

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, May 18, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- May 18: NAHB index (May)
- May 18-20: Fed's Evans speaks
- May 19
  - Housing starts (Apr)
  - Housing permits (Apr)
- May 20: FOMC Minutes (Apr)
- May 21
  - Initial jobless claims (May 16)
  - Existing home sales (Apr)
  - Philly Fed index (May)
- May 22
  - CPI (Apr)
  - Fed's Williams speaks

#### EUROZONE

- May 19
  - HICP (f, Apr)
  - DE: ZEW (May)
- May 21: PMI manufacturing/services (p, May)
- May 21-22: EU Summit
- May 21-23: ECB Forum on Central Banking

#### GREECE

- May 20: Industrial production (Mar)

#### CYPRUS

- May 20: Industrial production (Feb)
- May 21: Trade statistics (Feb)

#### SEE

##### BULGARIA

- May 18: 1.85% 2020 T-bonds auction

##### ROMANIA

- May 21: 5.75% 2020 T-bonds auction

##### SERBIA

- May 20: Current account balance (Mar)
- May 21: 3% T-bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Weaker-than-expected US data on Friday reinforced market worries over the ability of the domestic economy to strongly rebound from the Q1 GDP soft patch and added to the view that the Fed will probably wait longer than currently expected before raising interest rates. Against this background, major European bourses opened higher today, taking their cue from the positive tone in Wall Street on Friday while the USD remained under pressure across the board.

**GREECE:** Speaking on Friday at The Economist's annual financial event in Athens, Greece's Prime Minister Alexis Tsipras stressed that an agreement, "honest and mutually beneficial", between domestic authorities and the institutions has to be reached soon.

**CYPRUS:** Tourism arrivals increased by 11.3%YoY to 201,495 in April 2015.

### SOUTH EASTERN EUROPE

**BULGARIA:** The current account surplus increased by 31.6%YoY to €433mn in March, thanks to a narrower trade deficit. Meanwhile, foreign direct investment in Bulgaria fell by 74.7%YoY to €52.8mn over the same month.

**ROMANIA:** Being largely influenced by the recent sell-off in core European bond markets, the EUR/RON spiked to a four month high of 4.4680 on Tuesday and government bonds came under renewed pressure last week.

**SERBIA:** The EUR/RSD remained range-bound around 120.65/85-120.15/35 last week, with the National Bank of Serbia (NBS) decision to lower its key policy rate by half a percentage point, to 6.50%, appearing to have a rather limited impact. Elsewhere, yields on government bonds mostly remained near the key policy rate over recent sessions.

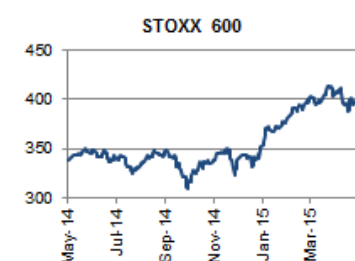
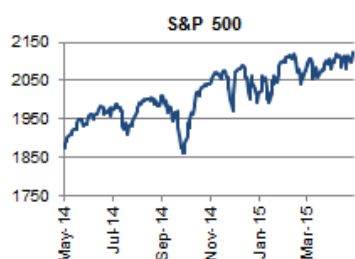
**CESEE MARKETS: Emerging stock markets** closed broadly higher on Friday, on the perception that the Fed will not rush to raise interest rates soon. Most of **regional currencies** firmed last week as the US dollar remained under pressure, while upbeat Q1 GDP data, released over the last few days in the CESEE region also favored. In view of the recent rise in core Eurozone and US **government bond yields**, regional paper closed mixed on a weekly basis on Friday. Looking into this week, Turkey's MPC meeting on Wednesday takes centre stage.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Weaker-than-expected US data on Friday reinforced market worries over the ability of the domestic economy to strongly rebound from the Q1 GDP soft patch and added to the view that the Fed will probably wait longer than currently expected before raising interest rates. In more detail, US industrial production unexpectedly dropped in April marking the fifth straight monthly decline while the UM consumer sentiment index fell more than expected in May coming in at a seven-month low. Against this background, major European bourses opened higher today, taking their cue from the positive tone in Wall Street on Friday where the S&P 500 index closed at a record high for the second consecutive session. Elsewhere, the USD remained under pressure across the board, with the DXY index hovering around 93.635 in European trade, close to a near four-month low of 93.135 marked in the prior session. On the data front, focus this week is on the minutes of the FOMC 28/29 April monetary policy meeting on Wednesday ahead of the US inflation data for April on Friday. Germany's ZEW for May, due on Tuesday, and Eurozone preliminary PMI data for May on Thursday, also lure market attention.

