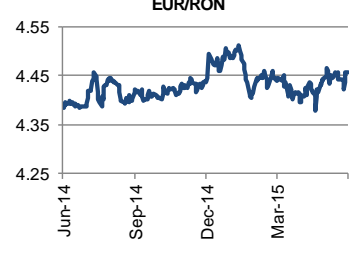
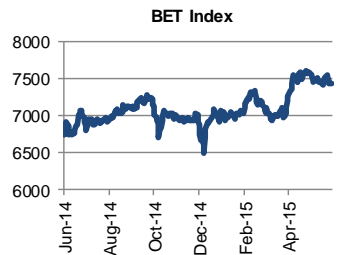
	Last	ΔDbps	ΔYTD bps
5-year	114	-4	-29
10-year	158	-4	-29

## STOCKS

	Last	ΔD	ΔYTD
BET	7434.3	-0.09%	4.96%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4565	-0.06%	0.61%



## BULGARIA

## Money Market

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

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.48	1	-56
5Y BGN	0.83	-2	-62
10Y BGN	2.41	0	-34

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.89	9	-27
EUR Sep-24	2.89	18	2

## CDS

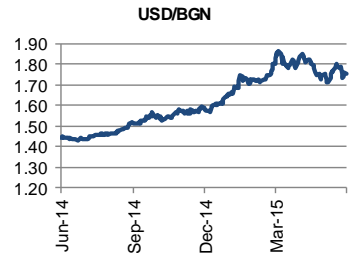
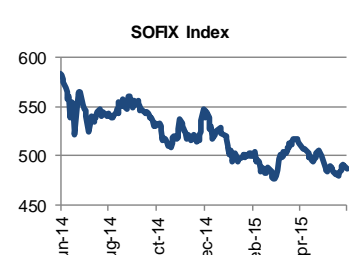
	Last	ΔDbps	ΔYTD bps
5-year	170	-4	-21
10-year	218	-4	-22

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	487.5	-0.57%	-6.63%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7524	0.43%	-7.76%



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

Data updated as of 10:45 EET

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