

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 16, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 13: Retail sales (Apr)
- May 15
 - Initial jobless claims (May 9)
 - CPI (Apr)
 - IP (Apr)
 - Philly Fed (May)
 - NAHB (May)
- May 16
 - Housing starts & permits (Apr)
 - UoM cons conf (May)

EUROZONE

- May 13: (DE) ZEW (May)
- May 15: CPI (Apr, f)

SEE SERBIA

- May 12: CPI (Apr)
- May 15:
 - GDP (Q1, p)
 - CPI (Apr, f)

ROMANIA

- May 12
 - CPI (Apr)
 - Trade balance (Mar)
 - IP (Mar)
 - RON 400mn 3-Y T-Bond auction
- May 15
 - GDP (Q1, A)
 - CAD (Mar)

BULGARIA

- May 12
 - U/E rate (Apr)
 - Trade balance (Mar)
- May 13: CPI (Apr)
- May 15
 - GDP (Q1, p)
 - CAD (Mar)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: According to the Eurostat flash estimate released on Thursday, **Eurozone Q1 real GDP** grew by a lower-than-expected 0.2%qoq, fueling market talk that the ECB will likely take some action at its next policy meeting in June. Heightened ECB policy easing expectations exerted a negative impact on the common currency and assisted German government bonds retain a firm tone in European trade on Friday.

Greece: According to the Hellenic Statistical Authority (EL.STAT) flash estimate, **Greece's Q1 real GDP** shrunk by a lower-than-expected annual pace of 1.1% in non-seasonally adjusted basis, the slowest pace of contraction in four years, from -2.3% in Q4 2013 and -6.0% in the same quarter a year earlier. In other news, recent Bank of Greece data revealed that the total amount of **Eurosystem funding support** to domestic banks rose in April for the first time in the last four months.

SOUTH EASTERN EUROPE

SERBIA: A National Bank of Serbia (NBS) study on domestic macroeconomic developments, released yesterday, envisioned real GDP growth of 0.7% in 2014 slightly lower compared to 1.0% penciled in at the Central Bank's updated Inflation Report published earlier this week.

ROMANIA: As had been expected for some time, S&P upgraded on Friday Romania's long term sovereign credit rating to an investment grade of "BBB-" with stable outlook.

BULGARIA: Bulgaria's current account balance improved on an annual basis in Q1 2014, recording a deficit of EUR 82.6mn (or 0.2%-of-projected-GDP), while Foreign Direct Investment dropped by more than 76%YoY.

CESEE Markets: Emerging stock markets recouped part of Thursday's losses in European trade on Friday, poised to record weekly gains for the third week running as a rally in Indian stock markets overshadowed concerns about a deeper than previously anticipated slowdown in the Chinese economy. On the other hand, the majority of **CESEE bourses** fell and **regional currencies** weakened.

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Latest world economic & market developments

GLOBAL MARKETS

According to the Eurostat flash estimate released on Thursday, **Eurozone Q1 real GDP** grew by a lower-than-expected 0.2%qoq, fueling market talk that the ECB will likely take some action at its next policy meeting in June, aiming to address deflation risks and boost lending to small and medium-sized enterprises (SMEs). Heightened ECB policy easing expectations exerted a negative impact on the common currency and assisted German government bonds retain a firm tone in European trade on Friday. In FX markets, the **EUR/USD** was hovering around 1.3710/15 at the time of writing, not far from a three-month low of 1.3647 hit in the prior session. Elsewhere, **Germany's 10-yr Bund yield** was standing close to 1.32%, within distance from y-day's eight-month closing trough of 1.31% and well below levels near 1.46% a week earlier.

GREECE

According to the Hellenic Statistical Authority (EL.STAT) flash estimate, **Greece's Q1 real GDP** shrunk by a lower-than-expected annual pace of 1.1% in non-seasonally adjusted basis, the slowest pace of contraction in four years, from -2.3% in Q4 2013 and -6.0% in the same quarter a year earlier. The flash report does not provide a breakdown into major Q1 GDP components. Yet, recent high-frequency indicators released over the last few weeks point to a further improvement in both personal consumption and investment activity, with net exports remaining a positive contributor to GDP growth. Looking ahead, the national accounts data for the first quarter of the year support expectations for a shift into positive year-on-year real GDP growth from Q3 2014 onwards (along with a slightly positive reading for the year as a whole). In other news, recent Bank of Greece data revealed that the total amount of **Eurosystem funding support** to domestic banks rose in April for the first time in the last four months. In more detail, Eurosystem funding support increased by ca €1.27bn coming in at €61.96bn, not far from a multi-year low of €60.69bn hit in the prior month following an all-time peak of €159.2bn in February 2012.

