

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 5, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 5: ISM non-manuf (Apr)
- May 6: Trade balance (Mar)
- May 8
 - Initial jobless claims (May 3)
 - ISM manuf (Apr)

EUROZONE

- May 6: PMI services (Apr)
- May 8: ECB MPC announcement

SEE

SERBIA

- May 6: 3-Y T-Bond auction
- May 8: MPC rate announcement

ROMANIA

- May 5
 - Retail sales (Mar)
 - PPI (Mar)
- May 6: MPC rate announcement
- May 8
 - Wages (Mar)
 - RON 500mn T-Bond auction
- May 9: IP (Mar)

BULGARIA

- May 7:
 - U/E rate (Apr)
 - Reserves (Apr)
- May 9
 - IP (Mar)
 - Retail sales (Mar)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian stock markets fell on Monday after China's HSBC/Market PMI manufacturing showed contraction for the fourth month in April. Heightened geopolitical tensions in Ukraine also weighed. In **FX markets**, lackluster performance in global equity markets favored the JPY's safe haven allure.

Greece: Following Eurostat's confirmation late last month that Greece's 2013 full-year general government accounts generated a primary surplus, the Greek side will reportedly submit at **today's Eurogroup** an official request for the launch of discussions over new debt relief measures that would aim to improve the country's public debt dynamics and sovereign liquidity position. In other news, **Greece's Manufacturing Purchasing Managers' Index (PMI)** rebounded above the 50.0 threshold in April coming in at 51.1 from 49.7 in the prior month.

SOUTH EASTERN EUROPE

ROMANIA: According to the latest NBR data, foreign currency reserves came in at EUR 32.44bn in April, up from EUR 31.28bn in March, following last month's EUR 1.25bn Eurobond issue by the MoF.

CESEE Markets: Emerging stock markets closed broadly higher on Friday, albeit off intraday highs amid mounting geopolitical tensions in Ukraine and an upbeat US April non-farm payrolls report. Elsewhere, **CESEE bourses** were mixed on Friday with several stock markets remaining closed for holiday. In the **FX markets**, CESEE currencies were little changed in thin trade on Friday, a day after the May Day holiday.

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Latest world economic & market developments

GLOBAL MARKETS

Asian stock markets fell on Monday after China's HSBC/Market PMI manufacturing showed contraction for the fourth month in April, adding to concerns about the growth prospects in the world's second largest economy. Heightened geopolitical tensions in Ukraine also weighed. In **FX markets**, lackluster performance in global equity markets favored the JPY's safe haven allure. The USD/JPY hit a 2-week trough of 101.85 earlier on Monday, having recoiled from a 1-month peak of 103.02 recorded on Friday soon after the release of an upbeat US non-farm payrolls report. In more detail, non-farm payrolls rose by 288k in April, the highest increase since January 2012, outperforming a consensus forecast of 218k. Adding to the positive tone of the report, the respective figures of the prior two months were revised higher by a cumulative 36k. The unemployment rate eased to 6.3%, the lowest reading since September 2008, from 6.7% in March mainly due to a hefty drop in the labor force.

GREECE

Following Eurostat's confirmation late last month that Greece's 2013 full-year general government accounts generated a primary surplus, the Greek side will reportedly submit at **today's Eurogroup** an official request for the launch of discussions over new debt relief measures that would aim to improve the country's public debt dynamics and sovereign liquidity position. As per the same sources, euro area finance ministers are expected to reiterate their commitment to provide further assistance to Greece and authorize the Euro Working Group to commence the necessary technical preparatory work for the formation of Greece's new debt relief package. In other news, **Greece's Manufacturing Purchasing Managers' Index (PMI)** rebounded above the 50.0 threshold in April for the third time this year so far mainly supported by faster growth in output and new orders which led to a rise in employment for the first time in six years. In more detail, the April PMI came in at 51.1 from 49.7 in the prior month.

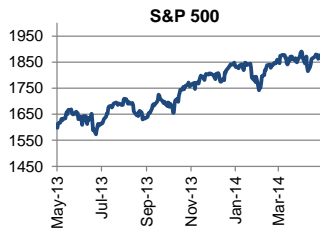
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Latest developments in the CESEE region

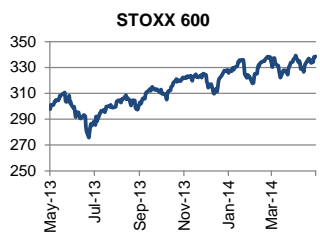
CESEE markets

Emerging stock markets closed broadly higher on Friday, albeit off intraday highs amid mounting geopolitical tensions in Ukraine and an upbeat US April non-farm payrolls report. The MSCI emerging equity index ended up 0.74%, bouncing further away from a 1-month trough at 991 points hit a few days ago. The said index also registered weekly gains for the first time since mid-April. Elsewhere, **CESEE bourses** were mixed on Friday with several stock markets remaining closed for holiday. Turkey's BIST 100 index outperformed with a 1.74% rally thanks to positive corporate earnings results. The index hit a 5-month peak of 75,430 points intraday, with comments by Central Bank Governor Erdem Basci earlier in the week suggesting that interest rate cuts cannot be ruled out, possibly continuing to exert a positive impact. In the **FX markets**, CESEE currencies were little changed in thin trade on Friday, a day after the May Day holiday. The Turkish lira closed 0.1% higher against the US dollar, having hit a new intraday 2-week high at 2.0930/USD. The Polish zloty recoiled after April's manufacturing PMI grew at its slowest pace in 9 months as heightened geopolitical tensions in Ukraine and lower demand from Europe weighed on exports. The EUR/PLN stood at 4.2052 on Friday having advanced from 4.1950 in the prior session's settlement. This week's focus is on a number of CB MPC meetings in the region (Serbia, Romania, Poland) as well as the ECB.