### GREECE

Speaking on Friday at The Economist's annual financial event in Athens, Greece's Prime Minister Alexis Tsipras stressed that an agreement, "honest and mutually beneficial", between domestic authorities and the institutions has to be reached soon. Greece's Premier added that the two sides seem to have found common ground on issues such as fiscal targets and VAT changes. Yet, the Greek Prime Minister noted that some other issues remain open making clear that the government cannot accept proposals envisioning changes to the institutional framework that defines the operation of the domestic labour market. Meanwhile, official discussions with the Brussels Group will reportedly continue today focusing on the key contentious issues including the general government primary surplus target for this year as well as the social security and labor market reform. As per the same sources, the Greek government aims differences between the two sides to be bridged early this week so as a staff level agreement to be reached ahead of the upcoming EU Summit scheduled for May 21-22. Should this be the case, an extraordinary Eurogroup could be held early next week where euro area finance ministers could potentially examine the possibility for an early disbursement of the €7.2bn pending loan tranche to Greece.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### CYPRUS

Tourism arrivals increased by 11.3%YoY to 201,495 in April 2015. The breakdown of the data showed that tourists traveling to Cyprus from the United Kingdom increased by 13.3% to 83,361, while those from Greece and Germany rose by 71.8%YoY to 17,825 and 9.2%YoY to 11,433 respectively. On the other hand, tourists from Russia dropped by 22.5%YoY to 25,149.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.8	0.4
HICP (pa, yoy %)	0.4	-1.4	0.7
Budget Balance/GDP	-4.9	-3.0	-3.0
Current Account/GDP	-1.9	-1.1	-0.8

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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

### BULGARIA

The current account surplus increased by 31.6%YoY to €433mn in March, thanks to a narrower trade deficit (-48.1%YoY at € 136.6mn). The latter was primarily driven by a 17.4%YoY rise in exports (to €2,302.1mn), which significantly outpaced a concomitant 9.6%YoY increase in imports (to €2,438.8mn). Along these lines, the January-March 2015 current account balance swung to a surplus of €194.6mn (or 0.5% of GDP) from a deficit of €146.9mn (equivalent to 0.3% of GDP) recorded over the same period a year earlier. Foreign direct investment in Bulgaria fell by 74.7%YoY to €52.8mn in March, bringing the cumulative amount over the first quarter of the year to €317.3mn (-8.4%YoY). For the whole of the year, the current account is anticipated to come in broadly balanced, largely in line with last year's figure.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

### ROMANIA

Being largely influenced by the recent sell-off in core European bond markets, the EUR/RON spiked to a four month high of 4.4680 on Tuesday, before pulling back towards 4.4450 by Friday to close relatively flat on the week. On the other hand, short term RON rates continued to slide lower, moving towards the 0.25% deposit facility. By Friday, the implied 1-week rate dropped to 0.55% compared to 0.95% at last week's close, while the 1-month rate moved from 1.20% to 0.90%. Romanian government bonds came under renewed pressure trailing core Eurozone paper lower, despite further monetary easing adopted recently by the Central Bank and the drop witnessed in short term rates. The most affected maturities were in the middle to long-end of the curve, with 4-10Y yields moving some 15bps higher on the week. Maturities up to 3Y proved more resilient, supported by the Central Bank's monetary easing, cheap money market funding and a light government debt issuance calendar.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

### SERBIA

The EUR/RSD remained range-bound around 120.65/85-120.15/35 last week, with the National Bank of Serbia (NBS) decision to lower its key policy rate by half a percentage point, to 6.50%, appearing to have a rather limited impact. Range-trading around 120.00-121.00 is likely to continue in the coming sessions as downside pressures on the pair, due to high interest rate differentials, will probably be offset by potential renewed Central Bank interventions. Elsewhere, yields on government bonds mostly remained near the key policy rate over recent sessions. Recall that the Public Debt Administration sold earlier in the week 2-year government bonds at an average accepted record low yield of 7.20%, well below that of 8.63% achieved at a previous auction of similar maturity paper held in early April.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

### CESEE MARKETS

**Emerging stock markets** closed broadly higher on Friday, on the perception that the Fed will not rush to raise interest rates soon. Against this backdrop, the broad MSCI index ended the week in the black, amassing gains to the tune of 0.8% and recovering part of losses encountered over the last two weeks. **Regional currencies** broadly firmed last week as the US dollar remained under pressure against most of its major currency peers. Upbeat Q1 GDP data, released over the last few days also favored. In view of the recent rise in core Eurozone and US **government bond yields**, regional paper closed mixed on a weekly basis on Friday. Looking into this week, Turkey's MPC meeting on Wednesday, where the Central Bank is broadly anticipated to stay put on its monetary policy, takes centre stage.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	0.8
CPI (pa, yoy %)	0.4	-1.4	-0.5
Budget Balance/GDP	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.0	-0.5
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	2014	current	2015f
Policy Rate (eop)	2.75	2.00	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	-0.5
CPI (pa, yoy %)	7.9	2.1	3.5
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.0	-4.7
EUR/RSD (eop)	114.60	120.96	125.00
	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

