

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 12, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 13: Retail sales (Apr)
- May 15
 - Initial jobless claims (May 9)
 - CPI (Apr)
 - IP (Apr)
 - Philly Fed (May)
 - NAHB (May)
- May 16
 - Housing starts & permits (Apr)
 - UoM cons conf (May)

EUROZONE

- May 13: (DE) ZEW (May)
- May 15: CPI (Apr, f)

SEE SERBIA

- May 12: CPI (Apr)
- May 15:
 - GDP (Q1, p)
 - CPI (Apr, f)

ROMANIA

- May 12
 - CPI (Apr)
 - Trade balance (Mar)
 - IP (Mar)
 - RON 400mn 3-Y T-Bond auction
- May 15
 - GDP (Q1, A)
 - CAD (Mar)

BULGARIA

- May 12
 - U/E rate (Apr)
 - Trade balance (Mar)
- May 13: CPI (Apr)
- May 15
 - GDP (Q1, p)
 - CAD (Mar)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major Asian bourses ended mixed on Monday as caution prevails in view of heightened tensions in Ukraine over the weekend. In FX markets, the **EUR** remained under pressure in European trade on the back of the prevailing view that further monetary easing by the ECB at its next policy meeting in June, is likely.

Greece: The coalition government of centre-right New Democracy (ND) and socialist PASOK secured parliamentary approval of the **updated Medium Term Fiscal Strategy (MTFS) 2015-2018** late last week. On the data front, the **EU-Harmonized Index of Consumer Prices (HICP)** dropped by 1.6%YoY in March, the highest pace of decline over the last four months, suggesting persisting deflationary pressures. Separately, the **Industrial Production Index** fell by 3.1%YoY in March mainly due to a hefty decline in electricity production.

SOUTH EASTERN EUROPE

SERBIA: EBRD expresses interest in the upcoming privatization program of Serbia's state owned enterprises.

ROMANIA: CPI rose by 0.3%MoM in April, bringing the annual rate of increase to 1.2% vs. 1.4% expected.

BULGARIA: According to the latest Ministry of Finance data, Bulgaria's general government budget balance came in at a deficit of BGN 874mn year-to-March, marking a deterioration of BGN 76.2mn compared to the same period a year earlier..

CESEE Markets: Emerging stock markets kicked off the week on a strong footing, with most regional indices standing in a positive territory in European trade on Monday, thanks to optimism that Chinese authorities are poised to adopt measures to bolster domestic equity markets. A rally in tech shares also favored, but caution prevailed amid mounting geopolitical tensions in Ukraine.

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Latest world economic & market developments

GLOBAL MARKETS

Major Asian bourses ended mixed on Monday as caution prevails in view of heightened tensions in Ukraine over the weekend. In FX markets, the **EUR** remained under pressure in European trade on the back of the prevailing view that further monetary easing by the ECB at its next policy meeting in June, is likely. Following a short-lived spike to a 2-½ year high of 1.3990 last week, the EUR/USD was hovering around 1.3765/70 at the time of writing, not far from a one-month trough of 1.3745 recorded in the prior session. Elsewhere, EMU periphery sovereign bonds retained a firm tone mainly supported by appetite for high yield. Indicatively, the **10-year GGB/German Bund yield spread** was hovering around 464bps at the time of writing, the lowest in a week and near 1.5bps narrower compared to the settlement in the prior session.

GREECE

The coalition government of centre-right New Democracy (ND) and socialist PASOK secured parliamentary approval of the **updated Medium Term Fiscal Strategy (MTFS) 2015-2018** late last week. Out of the 269 attending MPs, 150 voted in favor of the MTFS, including 148 coalition lawmakers and 2 independents (and ex-PASOK parliamentarians), Andreas Loverdos and Christos Aidonis. A total of 119 lawmakers voted against. There were 4 absentees from the voting procedure; 3 lawmakers from ND and one from PASOK. On the data front, the **EU-Harmonized Index of Consumer Prices (HICP)** dropped by 1.6%YoY in March, the highest pace of decline over the last four months, suggesting persisting deflationary pressures as high unemployment, lower wages, increased tax burden and the ensuing declining disposable income continue to take a toll on domestic demand. According to the EU Commission's latest economic report for Greece (April 2014), the average HICP is expected to remain in negative territory in 2014 for the second year in a row before gradually picking up thereafter. Separately, the **Industrial Production Index** fell by 3.1%YoY in March mainly due to a hefty decline in electricity production. But the March decline followed a three-month rising streak (4.5% cumulatively), a development that has not been witnessed since late 2007, in a further sign that domestic economic activity has already bottomed out.

