

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 14, 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: Shrugging of heightened political tensions in Ukraine, **major Asian bourses** moved higher on Wednesday favored by market optimism that US real GDP growth will likely accelerate in the second quarter of this year. In FX markets, the **EUR** remained under pressure in European trade on increased expectations that the ECB will likely take some action at its next policy meeting in June, when the updated staff projections will be published, in an effort to address deflation risks.

Greece: Preliminary data for the execution of the State Budget on a modified cash basis, revealed that the Central Government primary balance recorded a surplus of €1.048bn compared to a surplus target of €742mn and a deficit of €306mn registered over the same period of the previous year. In other news, **Greece's Public Debt Management Agency (PDMA)** successfully sold €1.3bn of 13-week T-bills on Tuesday, including €300mn in non-competitive bids.

SOUTH EASTERN EUROPE

SERBIA: Unions refused to take part in negotiations with the new government regarding potential amendments on Labor Law.

ROMANIA: Government bonds retained a positive tone on investors' yield-hunting appetite.

BULGARIA: Monday's reopened 10-year bond auction came in better than expected with the Ministry of Finance managing to place BGN 50mn at an average accepted yield of 3.16%, the lowest on record for paper of this tenure, and a bid-to-cover ratio of 3.82.

CESEE Markets: Emerging stock markets extended recent gains on Tuesday boosted by a rally in Indian stock markets on news that the country's general elections, which concluded on Monday, reportedly resulted to a victory for the pro-business opposition Bharatiya Janata Party. **CESEE currencies** were mixed.

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Latest world economic & market developments

GLOBAL MARKETS

Shrugging of heightened political tensions in Ukraine, **major Asian bourses** moved higher on Wednesday favored by market optimism that US real GDP growth will likely accelerate in the second quarter of this year following a meagre growth rate of 0.1%qoq annualized in January-March mainly due to adverse weather conditions. In FX markets, the **EUR** remained under pressure in European trade on increased expectations that the ECB will likely take some action at its next policy meeting in June, when the updated staff projections will be published, in an effort to address deflation risks. The **EUR/USD** was hovering around 1.3715/20 at the time of writing, not far from a five-week trough of 1.3688 hit in the prior session. Technically, a sustained move below 1.3672 (April 4 low) could potentially open the way for further EUR/USD weakness towards 1.3500 or even lower.

GREECE

Preliminary data for the execution of the State Budget on a modified cash basis, revealed that the Central Government balance for the January-April period recorded a deficit of €1.144bn compared to a deficit target of €1.459bn and a shortfall of €2.426bn marked in the same period a year earlier. Notably, the Central Government primary balance recorded a surplus of €1.048bn compared to a surplus target of €742mn and a deficit of €306mn registered over the same period of the previous year. In other news, **Greece's Public Debt Management Agency (PDMA)** successfully sold €1.3bn of 13-week T-bills on Tuesday, including €300mn in non-competitive bids. The auction produced a yield of 2.13%, the lowest since January 2010 and down 32bps from the April tender when paper of similar maturity was offered. The sale's bid-to-cover ratio came in at 2.80, up from 2.73 in April.

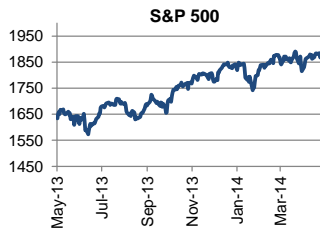
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Latest developments in the CESEE region