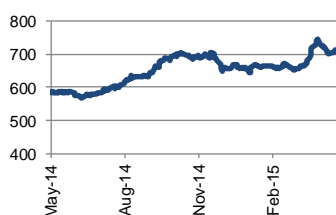
## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2122.73	0.1%	3.1%	EUR/USD	1.1389	-0.5%	-5.9%	UST - 10yr	2.17	2	0	GOLD	1229	0.4%	3.7%
Nikkei 225	19890.27	0.8%	14.0%	GBP/USD	1.5677	-0.3%	0.6%	Bund-10yr	0.66	3	12	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	397.22	0.2%	16.0%	USD/JPY	119.71	-0.4%	0.0%	JGB - 10yr	0.39	-2	6	LMEX	2911	0.0%	-0.1%

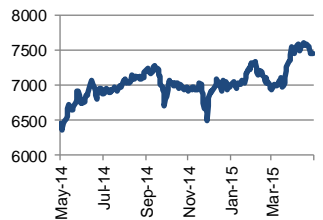
## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	507	-3	-484	O/N	0.67	0	10	LEONIA	0.02	0	0
1-week	5.45	-7	-456	1-month	1.22	0	31	1-month	0.16	0	-5
1-month	5.98	-6	-407	3-month	1.34	0	-36	3-month	0.34	0	-9
3-month	6.48	-3	-337	6-month	1.56	0	-45	6-month	0.67	0	-13
6-month	7.00	-2	-279	12-month	1.6	0	-42	12-month	1.27	0	-24
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	8.18	-5	-90	3Y RON	2.02	0	-29	3Y BGN	0.54	3	-50
5Y RSD	9.24	-4	-94	5Y RON	2.59	-2	-12	5Y BGN	0.91	10	-54
7Y RSD	9.77	-1	-231	10Y RON	3.62	0	-4	10Y BGN	2.15	0	-60
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.60	-3	-66	EUR Sep-20	1.62	4	-11	EUR Jul-17	0.77	0	-39
USD Nov-24	6.43	-2	-16	USD Aug-23	3.64	9	3	EUR Sep-24	2.54	-78	-32
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	234	0	-56	5-year	116	2	-26	5-year	165	1	-26
10-year	286	0	-70	10-year	163	2	-24	10-year	216	1	-25
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	721.4	-0.36%	8.15%	BET	7453.9	0.06%	5.24%	SOFIX	485.5	0.00%	-7.01%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.35	0.06%	0.83%	EUR/RON	4.4416	-0.17%	0.94%	USD/BGN	1.7174	-0.53%	-5.88%

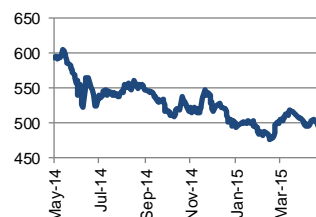
BELEX15 Index



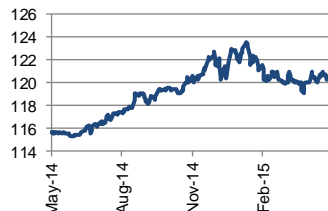
BET Index



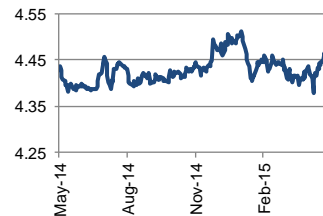
SOFIX Index



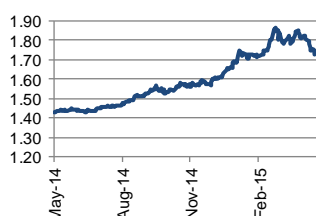
EUR/RSD



EUR/RON



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:30 EET

## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Đorđe Lučić**  
Fixed Income Dealer, Eurobank a.d. Beograd  
+381 11 2065891  
[djordje.lucic@eurobank.rs](mailto:djordje.lucic@eurobank.rs)

**Ivan Radović**  
Head, Brokerage, Eurobank ad Beograd  
+381 11 30 27 533  
[Ivan.Radovic@eurobank.rs](mailto:Ivan.Radovic@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), + 30 210 37 18 903

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 37 18 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), + 30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), + 30 210 33 71 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), + 30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), + 30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), + 30 210 33 71 228

## Global Markets Sales

**Nikos Laios: Head of Treasury Sales**  
[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), + 30 210 37 18 910

**Alexandra Papathanasiou: Head of Institutional Sales**  
[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), + 30 210 37 18 996

**John Seimenis: Head of Corporate Sales**  
[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), + 30 210 37 18 909

**Achilleas Stogioglou: Head of Private Banking Sales**  
[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), + 30 210 37 18 904

**George Petrogiannis: Head of Shipping Sales**  
[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), + 30 210 37 18 915

**Vassilis Gioulbaxiotis: Head Global Markets International**  
[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), + 30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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