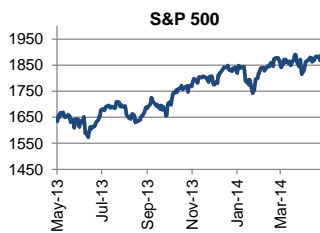
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Latest developments in the CESEE region

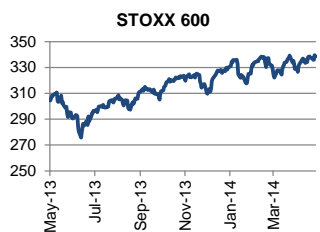
CESEE markets

Emerging stock markets kicked off the week on a strong footing, with most regional indices standing in a positive territory in European trade on Monday, thanks to optimism that Chinese authorities are poised to adopt measures to bolster domestic equity markets. A rally in tech shares also favored, but caution prevailed amid mounting geopolitical tensions in Ukraine. On the latter, unofficial referendums organized by pro-Russian groups held in Donetsk and Luhansk on Sunday reportedly revealed strong support in favor of the regions' independence. The US and EU condemned the plebiscites as illegal and EU foreign ministers are expected to announce at a meeting later on the day an expansion of sanctions imposed on individuals linked to Crimea's annexation to the Russian Federation and to persons close to Russian President Vladimir Putin. **CESEE currencies** modestly firmed earlier on Monday, on hopes that Q1 GDP data due for release later in the week will vindicate expectations for a pick-up in the region's economic activity. The Turkish lira led the winners' pack amid optimism about upcoming Q1 corporate earnings results. Against this background, the USD/TRY hit an intraday low at 2.0716, approaching anew a 5-month trough of 2.0671 recorded late last week.

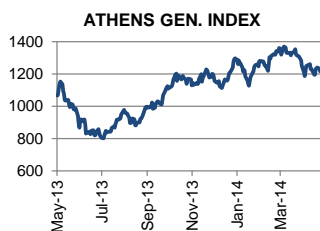
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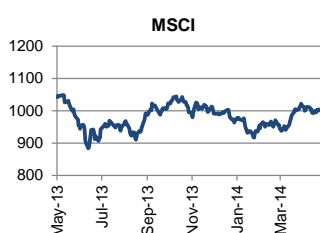
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BB+	BBB-
BULGARIA	Baa2	BBB	BBB-
CYPRUS	Caa3	B	B-

Source: Reuters, Bloomberg, Eurobank Global Markets Research

SERBIA: Indicators	2012	2013e	2014f
Real GDP growth %	-1.5	2.4	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-6.4	-6.5	-7.4
Current Account/GDP	-10.9	-4.6	-3.4
EUR/RSD (eop)	112.37	114.57	118.00
	2013	current	2014f
Policy Rate (eop)	9.50	9.50	9.50

Source: EC Economic Forecasts, Reuters, Bloomberg,
Eurobank Global Markets Research, local authorities

ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.7	3.5	2.7
CPI (pa, yoy %)	3.3	4.0	3.8
Budget Balance/GDP	-3.0	-2.6	-2.2
Current Account/GDP	-4.4	-1.0	-1.2
EUR/RON (eop)	4.44	4.46	4.70
	2013	current	2014f
Policy Rate (eop)	4.00	3.50	3.50

Source: EC Economic Forecasts, Reuters, Bloomberg,
Eurobank Global Markets Research, local authorities

BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.8	1.8
CPI (pa, yoy %)	3.0	0.9	1.5
Budget Balance/GDP	-0.5	-1.9	-1.8
Current Account/GDP	-1.3	2.0	1.0
EUR/BGN (eop)		1.95583	
	current	2013	2014f
Policy Rate (eop)	N/A	N/A	N/A

Source: EC Economic Forecasts, Reuters, Bloomberg,
Eurobank Global Markets Research, local authorities

SERBIA

(Belgrade, 9/5/2014, 16:25 CET): **Latest Political & Macro Developments:** EBRD's Managing Director for Central and South Eastern Europe expressed interest in upcoming privatization program of Serbia's state owned enterprises. In more detail, the said official noted on Friday that Telekom Srbija and Airport Nikola Tesla are likely to attract a large number of bidders, including the EBRD. **Market Developments:** The EUR/RSD was little changed on Friday, remaining bound within 115.70/90 for most of the session. Elsewhere, the main BELEX15 index gained 0.32% on subdued activity.