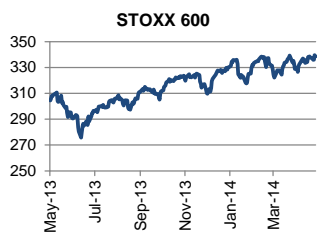
CESEE markets

Emerging stock markets extended recent gains on Tuesday boosted by a rally in Indian stock markets on news that the country's general elections, which concluded on Monday, reportedly resulted to a victory for the pro-business opposition Bharatiya Janata Party. Rising Russian stocks also lifted sentiment as new EU sanctions imposed on certain Russian and Ukrainian companies and individuals are not expected to significantly impact the domestic economy's growth prospects. News that Russia stopped short of recognizing recent referendums held in two regions of eastern Ukraine reportedly overwhelmingly supporting self-rule, also favored. Along these lines, the MSCI emerging equities index closed 0.65% higher on Tuesday, extending Monday's 0.88% gains. On the other hand, the majority of CESEE bourses closed in the red, with Ukraine's PFTS leading the way lower after a 1.12% drop. Poland's WIG outperformed its regional peers, advancing by 0.3%. Elsewhere, **CESEE currencies** were mixed on Tuesday, with the Turkish lira firming after March's current account balance data surprised positively. The USD/TRY closed 0.6% weaker yesterday at 2.0672, having hit a new 5-month trough of 2.0643 earlier in the day. On the flipside, the Hungarian forint lost some ground after April's annual CPI unexpectedly came out negative for the first time in four decades, fanning speculation about further MNB monetary easing ahead. Recall that, the Central Bank has rendered a total of 450bps of policy rate cuts since August 2012, which have pushed the key policy rate to a record low of 2.50%. The EUR/HUF stood 0.10% lower at 303.45 on Tuesday's settlement, having bounced from an intraday 3-½-month low of 302.77.

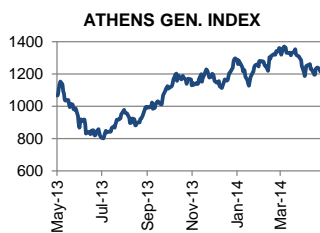
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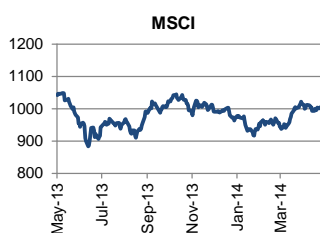
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Credit Ratings		
	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	9.00	9.00

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

SERBIA

(Belgrade, 13/5/2014, 15:35 CET): **Latest Political & Macro Developments:** The National Bank of Serbia announced on Monday that FX reserves stood at €10.45bn at the end of April, little changed (+€19mn) from the prior month, covering M1 by 331% or more than seven months of imports. On Tuesday, the two most powerful unions in Serbia (UGSN and SSSS) refused to take part in negotiations with the new government regarding potential amendments on Labor Law. **Market Developments:** The EUR/RSD extended recent losses, to close at key support level of 115.45/65.

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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

ROMANIA

(Bucharest, 14/5/2014, 09:22 EET): **Market Developments:** The EUR/RON continued to trade within a tight range of 4.4280/330 on Tuesday. Meanwhile, short term RON rates extended their recent downtrend, with the 1W RON rate implied from swaps moving close to around 1.80%. Government bonds retained a positive tone on investors' yield hunting appetite. Mid to long maturities met strong demand, with 5-10Y yields moving around 5 bps lower.

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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

BULGARIA

(Sofia, 13/5/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the recent deflation trend appeared to be gradually easing with CPI decreasing by 1.6%YoY in April, following an all-time record drop of 2.6%YoY in February and a decline of 2.3%YoY in March. **Market Developments:** The domestic stock market tread water on Tuesday, with the main SOFIX index closing in a marginally positive territory of +0.09% at 600.30 points. In the local rates markets, Monday's reopened 10-year bond auction came in better than expected with the Ministry of Finance managing to place BGN 50mn at an average accepted yield of 3.16%, the lowest on record for paper of this tenure, and a bid-to-cover ratio of 3.82. Recall that, yields averaged at 3.70% in a mid-January auction of similar maturity paper and 3.51% later in March.

