

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 21, 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

GREECE: At its non-monetary policy meeting y-day, the ECB decided to renew its approval for the provision of ELA facility to Greek banks and increased the funding ceiling by just €200mn to €80.2bn, while Greek authorities had reportedly requested a €1.1bn increase.

CYPRUS: The International Monetary Fund (IMF) and the European Commission (EC), in liaison with the European Central Bank (ECB), reached a staff-level agreement "on policies that could serve as a basis for completion of the reviews" under Cyprus's economic reform program.

SOUTH EASTERN EUROPE

SERBIA: Unveiling its updated Inflation Report on Wednesday, the National Bank of Serbia (NBS) revised its 2015 real GDP growth forecast to zero from -0.5% before, leaving its 2016 projection unchanged at 1.5%.

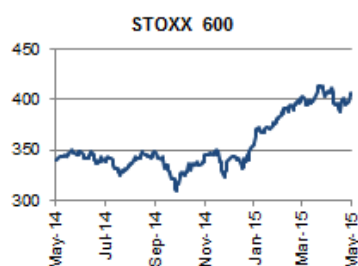
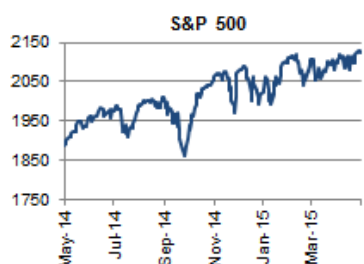
CESEE MARKETS: Emerging stock markets broadly retreated on Wednesday, as caution prevailed ahead of the release of the minutes from the FOMC's last meeting. Separately, **regional currencies** closed mixed in view of the US dollar's renewed strengthening, while **government bonds** firmed modestly.

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Latest world economic & market developments

GREECE



Source: Reuters, Bloomberg, Eurobank Research

At its non-monetary policy meeting y-day, the ECB decided to renew its approval for the provision of ELA facility to Greek banks and increased the funding ceiling by just €200mn to €80.2bn, while Greek authorities had reportedly requested a €1.1bn increase. According to the same sources, Greek banks retain a liquidity buffer of c. 3.0bn. As per the same reports, ECB officials held a “long and exhaustive” discussion on the likelihood of the Central Bank increasing the “haircut” imposed on the securities Greek banks submit as ELA collateral but no decision was finally reached. In other news, speaking to a local TV station y-day, Nikos Filis, parliamentary speaker of SYRIZA, revealed that Greece will not be able to make an interest payment to the IMF due on June 5 (c. €300mn) unless a deal with official creditors has been reached by then. As a reminder, Greece met a c. €750 amortization payment to the IMF that was due on May 12 by taping its “special drawing rights” (SDR) escrow account held by the Bank of Greece at the IMF.

EU Economic Affairs Commissioner Pierre Moscovici acknowledged that official negotiations between the Greek authorities and the Institutions have made a lot of progress over the last three weeks or so noting though that there are still contentious issues including the labor market and social security reform. The EU official noted that official talks must accelerate so as a deal to be reached in the coming weeks. On his part, speaking to reporters y-day, European Commission spokesman Margaritis Schinas said that official talks are progressing, albeit at a slow pace stressing that more time and effort is needed before the two sides bridge their differences. Meanwhile, technical-level official discussions are reportedly ongoing and the Greek government is likely to present to the Institutions on Friday a revised list of reforms regarding VAT policy and the social security system.

Addressing a joint press conference in Berlin earlier this week, both German Chancellor Angela Merkel and French President Francois Holland revealed that they will hold talks with Greek Prime Minister Alexis Tsipras on the sidelines of the EU Summit on “Eastern Partnership” that commences today in Riga. According to some press reports, the three EU leaders are likely to discuss, among others, the likelihood of an interim agreement being reached on some of the open issues in the context of the current review including VAT policy and the adoption of measures worth €5bn required for the fulfillment of this year’s projected fiscal gap, in return for a partial release of the pending loan tranche. As per the sources, the remaining contentious issues would be postponed.

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CYPRUS

The International Monetary Fund (IMF) and the European Commission (EC), in liaison with the European Central Bank (ECB), reached a staff-level agreement “on policies that could serve as a basis for completion of the reviews” under Cyprus’s economic reform program. Official creditors welcomed the recent adoption of the insolvency and foreclosure frameworks, “needed to reduce the high level of non-performing loans, an essential step to restoring growth and job creation in Cyprus”. Their adoption paved the way for the successful completion of the combined fifth and sixth review of the program. Conclusion of these reviews is subject to the European Union’s and the IMF’s final approvals. On the data front, the Industrial Turnover Index decreased by 4.1%YoY in February, bringing the annual rate of decline for the period January-February 2015 to 5.2%YoY.

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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

SERBIA

Unveiling its updated Inflation Report on Wednesday, the National Bank of Serbia (NBS) revised its 2015 real GDP growth forecast to zero from -0.5% before, leaving its 2016 projection unchanged at 1.5%. The NBS noted that the said revision comes on the heels of stronger recovery in external demand and a softer than anticipated decline in domestic consumption since the beginning of the year, possibly amid lower global oil prices. The Central Bank also noted that ongoing fiscal consolidation and implementation of structural reforms are expected to underpin investment and net exports. Yet, they are anticipated to weigh on household and government consumption. In other news, Economy Minister Zeljko Sertic said on Wednesday that the government is planning to amend a law on privatisations in order to extend a deadline for the sale of 17 loss-making state-owned corporations. It is worth noting that the government has agreed under the country's 3-year €1.2bn precautionary Stand-By Arrangement with the IMF to complete the privatization of some 500 companies by the end of the year, as part of its fiscal consolidation efforts.

