

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: The US home builder sentiment index unexpectedly fell in May, adding to market concerns about the growth momentum of the domestic economy and providing further support 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 lead from the positive tone in US major equity markets while the USD gained some ground.

GREECE: Addressing y-day the annual general meeting of the Hellenic Federation of Enterprises (SEV), Greece's Prime Minister Alexis Tsipras said that Greece has now entered the "final straight" in talks with official creditors for achieving "a mutually beneficial agreement" that would include a "bold" investment programme addressing Greece's long-term funding needs and would not violate the government's "red lines".

SOUTH EASTERN EUROPE

BULGARIA: Bulgaria's finance ministry sold at an auction on Monday BGN 50mn (equivalent to €26.6mn) of February 2020 T-bonds that bear a coupon of 1.85%.

ROMANIA: The Ministry of Finance sold, as planned, at an auction on Monday RON 400mn T-bills maturing in May 2016.

SERBIA: Economy Minister Zeljko Sertic, Justice Minister Nikola Selakovic and the head of the Serbian Chamber of Commerce, Marko Cadez, reportedly signed on Monday, along with World Bank's International Finance Corporation Manager for the Western Balkans Thomas Lubeck, a memorandum to implement a three-year programme aimed at reducing the high stock of non-performing loans (NPLs) and support private sector lending.

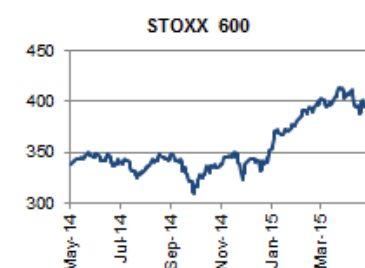
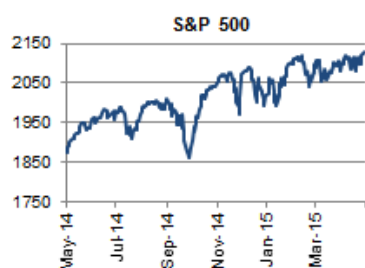
CESEE MARKETS: Emerging stock markets closed broadly lower on Monday, with Chinese shares posing among the main underperformers ahead of several IPOs due to come to market this week. The picture was somewhat better in the **CESEE region** where the majority of bourses closed in the black yesterday. On the other hand, **regional currencies** recoiled on Monday, remaining though near recent multi-session highs reached late last week, as the US dollar recovered some ground. In the **local rates markets**, government bonds closed mixed.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US home builder sentiment index unexpectedly fell in May to 54 from 56 in the prior month, adding to market concerns about the growth momentum of the domestic economy and providing further support 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 lead from the positive tone in US major equity markets overnight where both the Dow Jones and the S&P 500 indices ended at fresh record highs. Elsewhere, the USD gained some ground with the DXY index hovering around multi-session highs of 94.704 in European trade at the time of writing, having rebounded from y-day's 93.268 intraday low and a multi-month trough of 93.135 marked a couple of sessions earlier. Comments by ECB's Coeure earlier today that the Central Bank should accelerate the implementation of the asset purchase programme before the summer lull, weighed on the EUR. On the data front, euro area final inflation data for April and US April's housing starts and building permits lure market attention today.

GREECE

Addressing y-day the annual general meeting of the Hellenic Federation of Enterprises (SEV), Greece's Prime Minister Alexis Tsipras said that Greece has now entered the "final straight" in talks with official creditors for achieving "a mutually beneficial agreement" that would include a "bold" investment programme addressing Greece's long-term funding needs and would not violate the government's "red lines". Along these lines, speaking to a local TV station y-day, Greece's Minister of Finance Yanis Varoufakis said that Greece "is very close" to an agreement with the Institutions that would help the country meet its debt interest and amortization payments due next month. On his part, speaking to reporters y-day, government spokesman Gabriel Sakellaris stressed that a solution should be found this month so as to assist the country addressing its liquidity needs. According to local press reports, should a staff level agreement is reached this week, an extraordinary Eurogroup could take place on May 25 where the euro area finance ministers could potentially examine the unlocking of an early disbursement of the €7.2bn pending loan tranche.

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Latest world economic & market developments in the CESEE region

BULGARIA

Bulgaria's finance ministry sold at an auction on Monday BGN 50mn (equivalent to €26.6mn) of February 2020 T-bonds that bear a coupon of 1.85%. The auction produced an average accepted yield of 1.28% and the bid-to-cover ratio came in at 2.31.

