

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 09, 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: In FX markets, the EUR regained some ground against the USD hovering around 1.1300 at the time of writing in European trade, having recovered from Monday's 1.1080 intraday low supported by firmer-than-expected Germany's industrial production data for April. In the absence of major data releases today, focus is on Greek developments ahead of Thursday's key US retail sales for May.

GREECE: Addressing a news conference y-day, Greece's government spokesman Gabriel Sakellaris ruled out the prospect of snap elections adding that the government is not seeking an extension of its loan arrangement when it expires at the end of June. The above comments followed the release of a report in international press y-day suggesting that Greece and its official creditors are discussing a further extension of the country's program through March 2016. Meanwhile, local press reports suggested that the Greek government was expected to submit late y-day counterproposals to the Institutions envisaging among others higher VAT rates compared to those penciled in the proposals submitted earlier this month as well as a higher percentage of health contributions for pensioners.

SOUTH EASTERN EUROPE

BULGARIA: According to preliminary data the seasonally adjusted Industrial Production Index advanced by 0.2%MoM in April, bringing the annual rate of increase to 1.5% (working day adjusted).

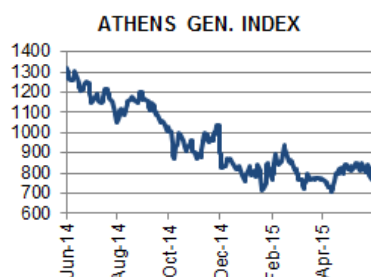
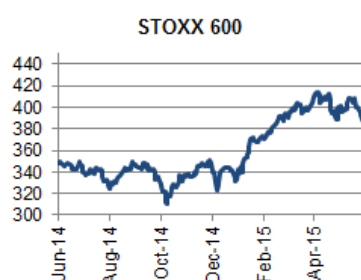
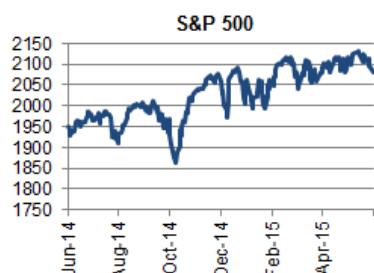
ROMANIA: Net wages rose by 1.5%MoM in April, bringing the annual rate of increase to 7.0%YoY, vs. a 7.2%YoY rise in the prior month.

CESEE MARKETS: Emerging stock markets kicked off the week on a negative footing, extending their recent downtrend on Monday, after US non-farm payrolls data for May, released late last week, surprised positively supporting the view for a potential inception of the Fed's rate-hiking cycle sooner than previously expected. Idiosyncratic factors, particularly in the political landscape in several countries in the region, also exerted a negative impact, as did concerns over the Greek issue and higher US Treasury and Bund yields. Along similar lines, **CESEE currencies** broadly recoiled yesterday with the Turkish lira underperforming its regional peers. In the **local rates markets**, Romania's finance ministry rejected all bids in yesterday's 2021 T-Bonds auction as domestic political jitters amid corruption allegations against Prime Minister Viktor Ponta weighed on investor demand, while yields have lately moved higher in line with the rise in Bunds and USTs.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Tracking losses in Wall Street overnight, major European bourses opened lower on Tuesday as the latest news suggests that a divergence of views on key issues in the context of Greece's current review continues to exist between Greek authorities and official creditors. Increased expectations that the Fed will likely raise interest rates earlier than previously expected following last Friday's positive US May's non-farm payrolls report, also weighed on market sentiment towards equity markets. In FX markets, the EUR regained some ground against the USD hovering around 1.1300 at the time of writing in European trade, having recovered from Monday's 1.1080 intraday low supported by firmer-than-expected Germany's industrial production data for April. News that US President Barack Obama denied a report that quoted him as saying on the sidelines of the G7 meeting that the strong US dollar was "a problem", failed to exert a positive impact on the US currency. In the absence of major data releases today, focus is on Greek developments ahead of Thursday's key US retail sales for May.

GREECE

Addressing a news conference y-day, Greece's government spokesman Gabriel Sakellariadis stressed that the reform proposals already submitted by the Greek side are the basis of an agreement with official creditors noting though that "the mission of the Greek delegation is to explore the possibility of a solution that satisfies both sides". The government official ruled out the prospect of snap elections adding that the government is not seeking an extension of its loan arrangement when it expires at the end of June. The above comments followed the release of a report in international press y-day suggesting that Greece and its official creditors are discussing a further extension of the country's program through March 2016, when Greece's loan agreement with the IMF under the 2nd bailout package expires. According to the same sources, under such a development, Greece's funding needs for the next 9 months would be covered by using: (i) the last EFSF loan tranche amounting €1.8bn; (ii) €1.9bn in SMP 2014 profits; (iii) €1.5bn in SMP 2015 profits; (iv) the remaining funds for bank recapitalization and resolution purposes amounting to €10.9bn; and (vi) a €3bn increase in T-bills issue. Meanwhile, local press reports suggested that the Greek government was expected to submit late y-day counterproposals to the Institutions envisaging among others higher VAT rates compared to those penciled in the proposals submitted earlier this month as well as a higher percentage of health contributions for pensioners. Speaking in the press conference y-day that followed the conclusion of the G7 meeting, US President Barack Obama stressed that Greece needs to make some "tough political choices that will be good for them long-term" adding that official creditors should "recognize the extraordinary challenges" that Greece faces and show flexibility for reaching a deal. On her part, Germany's Chancellor Angela Merkel said that G7 leaders shared her goal of Greece remaining in the euro area adding that Europe is prepared to show solidarity if the country implements economic reforms. The German leader warned that time is running out for a deal and asked for urgent action.

