

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 7, 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: In FX markets, the **USD** remained under pressure in European trade on Wednesday on the back of the prevailing view that, despite a string of upbeat US macro data over the last few weeks, inflation pressures remain subdued and a Fed rate hike remains a distant prospect FOMC Chairman Janet Yellen's testimony before the Joint Economic Committee of Congress, takes centre stage today.

Greece: Greece's **Public Debt Management Agency (PDMA)** successfully sold on Tuesday €1.3bn in 6-month T-bills, including €300mn in non-competitive bids. The auction produced an average accepted yield of 2.70%, the lowest since January 2010, down from 3.01% when T-bills of similar maturity were offered last month.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold the entire RSD 10bn (€87m) offered amount in 3Y RSD-denominated Bonds at an auction on Tuesday.

ROMANIA: As was widely expected, the National Bank of Romania kept its key policy rate stable at a record low of 3.50% at yesterday's MPC meeting. At the same time, it also maintained unchanged the minimum reserve requirement ratios on both RON and FX currency-denominated liabilities of credit institutions.

CESEE Markets: Emerging stock markets recovered some ground on Tuesday in the absence of any fresh negative news from Ukraine, after kicking off the week on a weak footing. Multi-month low US Treasury yields also provided support. In the **FX markets**, CESEE currencies broadly firmed on Tuesday on improved investor appetite towards EM carry.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

In FX markets, the **USD** remained under pressure in European trade on Wednesday on the back of the prevailing view that, despite a string of upbeat US macro data over the last few weeks, inflation pressures remain subdued and a Fed rate hike remains a distant prospect. Meanwhile, yields on US government bonds continued to trade close to recent troughs with the 10-yr Treasury yield hovering around 2.578% at the time of writing, the lowest in near two months. Against this environment, the US dollar index (DXY) extended its recent losses standing close to 79.121 in European trade, within distance from a six-month intraday low of 79.060 recorded in the prior session. FOMC Chairman Jannet Yellen's testimony before the Joint Economic Committee of Congress, takes centre stage today.

GREECE

Speaking to reporters on the sidelines of the May 5 Eurogroup, **Greece's Minister of Finance Yiannis Stournaras** said that EU officials appear to be considering the use of the HFSF buffer (ca €11.3bn), after subtracting from it any amounts that may be needed to cover potential capital shortfalls in the domestic banking system identified by the upcoming EU-wide stress test, as an option for reducing Greece's government debt or covering potential financing gaps in the period ahead. As a reminder, euro area finance ministers confirmed at the April 1 Eurogroup that Greece's adjustment program is fully financed on a 12-month forward basis through the use of, among others, temporary sources of financing such as deposits of general government subsectors. In other news, **Greece's Public Debt Management Agency (PDMA)** successfully sold on Tuesday €1.3bn in 6-month T-bills, including €300mn in non-competitive bids. The auction produced an average accepted yield of 2.70%, the lowest since January 2010, down from 3.01% when T-bills of similar maturity were offered last month. The bid-to-cover ratio stood at 2.65%, down from 3.10% in April.

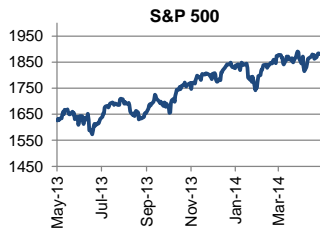
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

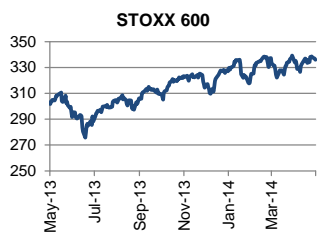
CESEE markets

Emerging stock markets recovered some ground on Tuesday in the absence of any fresh negative news from Ukraine, after kicking off the week on a weak footing. Multi-month low US Treasury yields also provided support. Along these lines, the MSCI emerging equity index closed up 0.29% on Tuesday recouping all of Monday's 0.24% losses. On the other hand, **bourses in the CESEE region** were mixed. Hungary's BUX led the winners' pack with a 1.65% jump, while Ukraine's PFTS closed in a marginally positive territory after plummeting by 2.85% a session earlier in view of escalating violence in the Eastern part of the country late last week. In the **FX markets**, CESEE currencies broadly firmed on Tuesday on improved investor appetite towards EM carry. The Hungarian forint outperformed after retail sales data revealed growth of 8.3%YoY in March, their fastest annual pace of increase in a decade. Against this backdrop, the EUR/HUF closed 0.5% lower at 306.50, approaching anew a 2-week low of 306.40 hit last Friday. Elsewhere, the Romanian leu underperformed its regional peers after the Central Bank revised lower its 2014-end inflation forecast to 3.3% from 3.5% previously and left the door open for further reductions in the minimum reserve requirements later this year. In the **local rates markets**, Turkish government bonds firmed, with the corresponding 2 and 10-year benchmark yields easing by ca 16-18bps each to 9.09% and 9.30% following a temporary spike in the prior session instigated by April's higher-than-anticipated annual headline CPI which came in at a 2-year peak.

