

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 6, 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:** Taking their cue from the positive tone in Wall Street overnight, **major Asian bourses** moved higher on Tuesday supported by increased market optimism about US economic growth prospects. In FX markets, the **US dollar index (DXY)** was trading close to 79.436 at the time of writing, not far from a three-week low of 79.414 recorded earlier this month.

**Greece:** In the official statement released after the conclusion of the **May 5 Eurogroup**, euro area finance ministers reaffirmed their commitment “to provide adequate support until Greece regains full market access, provided Greece fully complies with the requirements and objectives of the adjustment programme”. In other news, the **Economic Sentiment Indicator for Greece** edged lower in April, halting a four-month rising streak.

### SOUTH EASTERN EUROPE

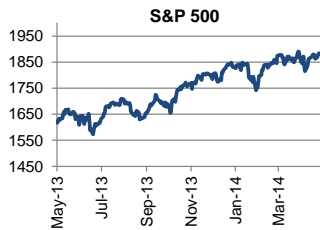
**SERBIA:** According to a flash estimate released last week by the Statistical Office of the Republic of Serbia, real GDP growth came in at 0.4%YoY in Q1 2014 vs. 2.7%YoY a quarter earlier.

**ROMANIA:** NBR expected to keep the key policy rate on hold at a record low of 3.50% at today's MPC meeting; however a cut in the minimum required reserves ratios cannot be ruled out.

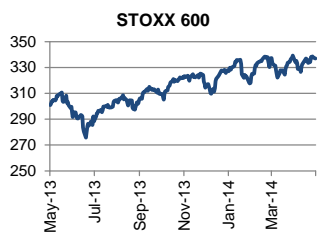
**CESEE Markets: Emerging stock markets** kicked off the week on a negative footing on mounting concerns about China's growth prospects and escalating geopolitical tensions in Ukraine. In the **FX markets**, CESEE currencies were modestly weaker on Monday, but the Turkish lira bucked the trend after April's headline CPI rose more than expected to a 2-year high.

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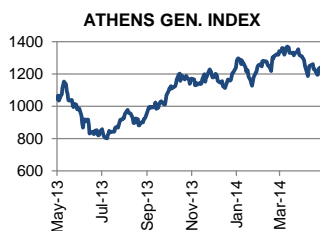
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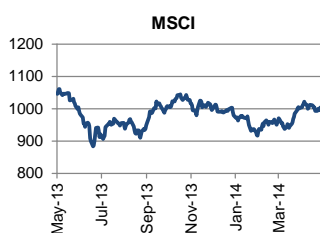
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from the positive tone in Wall Street overnight, **major Asian bourses** moved higher on Tuesday supported by increased market optimism about US economic growth prospects. According to data released y-day, **US ISM-non manufacturing PMI** rose more than expected in April coming in at an eight-month high of 55.2 from 53.1 in March. In FX markets, the USD remained under pressure in European trade on Tuesday as yields on US Treasuries continued to hover around their recent troughs on the view that inflation pressures remain subdued and a Fed rate hike remains a distant prospect. Against this background, the **US dollar index (DXY)** was trading close to 79.436 at the time of writing, not far from a three-week low of 79.414 recorded earlier this month.

### GREECE

In the official statement released after the conclusion of **the May 5 Eurogroup**, euro area finance ministers reaffirmed their commitment "to provide adequate support until Greece regains full market access, provided Greece fully complies with the requirements and objectives of the adjustment programme". As per the said statement "the relative merits of possible debt sustainability measures" will be considered in the context of Greece's next programme review, reportedly expected to commence in September 2014. Speaking to reporters on the sidelines of the May 5 Eurogroup, Greece's Minister of Finance Yiannis Stournaras said that any decision on new debt relief measures to Greece will be reached after the completion of the 2014 EU wide stress test, scheduled for October 2014. In other news, the **Economic Sentiment Indicator for Greece** edged lower in April, halting a four-month rising streak. In more detail, the April indicator dropped to 95.4 from a 5-½-year peak of 97.5 marked in the prior month. Despite the said decline, April's reading was the highest since September 2008.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** kicked off the week on a negative footing on mounting concerns about China's growth prospects and escalating geopolitical tensions in Ukraine. The MSCI emerging equity index closed 0.24% lower on Monday halting a 2-session rising streak, while **CESEE bourses** also fell yesterday. Ukraine's PFTS led the losses in the region with a 2.85% decline. In the **FX markets**, CESEE currencies were modestly weaker on Monday, but the Turkish lira bucked the trend after April's headline CPI rose more than expected, to its highest in 2 years (+9.38%YoY), fanning speculation that potential Central Bank (CBT) interest rate cuts may be delayed. Recall that, the CBT delivered hefty interest rate hikes earlier this year aimed at supporting the domestic currency which had slipped to lifetime lows of 2.3900/USD amid growing domestic political jitters and worries over the potential impact of the Fed's QE tapering on Turkish (and regional) markets. Along these lines, the USD/TRY closed 0.14% lower at 2.0990 on Monday having hit earlier in the session a new 2-week low at 2.0954/USD. The Polish zloty remained under pressure amid escalating geopolitical jitters in Ukraine and Friday's April manufacturing PMI report which revealed an unexpected drop in the headline to a 9 month low. The EUR/PLN stood near 4.2050 on Monday's settlement, just off a 1-week peak of 4.2090 tested at some point earlier in the session.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.50	9.50

