

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 20, 2014

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- May 21: FOMC meeting minutes
- May 22
  - Initial jobless claims (May 17)
  - Existing home sales (Apr)
- May 23: New home sales (Apr)

### EUROZONE

- May 21: Consumer confidence (May)
- May 22: PMI (May)
- May 23: (DE): Ifo (May)

### SEE

#### SERBIA

- May 20:
  - CAD (Mar)
  - 2-Y T-Bonds auction

#### ROMANIA

- May 19: RON 400mn 10-Y T-Bond auction
- May 22: RON 500mn T-Bonds auction

#### BULGARIA

- May 19: T-Bonds auction (2016)
- May 19-23: U/E rate (Apr)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In FX markets, the **JPY was among the main outperformers** in European trade on Tuesday favored by subdued expectations for further BoJ monetary policy easing any time soon amid tentative signs of rising, albeit modestly, domestic inflation pressures. Elsewhere the EUR remained under pressure on the back of lingering expectations that the ECB will likely pursue further monetary easing measures at its next policy meeting in June.

**Greece:** Speaking at a private TV station y-day, **government spokesman Simos Kedikoglou** announced that, in the second round of local elections on Sunday, May 25<sup>th</sup>, the major coalition partner New Democracy will support Giorgos Kaminis for the Municipality of Athens and Giannis Sgouros for the Attica prefecture. As a reminder, SYRIZA-supported candidate Rena Dourou was a frontrunner in the first round for the Attica prefecture with a margin of ca 1.5% over incumbent prefect and PASOK-affiliated Yiannis Sgouros. Meanwhile, in the first round for the Athens Municipality SYRIZA-supported candidate Gavril Sakellaridis came in second and will run in the second round against incumbent mayor and PASOK-affiliated Giorgos Kaminis.

### SOUTH EASTERN EUROPE

**SERBIA:** The dinar came under depreciating pressure on Monday as the country is currently experiencing the worst flood disaster over the last 120 years.

**ROMANIA:** MoF issued on Monday RON 400mn of 10Y benchmark bonds at a lower-than-expected average accepted yield of 4.78%.

**BULGARIA:** MoF placed on Monday another BGN 50mn in 2-year government bonds at an average accepted yield of 0.823%, which came in below market expectations.

**CESEE Markets: Emerging stocks markets** advanced modestly on Monday, supported by relatively low US Treasury yields and news that Russian President Vladimir Putin ordered the pullback of military units to their bases following exercises in the border with Ukraine. Yet, additional gains were capped by mounting concerns about the prospects of the Chinese economy.

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## Latest world economic & market developments

### GLOBAL MARKETS

In FX markets, the **JPY was among the main outperformers** in European trade on Tuesday favored by subdued expectations for further BoJ monetary policy easing any time soon amid tentative signs of rising, albeit modestly, domestic inflation pressures. The USD/JPY was hovering around 101.35/40 at the time of writing, not far from a 3½ month low of 101.07 recorded at some point in the prior session. Relatively low US Treasury yields following recent dovish comments from a number of FOMC policy makers, also weighed on the USD. Indicatively, the 10-yr Treasury yield was standing close to 2.54% at the time of writing, not far from a six-month closing trough of 2.49% hit a few sessions ago against levels above 2.60% a couple of weeks earlier. Elsewhere, the EUR remained under pressure on the back of lingering expectations that the ECB will likely purse further monetary easing measures at its next policy meeting in June aiming at, among others, addressing deflation risks. The EUR/USD was trading close to 1.3690/95 at the time of writing, approaching a three-month low of 1.3647 recorded late last week following a spike to levels near 1.4000 earlier this month.

### GREECE

Speaking at a private TV station y-day, **government spokesman Simos Kedikoglou** announced that in the second round of local elections on Sunday, May 25<sup>th</sup>, the major coalition partner New Democracy will support Giorgos Kaminis for the Municipality of Athens and Giannis Sgouros for the Attica prefecture. The government official cited that New Democracy does intend to “support candidates who seek to overthrow the government”. As a reminder, SYRIZA-supported candidate Rena Dourou was a frontrunner in the first round for the Attica prefecture with a margin of ca 1.5% over incumbent prefect and PASOK-affiliated Yiannis Sgouros. Meanwhile, in the first round for the Athens Municipality SYRIZA-supported candidate Gavril Sakellaridis came in second and will run on Sunday against incumbent mayor and PASOK-affiliated Giorgos Kaminis. While ND leads in nine of Greece’s 13 prefectures and has its candidates taking place in the second round in 10 prefectures, those supported for the Attica prefecture and Athens Municipality failed to make it through to the 2<sup>nd</sup> round of elections.