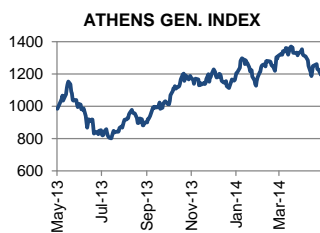
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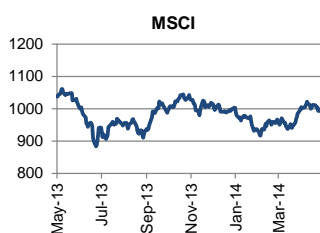
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 5/5/2014, 09:25 EET): **Latest Political & Macro Developments:** According to the latest NBR data, foreign currency reserves came in at EUR 32.44bn in April, up from EUR 31.28bn in March, following last month's EUR 1.25bn Eurobond issue by the MoF. That said, this April increase may be reversed this month in view of IMF repayments, FX debt redemptions and coupon payments, which are estimated to cumulatively worth EUR 2.37bn. **Market Developments:** The leu retained a firm tone on Friday, with the EUR/RON ending last week near year-to-date lows of 4.4300. Money market rates continued to ease late last week, with the 1M implied rate from swaps decreasing towards 2.5% on Friday from over 3.0% a week ago. Government bond prices were little changed on Friday in thin trade due to market holidays.

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May 5, 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	1881.14	-0.1%	1.8%	EUR/USD	1.3874	0.0%	1.0%	UST - 10yr	2.58	0	-45	GOLD	1309	0.7%	8.6%
Nikkei 225	14457.51	-0.2%	-11.3%	GBP/USD	1.6869	0.0%	1.9%	Bund-10yr	1.45	0	-48	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	337.02	-0.2%	2.7%	USD/JPY	102.1	0.1%	3.1%	JGB - 10yr	0.61	-1	-13	LMEX	3066	0.8%	-2.9%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.90	3	-11
1-week	8.16	0	-12
1-month	8.43	-2	-15
3-month	8.85	1	-3
6-month	9.10	-2	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.09	3	-96
5Y RSD	11.54	-6	-129
7Y RSD	12.27	0	-153

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.09	1	-92
USD Nov-24	3.18	-334	-372

CDS

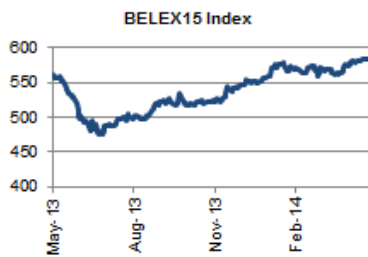
	Last	ΔDbps	ΔYTD bps
5-year	296	-2	-114
10-year	335	-5	-112

STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.3	-0.08%	4.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.01%	-0.88%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.28	0	154
1-month	3.23	0	135
3-month	3.15	0	71
6-month	3.45	0	46
12-month	3.46	0	31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.71	0	-24
5Y RON	4.16	0	-49
10Y RON	4.94	0	-36

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.84	1	-101
USD Aug-23	4.12	4	-68

CDS

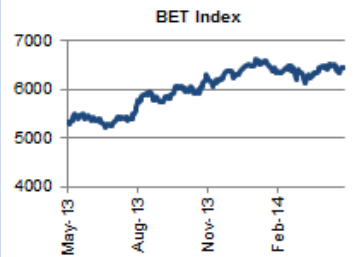
	Last	ΔDbps	ΔYTD bps
5-year	173	#N/A	N/A
10-year	212	#N/A	N/A

STOCKS

	Last	ΔD	ΔYTD
BET	6430.7	-0.03%	-0.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4354	-0.14%	0.85%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.07	3	0
1-month	0.30	1	-2
3-month	0.58	1	-7
6-month	1.08	0	-7
12-month	2.09	1	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	1.00	0	-15
5Y BGN	1.60	5	-25
10Y BGN	3.11	0	-39

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.49	-4	-7
EUR Jul-17	1.30	10	-50

CDS

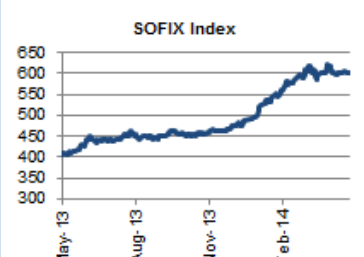
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A	N/A
10-year	167	#N/A	N/A

STOCKS

	Last	ΔD	ΔYTD
SOFIX	602.0	-0.15%	22.47%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4097	0.01%	0.95%



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

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