

May 21, 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 **USD** remained under pressure in European trade on Wednesday weighted down by relatively low US sovereign bond yields. Elsewhere, **major Asian bourses** weakened on Wednesday, taking their lead from the negative tone in Wall Street overnight.

Greece: **Greece's Prime Minister Antonis Samaras** presented y-day an overview of the government's new growth model which envisions, among others: (i) an increase of €54.5bn in nominal GDP by 2021(ii) the generation of 770k new jobs by 2020; (iii) improvement in domestic liquidity conditions; (iv) lower cost of agricultural production; (v) promoting structural reforms; and (vi) lower tax rates.

SOUTH EASTERN EUROPE

SERBIA: The government will seek financial assistance from the EU and international financial institutions in the aftermath of the disaster caused by severe floods in the country.

ROMANIA: RON short term rates remained close to recent lows as the end of the reserve period is looming.

BULGARIA: Slight improvement in the unemployment rate on monthly basis in April.

CESEE Markets: Emerging bourses edged down in European trade on Wednesday. In a similar vein, the majority of **CESEE stock markets** moved modestly lower earlier in the session, while regional currencies were mixed.

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Latest world economic & market developments

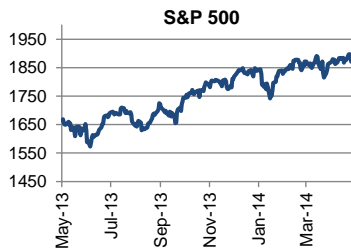
GLOBAL MARKETS

In FX markets, the **USD** remained under pressure in European trade on Wednesday weighted down by relatively low US sovereign bond yields. Indicatively, the 2-yr US bond yield was hovering around 0.331% at the time of writing, not far from a two-month intraday trough of 0.323% hit in the prior session, following comments by FOMC policy member William Dudley suggesting that the Central Bank may hike interest rates later than currently expected. Against this background, the USD/JPY hit a fresh 3-½ month low of 100.80 earlier today while the EUR/USD recovered to levels slightly above 1.3700 in early European trade after hitting session lows of 1.3677 on Tuesday. Elsewhere, **major Asian bourses** weakened on Wednesday, taking their lead from the negative tone in Wall Street overnight, pressured by a flurry of disappointing US Q1 earning corporate results. Heightened political jitters in Thailand and market uncertainty ahead of upcoming 22-25 May 2014 European Parliament election, also weighed on market sentiment towards risky assets.

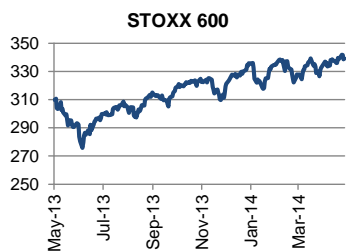
GREECE

Greece's Prime Minister Antonis Samaras presented y-day an overview of the government's new growth model which envisions, among others: **(i)** an increase of €54.5bn in nominal GDP by 2021 to pre-crisis levels of ca €233bn, **(ii)** the generation of 770k new jobs by 2020 aiming to push the unemployment rate from 26.5% presently to levels below the current EU average by the end of this period; **(iii)** improvement in domestic liquidity conditions; **(iv)** lower cost of agricultural production; **(v)** promoting structural reforms; and **(vi)** lower tax rates. The Prime Minister was quoted as saying that the government's aim for the years ahead is to bring down: (a) the corporate tax rate to 15% from 26% currently; (b) the top personal income tax rate (for declared annual income over €42,001) to 33% from 42% currently; and (c) the standard VAT rate up to 12% from 23% currently.

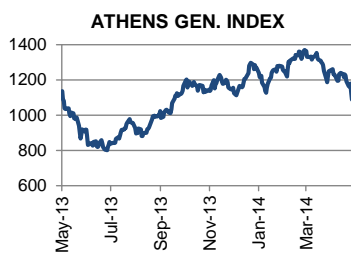
ppetropoulou@eurobank.gr



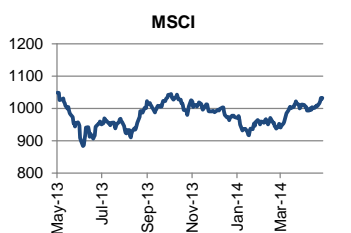
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

Source: Reuters, Bloomberg, Eurobank Global Markets Research

Latest developments in the CESEE region

CESEE markets

Emerging bourses edged down in European trade on Wednesday, mainly pressured by weaker industrial and Indian equities. In more detail, the MSCI emerging markets index was standing 0.10% lower at the time of writing at 1,028.9 points. Nonetheless, the said index remained within distance from a near 7-month peak of 1,036.6 points hit at some point on Tuesday thanks to mounting expectations for further stimulus measures from domestic authorities in major economies around the globe as well as hopes about easing geopolitical tensions in Ukraine. The majority of **CESEE stock markets** moved modestly lower earlier in the session, with bourses in Hungary, Romania, Bulgaria and Ukraine all standing in the red. Turkey's BIST 100 index bucked the region's trend, recording gains to the tune of 0.20% at the time of writing. Elsewhere, **CESEE currencies** were mixed, with the Turkish lira standing flat at 2.1123/USD ahead of the Central Bank MPC meeting tomorrow where interest rates are expected to remain unchanged. Meanwhile, the Ukrainian hryvnia broadly outperformed its regional peers, with the USD/UAH falling 0.5% to 11.85 at the time of writing. Nonetheless, the cross stood not too far from a lifetime peak of 13.61 hit in April on the back geopolitical tensions in the region.