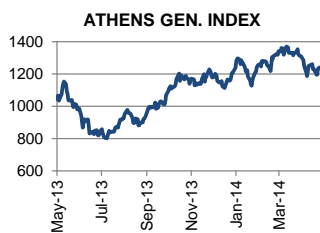
gphoka@eurobank.gr



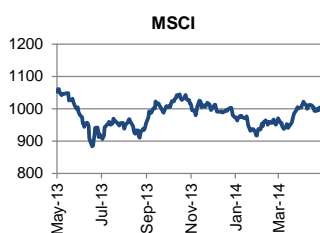
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

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	9.50	9.50

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

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

SERBIA

(Belgrade, 6/5/2014, 17:35 CET): **Latest Political & Macro Developments:** The Public Debt Administration sold the entire RSD 10bn (€87m) offered amount in 3Y RSD-denominated Bonds at an auction on Tuesday. The issue was 2.8 times oversubscribed and the average accepted yield came in at 10.09%, below 10.49% achieved at a March 28 tender of similar maturity paper. In other news, the government submitted to the National Assembly for urgent consideration a bill aiming to facilitate the speed-up of the privatization of a number of state owned companies, including Telekom Srbija. **Market Developments:** The EUR/RSD was little changed on Monday, hovering around levels of 115.45/65 for most of the session. Separately, the domestic stock market extended its recent downtrend, closing in a negative territory for the third session running and registering losses to the tune of 0.17%.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

ROMANIA

(Bucharest, 7/5/2014, 09:20 EET): **Latest Political & Macro Developments:** As was widely expected, the National Bank of Romania (NBR) kept its key policy rate stable at a record low of 3.50% at yesterday's MPC meeting. At the same time, the NBR maintained the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions. Separately the Central Bank approved the updated quarterly Inflation Report (to be published on May 8) envisioning an annual inflation rate of 3.3% at end-2014 and end-2015, compared to respective forecasts of 3.5% and 3.2% previously. **Market Developments:** The EUR/RON remained trapped within a tight range of 4.4360/440 on Tuesday. In a similar mode, the money and RON government bond markets were little changed. On the other hand, EUR denominated bonds rallied on Tuesday, with 5Y bonds outperforming (5Y EUR yield moved some 15bps lower on the day to below 2.90%) favored by EUR 1.3bn of maturing debt.

Bogdan.Radulescu@bancpost.ro

May 7, 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	1867.72	-0.9%	1.0%	EUR/USD	1.3921	0.0%	1.3%	UST - 10yr	2.58	-1	-45	GOLD	1311	0.2%	8.7%
Nikkei 225	14033.45	-2.9%	-13.9%	GBP/USD	1.698	0.0%	2.6%	Bund-10yr	1.45	-1	-48	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	336.04	-0.3%	2.4%	USD/JPY	101.48	0.2%	3.8%	JGB - 10yr	0.60	-1	-14	LMEX	3073	0.2%	-2.7%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.89	5	-12
1-week	8.14	-1	-14
1-month	8.40	-3	-18
3-month	8.82	0	-5
6-month	9.10	-2	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	10.05	0	9
5Y RSD	11.22	-4	-160
7Y RSD	12.40	2	-140

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.98	0	-103
USD Nov-24	2.78	-372	-406

CDS

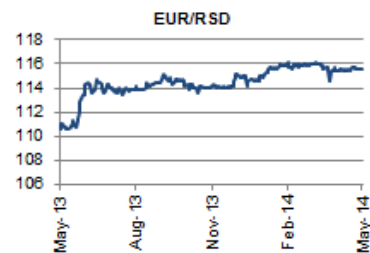
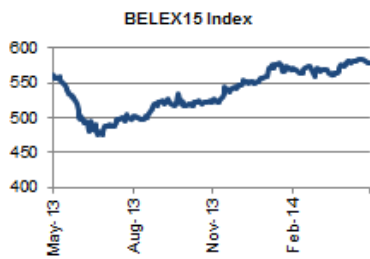
	Last	ΔDbps	ΔYTD bps
5-year	291	-5	-118
10-year	330	-5	-117

STOCKS

	Last	ΔD	ΔYTD
BELEX15	578.5	-0.17%	3.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.01%	-0.84%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	3.27	0	153
1-month	3.21	0	133
3-month	3.13	0	69
6-month	3.41	0	42
12-month	3.42	0	27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.70	0	-25
5Y RON	4.14	0	-51
10Y RON	4.91	0	-39

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.77	0	-107
USD Aug-23	4.04	-1	-76

CDS

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

STOCKS

	Last	ΔD	ΔYTD
BET	6420.4	-0.05%	-1.13%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4343	-0.03%	0.87%



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	8	-30
10Y BGN	3.10	1	-41

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.37	-9	-12
EUR Jul-17	1.33	-2	-48

CDS

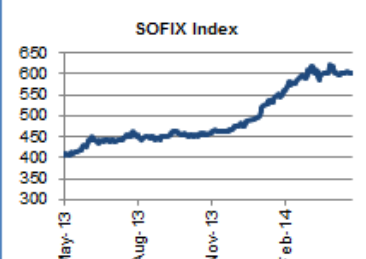
	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	602.0	-0.15%	22.47%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4049	-0.04%	1.30%



Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 10:00 EET

Contributors to this issue

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
apathanasiou@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

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>