CESEE MARKETS

Emerging stock markets broadly retreated on Wednesday, as caution prevailed ahead of the release of the minutes from the FOMC's last meeting. A strengthening US dollar in the aftermath of better-than-anticipated housing data also weighed on risky assets. In the **CESEE region**, Turkey's BIST 100 led the losses with a ca 1% daily decline, following a broadly anticipated Central Bank decision to stay put on its policy rate. In more detail, CBT kept all three rates unchanged at respective levels of 7.50% (key policy rate), 10.75% (overnight lending rate), and 7.25% (overnight borrowing rate), as domestic political uncertainty lingers ahead of the June 7 parliamentary elections, inflation remains persistently above the Central Bank's target and external risks also persist. The Central Bank also noted that it would maintain its cautious monetary policy until there is a significant improvement in the inflation outlook.

Separately, **regional currencies** closed mixed on Wednesday in view of the US dollar's renewed strengthening. The Polish zloty broadly underperformed its regional peers, weighed further down by worse-than-anticipated retail sales and industrial production data for April and mounting domestic political uncertainty ahead of Sunday's Presidential elections. Note that, a downbeat outcome for incumbent President Bronislaw Komorowski, backed by the ruling Civic Platform, could raise concerns about the government's prospects in autumn's parliamentary polls. Against this backdrop, the EUR/PLN spiked to a multi-session peak near 4.0865 before pulling back towards 4.0825 at the session's settlement. On the other hand, the Turkish lira recovered some ground after the Central Bank's decision to stand pat on interest rates and maintain a cautious stance. In response, the USD/TRY eased towards 2.7595 on Wednesday's close from a multi-session peak of 2.6120 hit in early European trade.

In the **local rates markets**, the majority of government bonds firmed modestly on Wednesday. Polish paper posed among the region's best performers in the wake of downbeat macroeconomic data. In more detail, the Polish 2 and 10-year benchmark bond yield slid by ca 1.6bps and 1.2bps, respectively, on the day to stand near 1.76% and 2.82% at the session's settlement.

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



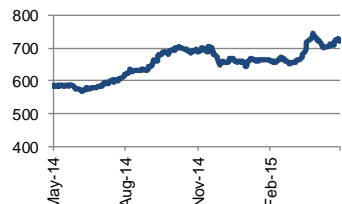
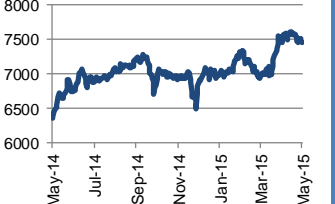
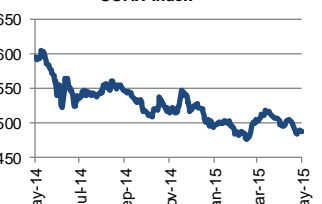
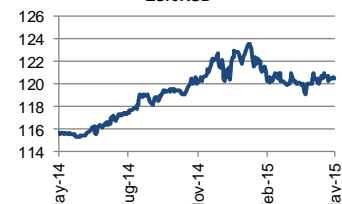
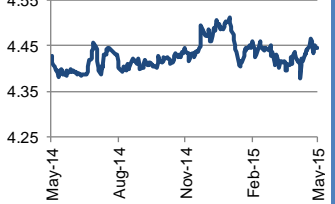
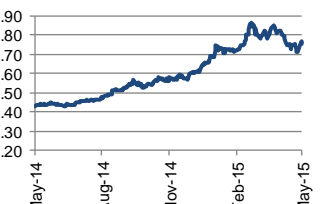
Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

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	2125.85	-0.1%	3.3%	EUR/USD	1.1151	0.5%	-7.8%	UST - 10yr	2.24	0	7	GOLD	1211	0.1%	2.2%
Nikkei 225	20202.87	0.0%	15.8%	GBP/USD	1.5568	0.2%	-0.1%	Bund-10yr	0.63	0	9	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	405.71	-0.2%	18.4%	USD/JPY	120.97	0.3%	-1.1%	JGB - 10yr	0.41	2	8	LMEX	2815	-0.2%	-3.4%

CEESE 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	509	1	-482	O/N	0.6	0	3	LEONIA	0.02	0	0
1-week	5.45	-1	-456	1-month	1.21	0	30	1-month	0.17	1	-5
1-month	5.96	-2	-409	3-month	1.33	0	-37	3-month	0.34	0	-9
3-month	6.46	-2	-339	6-month	1.55	0	-46	6-month	0.67	0	-13
6-month	6.96	-3	-283	12-month	1.58	0	-44	12-month	1.28	0	-23
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	7.34	0	-174	3Y RON	1.97	1	-34	3Y BGN	0.49	-1	-55
5Y RSD	9.27	0	-91	5Y RON	2.50	0	-21	5Y BGN	0.80	-1	-65
7Y RSD	9.44	0	-264	10Y RON	3.51	0	-15	10Y BGN	2.14	0	-61
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.60	-2	-66	EUR Sep-20	1.58	-2	-15	EUR Jul-17	0.77	5	-39
USD Nov-24	6.43	-2	-16	USD Aug-23	3.53	0	-9	EUR Sep-24	2.58	-7	-29
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	209	0	-81	5-year	115	0	-27	5-year	164	-1	-27
10-year	250	0	-106	10-year	161	0	-25	10-year	215	-1	-26
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	724.4	0.33%	8.60%	BET	7445.3	-0.44%	5.11%	SOFIX	487.4	-0.14%	-6.65%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.40	0.05%	0.79%	EUR/RON	4.4458	0.01%	0.85%	USD/BGN	1.7539	0.51%	-7.83%
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 10:45 EET

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