gphoka@eurobank.gr

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, 20/5/2014, 15:20 CET): **Latest Political & Macro Developments:** The Prime Minister said on Tuesday that the government will seek financial assistance from the EU and international financial institutions in the aftermath of the disaster caused by severe floods in the country. World Bank Head Toni Verheijen said earlier this week that a share of the already-approved \$500m worth of loans to Serbia could be earmarked to cover the damages incurred by adverse weather conditions. Meanwhile, the EBRD announced that it will consider diverse programmes for supporting local businesses and infrastructure severely affected by the recent floods. **Market Developments:** The dinar gained some ground on Tuesday favored by a well received RSD 10bn in 2-year T-bonds auction which overshadowed concerns about the potential impact of the recent flooding on the domestic economy. The average accepted yield stood at 9.30%, 0.5ppts lower than that recorded at a prior auction of similar maturity paper. Along these lines, the EUR/RSD closed at 115.60/80 on Tuesday, a tad lower from its opening levels of 115.70/90.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

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, 21/5/2014, 09:20 EET): **Market Developments:** The EUR/RON remained trapped on Tuesday within its recent tight range of 4.4300/370. Separately, RON short term rates remained close to recent lows and near the 0.50% deposit facility rate as the end of the reserve period is looming (due on Friday). ROMGB yields were little changed with trading volumes remaining relatively subdued.

Bogdan.Radulescu@bancpost.ro

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, 21/5/2014, 10:15 EET): **Latest Political & Macro Developments:** According to the National Employment Agency, the rate of unemployment decreased to 11.8% in April, after remaining stable at a multi-year high of 12.2% over the last three months. Despite the April decline, the unemployment rate remained 0.2ppts higher compared to the respective month a year earlier. **Market Developments:** Domestic stock markets erased early losses to close nearly flat y-day. In more detail, the main SOFIX index ended in a marginally negative territory of 0.07% at 592.52 points.

VBoteva@postbank.bg

May 21, 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	1872.83	-0.6%	1.3%	EUR/USD	1.3714	0.1%	-0.2%	UST - 10yr	2.52	1	-51	GOLD	1294	0.0%	7.3%
Nikkei 225	14042.17	-0.2%	-13.8%	GBP/USD	1.6902	0.4%	2.1%	Bund-10yr	1.41	6	-52	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	338.02	-0.1%	3.0%	USD/JPY	100.94	0.4%	4.3%	JGB - 10yr	0.60	1	-14	LMEX	3135	-0.6%	-0.8%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.30	-1	-71
1-week	7.66	-3	-62
1-month	8.06	2	-52
3-month	8.47	6	-41
6-month	8.61	2	-54

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.91	2	-5
5Y RSD	10.89	0	-193
7Y RSD	11.58	0	-223

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.78	2	-123
USD Nov-24	1.87	-460	-503

CDS

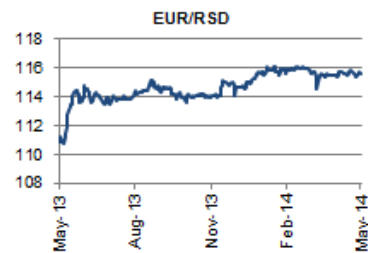
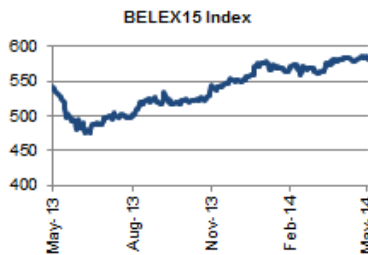
	Last	ΔDbps	ΔYTD bps
5-year	277	2	-133
10-year	316	2	-131

STOCKS

	Last	ΔD	ΔYTD
BELEX15	581.8	-0.85%	4.27%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.14%	-0.90%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.69	-1	-105
1-month	2.28	3	40
3-month	2.77	1	33
6-month	3.15	-1	16
12-month	3.21	0	6

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.41	1	-54
5Y RON	3.90	0	-75
10Y RON	4.78	2	-52

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.79	2	-105
USD Aug-23	4.11	5	-70

CDS

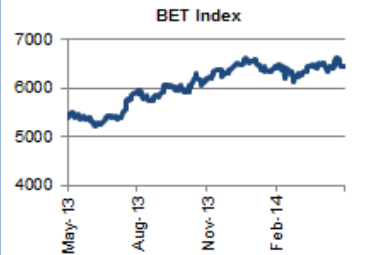
	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A	-11
10-year	212	#N/A	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6419.5	-0.31%	-1.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4398	-0.06%	0.75%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	1	-3
1-month	0.30	0	-2
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	0.82	-1	-27
5Y BGN	1.47	0	-37
10Y BGN	2.99	0	-51

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.48	-12	-10
EUR Jul-17	1.30	-2	-50

CDS

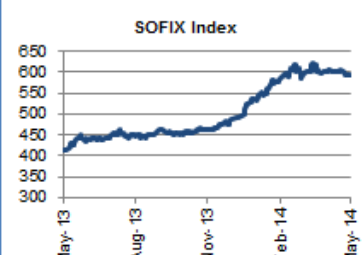
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A	1
10-year	167	#N/A	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	594.5	0.33%	20.95%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4261	0.11%	-0.21%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:50 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokrousos: Head of Global Markets
Research pmonokrousos@eurobank.gr, +30 210 37 18
903

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst
gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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