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Latest world economic & market developments in the CESEE region

BULGARIA

According to preliminary data the seasonally adjusted Industrial Production Index advanced by 0.2%MoM in April, bringing the annual rate of increase to 1.5% (working day adjusted). The breakdown of the data showed that the electricity, gas, steam and air conditioning supply increased by 6.8%YoY and output in manufacturing rose by 0.3%YoY, while a 0.8%YoY decrease was registered in the mining and quarrying industry. Separately, retail sales rose modestly, by 0.5%YoY on a seasonally adjusted basis in April, with the annual rate of increase slowing for the fourth month running. In March, the turnover in retail trade, except of motor vehicles and motorcycles recorded a 0.8%YoY gain. In all, the data reflects weak domestic consumption amid unfavorable base effects and fiscal restraint.

ROMANIA

Net wages rose by 1.5%MoM in April, bringing the annual rate of increase to 7.0%YoY, vs. a 7.2%YoY rise in the prior month. The data confirms our view about a sustained improvement in private spending, favored by robust real wage growth, recovering economic sentiment and improving labor market conditions. In support of the aforementioned, the recently released detailed Q1 2015 national accounts data, showed that real GDP growth of 4.3%YoY - the highest in EU - was primarily driven by private consumption, (+4.2%YoY) which provided a 3.2pps contribution in the annual growth rate.

CESEE MARKETS

Emerging stock markets kicked off the week on a negative footing, extending their recent downtrend on Monday, after US non-farm payrolls data for May, released late last week, surprised positively supporting the view for a potential inception of the Fed's rate-hiking cycle sooner than previously expected. Idiosyncratic factors, particularly in the political landscape in several countries in the region, also exerted a negative impact, as did concerns over the Greek issue and higher US Treasury and Bund yields. Against this backdrop, the MSCI Emerging Markets index stood in the red for the 11th session running on Monday, sliding to a new 2-month trough and marking its longest losing streak since 1990. Turkey's BIST 100 index led the downtrend in the EM space, having encountered daily losses in excess of 8% at some point before closing ca 5% lower amid mounting domestic political uncertainty in the wake of Sunday's general elections. With most of the votes having been counted, the June 7 tally showed that the ruling AK Party scored 40.86%, securing 258 MPs in the 550-seat parliament. Albeit coming first, it fell short of achieving parliamentary majority for the first time since 2002. This outcome paves the way for potentially lengthy coalition negotiations, with the prospect of a minority government or, even, early national elections also being on the cards. Along similar lines, **CESEE currencies** broadly recoiled yesterday with the Turkish lira underperforming its regional peers. The USD/TRY spiked to a new record high of 2.8085 in Asian trade before giving back some of its gains to end near 2.7500 by the session's settlement. With domestic political uncertainty likely to persist in the near-term, the lira is likely to remain under pressure in the coming days/weeks. Meanwhile, a looming higher Fed funds rate also bodes ill for the Turkish currency. In the **local rates markets**, Romania's finance ministry rejected all bids in yesterday's 2021 T-Bonds auction as domestic political jitters amid corruption allegations against Prime Minister Viktor Ponta weighed on investor demand, while yields have lately moved higher in line with the rise in Bunds and USTs. Looking into **this week**, Serbia's MPC meeting on Thursday takes centre stage in the CESEE region. The market's median forecast is for a 25bps cut to a new record low of 6.25%. However, taking into account the NBS Governor's recent comments signaling "cautious" monetary easing given "external pressures" and some modest weakening of the dinar in the last few weeks, a stable interest rates decision is more likely in our view.

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| 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

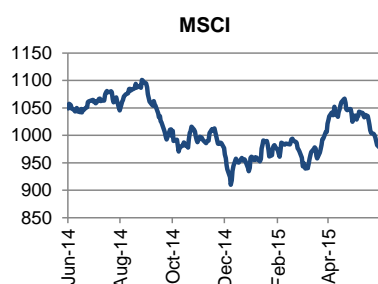
| ROMANIA: Indicators | 2013 | 2014e | 2015f |
|----------------------|------|---------|-------|
| Real GDP growth % | 3.4 | 2.9 | 3.1 |
| CPI (pa, yoy %) | 4.0 | 1.1 | 0.3 |
| Budget Balance/GDP * | -2.2 | -1.9 | -1.9 |
| Current Account/GDP | -0.8 | -0.4 | -1.0 |
| EUR/RON (eop) | 4.46 | 4.40 | 4.45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