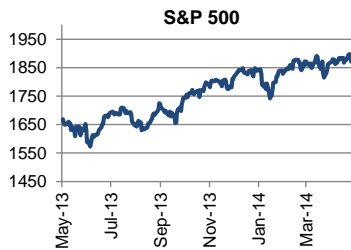
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## Latest developments in the CESEE region

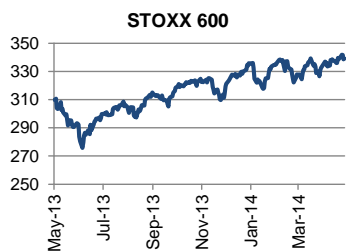
### CESEE markets

**Emerging stocks markets** advanced modestly on Monday, supported by relatively low US Treasury yields and news that Russian President Vladimir Putin ordered the pullback of military units to their bases following exercises in the border with Ukraine. Yet, additional gains were capped by mounting concerns about the growth prospects of the Chinese economy. Along these lines, the MSCI index of emerging equities closed up 0.34% at 1,035.43 after hitting 7-month peak of 1036.30 points earlier in the session. Elsewhere, the majority of CESEE bourses closed in a positive territory. Ukraine’s PFTS outperformed its regional peers gaining 1.70% on the day, while Serbia’s BELEX15 bucked the trend to close 0.31% lower amid worries that adverse weather conditions may bear negative repercussions on the domestic economic activity. Turkish stock markets were closed on Monday on public holiday. Elsewhere, **CESEE currencies** broadly firmed. The Ukrainian hryvnia recovered on Monday a small part of the prior session’s losses, with the USD/UAH closing 0.17% lower at 11.93. Nonetheless, the cross stood not too far from a lifetime peak of 13.61 hit in April on the back of persisting geopolitical tensions in the region.

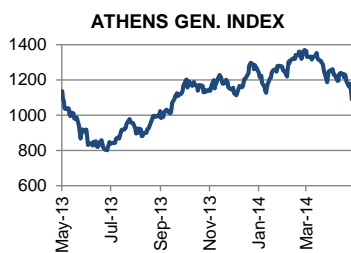
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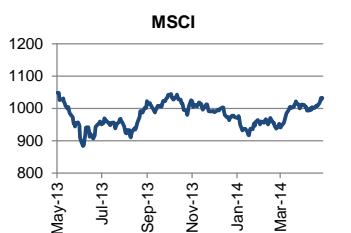
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	BBB-	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, 19/5/2014, 17:05 CET): **Latest Political & Macro Developments:** The government adopted on Monday a ministerial decree initiating the subsidized RSD liquidity loan program for corporations operating in Serbia. The related loans will be disbursed through local commercial banks at an interest rate of 5.45%, with a grace period of 6 months. The entire program will total EUR 1.2bn, out of which EUR 60mn of loans will be subsidized by the State. **Market Developments:** The dinar came under depreciating pressure on Monday as the country is currently experiencing the worst flood disaster over the last 120 years. Damage to households and business property and infrastructure is yet to be identified, as rivers flooded entire towns, farmland, and mines, sweeping off portions of roads and bridges, mainly in western and central Serbia. These adverse weather conditions are expected to bear negative repercussions for the domestic economy and may also affect public finances and growth prospects ahead. The Central Bank intervened anew in the FX markets on Monday, in order to halt the dinar's depreciating momentum and keep the EUR/RSD within a tight range. As a result the cross closed at 115.58/78, slightly above opening levels of 115.40/60. Technically, strong resistance stands at 116.00, a level that may trigger renewed NBS intervention.

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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, 20/5/2014, 09:20 EET): **Market Developments:** The EUR/RON remained trapped within a tight range of 4.4280/350 on Monday. In the money market, short term RON-denominated deposit rates continued to stand close to the deposit facility rate of 0.50%, thanks to ample RON liquidity. In government bonds, the MoF issued on Monday RON 400mn of 10Y benchmark bonds at a lower-than-expected average accepted yield of 4.78%, 48bps below that achieved at an auction of similar maturity paper in April.