ROMANIA

The Ministry of Finance sold, as planned, at an auction on Monday RON 400mn T-bills maturing in May 2016. The average accepted yield came in at 1.39%, a tad below a yield of 1.46% achieved at a prior tender of similar maturity paper held in April. Investor demand was strong at RON 1.25bn. In other news, a technical team from the International Monetary Fund (IMF) and the European Commission (EC) is expected to begin today a one week visit to Romania in the context of the country's precautionary IMF Stand-By Agreement. Discussions between the IMF/EC mission and domestic officials will reportedly focus on the government's plans over a new tax code that includes significant tax cuts.

SERBIA

Economy Minister Zeljko Sertic, Justice Minister Nikola Selakovic and the head of the Serbian Chamber of Commerce, Marko Cadez, reportedly signed on Monday, along with World Bank's International Finance Corporation Manager for the Western Balkans Thomas Lubeck, a memorandum to implement a three-year programme aimed at reducing the high stock of non-performing loans (NPLs) and support private sector lending. The government has agreed under the country's 3-year €1.2bn IMF programme to launch a comprehensive strategy to address the NPLs overhang, which weighs on domestic credit and economic activity.

CESEE MARKETS

Emerging stock markets closed broadly lower on Monday, with Chinese shares posing among the main underperformers ahead of several IPOs due to come to market this week. Indicatively, the broad MSCI index ended in a modestly negative territory of 0.23%. The picture was somewhat better in the **CESEE region** where the majority of bourses closed in the black yesterday, possibly still benefiting from the recently released upbeat GDP data for Q1 and expectations that the Fed will not rush to raise interest rates soon. On the other hand, **regional currencies** recoiled on Monday, remaining though near recent multi-session highs reached late last week, as the US dollar recovered some ground. The Hungarian forint and Polish zloty led the losses in the region giving back part of their recent gains. In more detail, the EUR/HUF and EUR/PLN closed approximately 0.9% and 0.8% higher at 308.60 and 4.0690, respectively. Yet, both pairs stood within reach from multi-session lows of 304.95 and 4.0350 hit late last week as a recent streak of downbeat US data. In the **local rates markets**, government bonds closed mixed, with a renewed rise in Bund and UST yields yesterday limiting the prospect for a sustained recovery in regional sovereign paper.

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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	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	-0.5
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



L-T ccy	Credit Ratings		
	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

May 19, 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	2129.20	0.3%	3.4%	EUR/USD	1.1298	-0.2%	-6.6%	UST - 10yr	2.22	-2	5	GOLD	1222	-0.3%	3.1%
Nikkei 225	20026.38	0.7%	14.8%	GBP/USD	1.5667	0.1%	0.6%	Bund-10yr	0.64	-1	9	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	398.09	0.4%	16.2%	USD/JPY	119.97	0.0%	-0.2%	JGB - 10yr	0.38	-1	6	LMEX	2887	-0.9%	-1.0%

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	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	508	1	-483	O/N	0.65	0	8	1-month	0.02	0	0	1-month	0.16	0	-5
1-week	5.47	2	-454	1-month	1.22	0	31	3-month	0.16	0	-5	3-month	0.34	0	-9
1-month	5.98	0	-407	3-month	1.34	0	-36	6-month	0.67	0	-13	6-month	0.67	0	-13
3-month	6.49	1	-336	6-month	1.55	0	-46	12-month	1.27	0	-23	12-month	1.27	0	-23
6-month	7.00	0	-279	12-month	1.58	0	-44	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	7.34	0	-175	3Y RON	2.00	0	-31	3Y BGN	0.50	0	-54	5Y BGN	0.81	0	-63
5Y RSD	9.28	0	-90	5Y RON	2.59	0	-12	5Y BGN	0.81	0	-63	10Y BGN	2.15	0	-60
7Y RSD	9.68	0	-240	10Y RON	3.62	0	-4	BG Eurobonds							
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.62	0	-64	EUR Sep-20	1.63	3	-11	EUR Jul-17	0.78	1	-38	EUR Sep-24	2.53	0	-34
USD Nov-24	6.43	-2	-16	USD Aug-23	3.56	1	-6	CDS							
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	234	0	-56	5-year	116	-1	-27	5-year	164	-1	-27	5-year	215	-1	-25
10-year	286	0	-70	10-year	162	-1	-25	STOCKS							
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	727.7	0.87%	9.10%	BET	7478.4	-0.06%	5.58%	SOFIX	490.1	0.94%	-6.14%	FOREX			
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.51	0.01%	0.70%	EUR/RON	4.4553	-0.07%	0.63%	USD/BGN	1.731	-0.14%	-6.61%	BELEX15 Index			
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 9:50 EET

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