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

## SERBIA

(Belgrade, 5/5/2014, 17:10 CET): **Latest Political & Macro Developments:** According to a flash estimate released last week by the Statistical Office of the Republic of Serbia, real GDP growth came in at 0.4%YoY in Q1 2014 vs. 2.7%YoY a quarter earlier. Separately, industrial production rose by 3.8%YoY in March, bringing the cumulative growth in the sector to 2.1% over the first three months of the year. The automotive, food and metal sectors contributed the most to industrial output. On the flipside, energy and gas production exerted a negative impact. **Market Developments:** The EUR/RSD was little changed on Monday, remaining within its 115.45/65 – 115.55/75 recent trading range. The National Bank of Serbia (NBS) has abstained from intervening in the FX markets for eight consecutive sessions. Recall that, post the March 16 general elections, the NBS has bought EUR130mn in the foreign exchange market in order to halt the dinar's appreciating momentum. Ahead of the said polls in 2014, the Central Bank had sold EUR820mn as market anxiety in the run up to the final outcome had exerted depreciating pressures on the local currency.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 6/5/2014, 09:25 EET): **Latest Political & Macro Developments:** The National Bank of Romania (NBR) holds its monetary policy meeting today, where it is widely expected to keep the policy rate on hold at a record low of 3.50%. Recall that the rate-cutting cycle appears to have come to an end in February this year following 175bps of cumulative policy rate reductions since July 2013. However, the NBR has signaled repeatedly that the door is open for further cuts in minimum reserve requirements (MMRs), after lowering by 3pps RON reserves to 12% and 2pps foreign currency reserves to 18% in January. Along these lines, another cut in the MMRs today seems to be on the cards. **Market Developments:** The EUR/RON regained some ground on Monday, ending near levels of 4.4400 and moving further away from a year-to-date low just under 4.4300 touched late last week. Money market rates and government bond prices kicked off the week little changed with trading volumes remaining thin due to UK market holidays.

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## 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	1884.66	0.2%	2.0%	EUR/USD	1.3885	0.1%	1.0%	UST - 10yr	2.60	0	-42	GOLD	1312	0.1%	8.8%
Nikkei 225	14457.51	-0.2%	-11.3%	GBP/USD	1.6901	0.2%	2.1%	Bund-10yr	1.45	0	-48	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	336.89	-0.3%	2.6%	USD/JPY	102.02	0.1%	3.2%	JGB - 10yr	0.61	0	-13	LMEX	3066	0.8%	-2.9%

## SEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.84	-6	-17
1-week	8.15	-1	-13
1-month	8.43	0	-15
3-month	8.82	-3	-6
6-month	9.12	2	-3

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.09	0	-96
5Y RSD	11.48	-2	-134
7Y RSD	12.34	0	-147

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	4.08	-1	-93
USD Nov-24	3.12	-341	-379

#### CDS

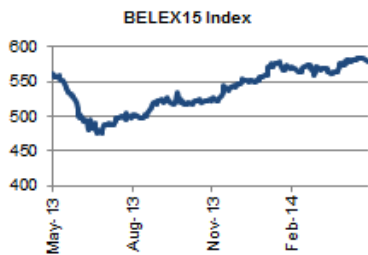
	Last	ΔDbps	ΔYTD bps
5-year	296	0	-113
10-year	335	0	-112

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	579.5	-0.82%	3.87%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.00%	-0.85%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.29	0	155
1-month	3.25	0	137
3-month	3.15	0	71
6-month	3.44	0	45
12-month	3.45	0	30

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.70	0	-25
5Y RON	4.16	0	-49
10Y RON	4.93	0	-37

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.84	0	-100
USD Aug-23	4.10	0	-70

#### CDS

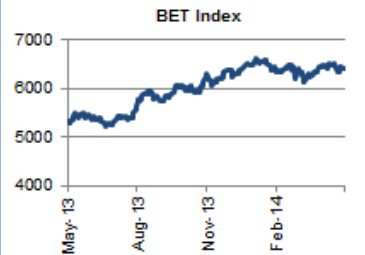
	Last	ΔDbps	ΔYTD bps
5-year	173	0	-11
10-year	212	0	-21

#### STOCKS

	Last	ΔD	ΔYTD
BET	6410.8	0.15%	-1.28%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4405	0.00%	0.73%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	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	1.53	0	-38
10Y BGN	3.18	0	-33

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.47	-5	-11
EUR Jul-17	1.30	10	-50

#### CDS

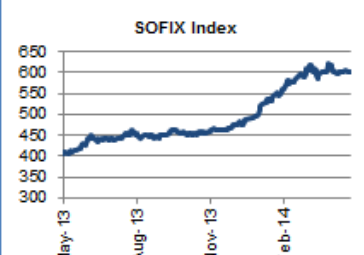
	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	602.0	-0.15%	22.47%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4085	0.07%	1.04%



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