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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, 19/5/2014, 17:45 EET): **Market Developments:** Domestic stock market indices erased early losses to close in positive territory on Monday. In more detail, the main SOFIX advanced 0.35% to end at 592.94 points. Meanwhile, the Ministry of Finance placed on Monday another BGN 50mn in 2-year government bonds at an average accepted yield of 0.823%, which came in below market expectations and 25bps lower compared to that recorded at a tender of similar maturity paper in March. The bid to cover ratio reached 3.36. Banks remained the major buyers on the primary market collecting 50% of the total amount sold, while guarantee funds followed suit acquiring a share of 40.06%. Pension funds and insurance companies accounted for the rest.

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May 20, 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	1885.08	0.4%	2.0%	EUR/USD	1.37	-0.1%	-0.3%	UST - 10yr	2.54	0	-49	GOLD	1290	-0.2%	7.0%
Nikkei 225	14075.25	0.5%	-13.6%	GBP/USD	1.684	0.2%	1.7%	Bund-10yr	1.36	1	-57	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	339.20	0.2%	3.3%	USD/JPY	101.39	0.1%	3.9%	JGB - 10yr	0.59	0	-15	LME X	3155	1.3%	-0.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.31	-2	-70
1-week	7.69	-3	-59
1-month	8.04	-3	-54
3-month	8.41	0	-47
6-month	8.59	-1	-56

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.96	-1	0
5Y RSD	10.91	0	-191
7Y RSD	11.74	0	-206

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.74	2	-127
USD Nov-24	2.05	-443	-485

CDS

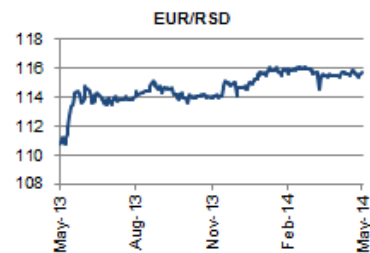
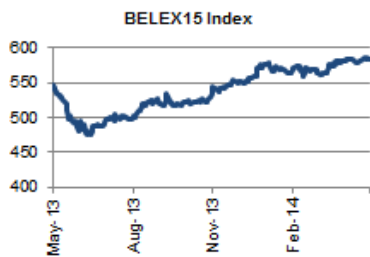
	Last	ΔDbps	ΔYTD bps
5-year	275	0	-134
10-year	314	0	-133

STOCKS

	Last	ΔD	ΔYTD
BELEX15	583.3	-0.31%	4.53%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.09%	-0.94%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.75	0	-99
1-month	2.24	0	36
3-month	2.75	0	31
6-month	3.18	0	19
12-month	3.22	0	7

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.41	-1	-54
5Y RON	3.90	-1	-75
10Y RON	4.76	0	-54

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.78	3	-106
USD Aug-23	4.05	0	-76

CDS

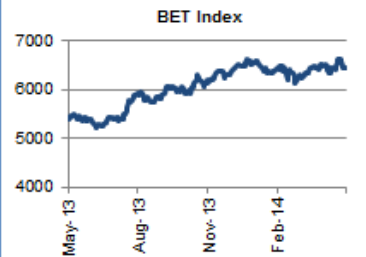
	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A	-11
10-year	212	#N/A	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6448.9	-0.12%	-0.69%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4313	-0.07%	0.94%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	0	-4
1-month	0.29	0	-3
3-month	0.57	0	-8
6-month	1.08	0	-7
12-month	2.10	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.85	-2	-25
5Y BGN	1.48	0	-37
10Y BGN	2.97	0	-53

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.54	0	-5
EUR Jul-17	1.34	-2	-46

CDS

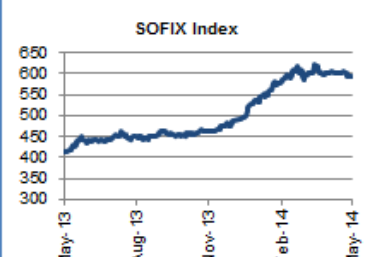
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A	1
10-year	167	#N/A	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	592.7	-0.04%	20.59%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4279	-0.08%	-0.34%



Source: Reuters, Bloomberg, Eurobank Global Markets Research  
Data updated as of 10:30 EET

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