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May 14, 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	1897.45	0.0%	2.7%	EUR/USD	1.3717	0.1%	-0.2%	UST - 10yr	2.60	-1	-42	GOLD	1295	0.1%	7.4%
Nikkei 225	14405.76	-0.1%	-11.6%	GBP/USD	1.6856	0.2%	1.8%	Bund-10yr	1.42	-1	-51	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	341.89	0.3%	4.2%	USD/JPY	102.13	0.1%	3.1%	JGB - 10yr	0.61	-1	-14	LME X	3144	-0.3%	-0.5%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.49	-4	-52
1-week	7.78	-7	-50
1-month	8.12	-4	-46
3-month	8.46	1	-42
6-month	8.58	-5	-57

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.08	0	12
5Y RSD	10.97	-4	-185
7Y RSD	12.25	0	-155

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.66	0	-135
USD Nov-24	2.04	-443	-478

CDS

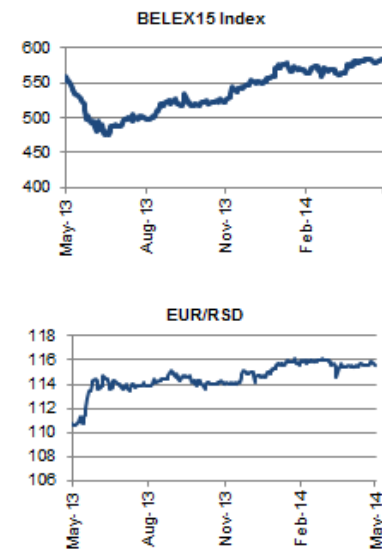
	Last	ΔDbps	ΔYTD bps
5-year	285	1	-124
10-year	324	1	-123

STOCKS

	Last	ΔD	ΔYTD
BELEX15	582.6	-0.12%	4.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.02%	-0.74%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.19	0	45
1-month	2.66	0	78
3-month	2.96	0	52
6-month	3.32	0	33
12-month	3.35	0	20

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.62	0	-33
5Y RON	4.03	0	-62
10Y RON	4.79	0	-51

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.69	0	-116
USD Aug-23	3.98	-1	-82

CDS

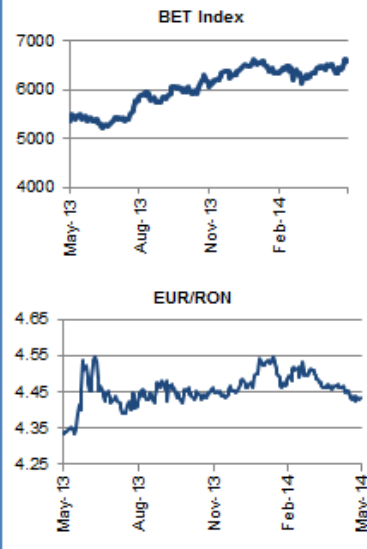
	Last	ΔDbps	ΔYTD bps
5-year	173	0	-11
10-year	212	0	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6465.2	-1.88%	-0.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4326	0.00%	0.91%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.30	0	-2
3-month	0.60	3	-5
6-month	1.08	0	-7
12-month	2.10	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.93	0	-16
5Y BGN	1.51	0	-34
10Y BGN	3.02	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.37	-9	-12
EUR Jul-17	1.24	0	-56

CDS

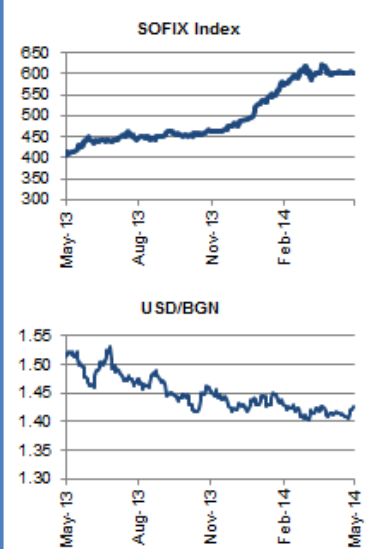
	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	599.8	0.00%	22.02%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.426	0.09%	-0.20%



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

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