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 | 2079.28 | -0.6% | 1.0% | EUR/USD | 1.131 | 0.2% | -6.5% | UST - 10yr | 2.36 | -3 | 18 | GOLD | 1178 | 0.3% | -0.6% |
| Nikkei 225 | 20096.30 | -1.8% | 15.2% | GBP/USD | 1.5352 | 0.0% | -1.5% | Bund-10yr | 0.87 | -1 | 33 | BRENT CRUDE | 184 | 0.0% | 5.3% |
| STOXX 600 | 385.39 | -0.9% | 12.5% | USD/JPY | 124.31 | 0.1% | -3.7% | JGB - 10yr | 0.46 | -4 | 13 | LMEX | 2724 | 0.3% | -6.5% |

CESEE MARKETS

SERBIA

Money Market

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| T/N | 498 | 0 | -493 |
| 1-week | 5.21 | -6 | -480 |
| 1-month | 5.68 | -8 | -437 |
| 3-month | 6.16 | -8 | -369 |
| 6-month | 6.46 | -15 | -333 |

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 6.50 | -1 | -258 |
| 5Y RSD | 8.78 | -3 | -140 |
| 7Y RSD | 9.22 | 0 | -286 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 3.69 | 0 | -57 |
| USD Nov-24 | 6.45 | -1 | -14 |

CDS

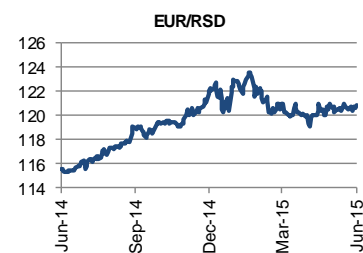
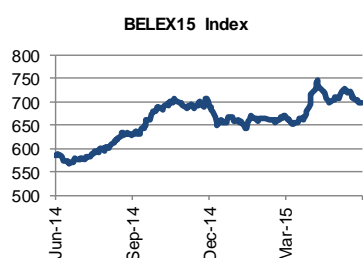
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 199 | 0 | -91 |
| 10-year | 248 | 0 | -108 |

STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|-------|
| BELEX15 | 697.4 | -0.06% | 4.55% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RSD | 120.83 | -0.19% | 0.43% |



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.64 | 0 | 7 |
| 1-month | 1.07 | 0 | 16 |
| 3-month | 1.26 | 0 | -44 |
| 6-month | 1.52 | 0 | -49 |
| 12-month | 1.57 | 0 | -45 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 2.11 | 0 | -20 |
| 5Y RON | 2.75 | 0 | 4 |
| 10Y RON | 3.88 | 0 | 22 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 1.75 | 0 | 2 |
| USD Aug-23 | 3.81 | 2 | 19 |

CDS

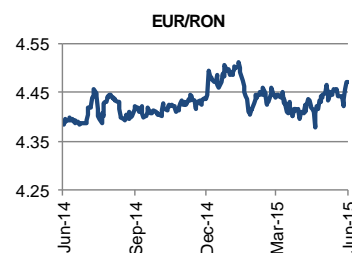
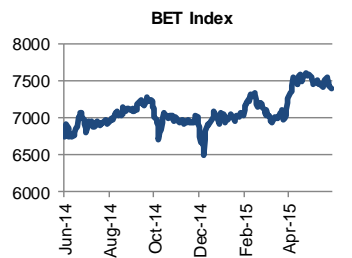
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 114 | 1 | -28 |
| 10-year | 159 | 1 | -28 |

STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|--------|-------|
| BET | 7398.6 | -0.57% | 4.46% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| EUR/RON | 4.4705 | 0.05% | 0.29% |



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 | 1.26 | 0 | -25 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 0.49 | 0 | -55 |
| 5Y BGN | 0.90 | 0 | -54 |
| 10Y BGN | 2.49 | 0 | -26 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.88 | 0 | -27 |
| EUR Sep-24 | 2.91 | 19 | 4 |

CDS

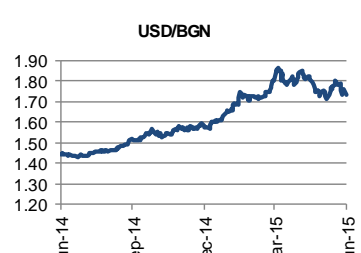
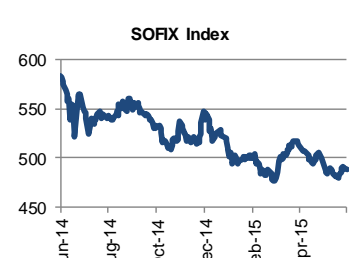
| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 173 | 3 | -18 |
| 10-year | 222 | 3 | -19 |

STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|--------|
| SOFIX | 488.5 | -0.37% | -6.44% |

FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| USD/BGN | 1.7297 | 0.14% | -6.54% |



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

Data updated as of 09:30 EET

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