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ROMANIA

(Bucharest, 12/5/2014, 09:05 EET): **Latest Political & Macro Developments:** According to the latest National Statistics Institute data, CPI rose by 0.3%MoM in April, bringing the annual rate of increase to 1.2%. The latter stands a tad below the market's median forecast of 1.4%YoY but slightly above the prior month's 1.0%YoY print. Separately, industrial production growth came in at a 3-year peak of 11.6%YoY in March vs. 9.1%YoY in February, while the trade balance widened by 3.8%YoY to €1.12bn over the said month in a possible reflection of a modest recovery in domestic demand. **Market Developments:** The EUR/RON remained trapped within 4.4275/4.4350 on Friday. Meanwhile, short term RON rates continued to ease, with the 1W RON rate implied from swaps decreasing to 2.30% from 3.0% earlier that week. The downward move appears to be extending to longer tenors, as 3-6M rates are getting close to 2.50% from 2.75% a few sessions earlier. In government bonds, the MoF holds today a primary market auction of RON 400mn in 3Y (Jun 2017) paper. The tender is expected to meet strong demand, with the average accepted yield seen at around 3.95-4.00% (down 35-40bps from April when paper of similar maturity was auctioned).

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BULGARIA

(Sofia, 09/5/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest Ministry of Finance data, Bulgaria's general government budget balance came in at a deficit of BGN 874mn year-to-March, marking a deterioration of BGN 76.2mn compared to the same period a year earlier. The fiscal reserve stood at BGN 5.9bn in January-March, including BGN 5.1bn in deposits held in BNB and other banks and BGN 0.8bn in receivables under EU Funds for certified expenditure and advance payments. Revenues and grants rose by 6.8%YoY to BGN 6.575bn, equivalent to 21.2% of the 2014 target. **Market Developments:** The domestic stock market regained ground on Friday with the major SOFIX index ending up 0.58% at 604.11 points.

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May 12, 2014

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	1878.48	0.2%	1.6%	EUR/USD	1.3768	0.1%	0.2%	UST - 10yr	2.63	1	-40	GOLD	1289	0.0%	6.9%
Nikkei 225	14149.52	-0.4%	-13.1%	GBP/USD	1.6859	0.0%	1.8%	Bund-10yr	1.47	1	-46	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	338.54	-0.3%	3.1%	USD/JPY	101.91	0.0%	3.3%	JGB - 10yr	0.61	0	-13	LMEX	3091	0.3%	-2.2%

SEE 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	7.52	-32	-49	O/N	2.62	0	88	LEONIA	0.03	0	-4
1-week	7.84	-31	-44	1-month	2.92	0	104	1-month	0.30	1	-2
1-month	8.14	-29	-44	3-month	3.04	0	60	3-month	0.57	0	-8
3-month	8.51	-29	-37	6-month	3.35	0	36	6-month	1.08	0	-7
6-month	8.81	-30	-34	12-month	3.37	0	22	12-month	2.10	1	-10
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	9.94	0	-2	3Y RON	3.66	0	-29	3Y BGN	0.94	0	-15
5Y RSD	11.00	0	-182	5Y RON	4.07	0	-58	5Y BGN	1.53	0	-32
7Y RSD	12.26	0	-154	10Y RON	4.84	0	-46	10Y BGN	3.07	0	-42
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.75	0	-125	EUR Sep-20	2.72	1	-113	USD Jan-15	0.38	-3	-17
USD Nov-24	2.11	-436	-477	USD Aug-23	4.01	2	-80	EUR Jul-17	1.27	4	-53
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	285	0	-124	5-year	173	-10	-11	5-year	124	-1	1
10-year	324	4	-123	10-year	212	-10	-21	10-year	167	-1	-7
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	582.2	0.32%	4.34%	BET	6608.8	0.88%	1.77%	SOFIX	604.1	0.58%	22.91%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.08%	-1.06%	EUR/RON	4.4318	0.04%	0.93%	USD/BGN	1.4206	0.08%	0.18%

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 09:30 EET

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