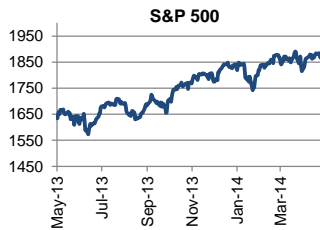
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Latest developments in the CESEE region

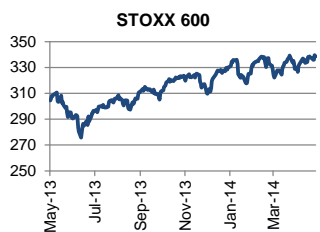
CESEE markets

Emerging stock markets recouped part of Thursday's losses in European trade on Friday, poised to record weekly gains for the third week running as a rally in Indian stock markets in the wake of the market friendly outcome in the country's recent general elections, overshadowed concerns about a deeper than previously anticipated slowdown in the Chinese - the world's second largest - economy. On the other hand, the majority of CESEE bourses fell with Turkey's BIST 100 index leading the losses in the region with a 0.47% decline at the time of writing. Stock markets in Romania and Poland followed suit, recording declines around 0.27-0.29% each. Meanwhile, **CESEE currencies** broadly weakened earlier on Friday, with the Ukrainian hryvnia underperforming its regional peers. The USD/UAH bounced by 0.68% to stand at 11.83 at the time of writing. Elsewhere, the Turkish lira consolidated near recent multi-session lows amid increased speculation about policy rate cuts at the Central Bank's MPC meeting next week. In detail, the USD/TRY hit an 11-day peak at 2.1065 in European trade, having bounced from a year-to-date low of 2.0617 hit earlier in the week.

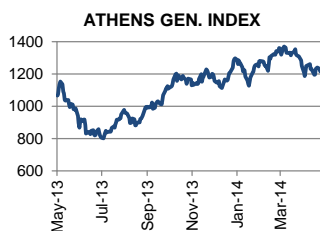
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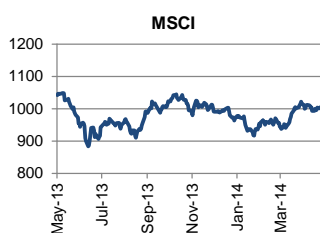
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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	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	9.00	9.00

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

SERBIA

(Belgrade, 15/5/2014, 17:15 CET): **Latest Political & Macro Developments:** A National Bank of Serbia (NBS) study on domestic macroeconomic developments released yesterday, envisioned real GDP growth of 0.7% this year, slightly lower compared to 1.0% penciled in the Central Bank's updated Inflation Report published earlier this week. **Market Developments:** Vindicating our expectations, the Central Bank (NBS) intervened in the FX markets on Thursday after the EUR/RSD hit 115.30/50, to halt the dinar's recent strengthening momentum. The Central Bank bought €10mn euros, managing to keep the cross range-bound within 115.30/50-115.40/60. Separately, the main BELEX15 stock index closed in a marginally negative territory of 0.19%, on low volumes.

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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, 16/5/2014, 09:05 EET): **Latest Political & Macro Developments:** As had been expected for some time, S&P upgraded on Friday Romania's long term sovereign credit rating to an investment grade of "BBB-" with stable outlook. This move brings S&P's rating in line with the other two major rating agencies, Moody's and Fitch, which both already have an investment grade rating for Romania. In other news, the National Statistics Institute published on Thursday the real GDP flash estimate for Q1, showing QoQ growth of 0.1% and YoY growth of 3.8%, in line with the market's median forecast. **Market Developments:** The EUR/RON gave back some of its recent gains on Thursday, closing at 4.4300 following a short-lived spike near 4.4455 in the prior session. Short-term rates moved lower on Thursday on increasing RON liquidity, with the 1M implied rate from swaps moving close to 2.00% from levels around 2.75% in early May. In government bond markets, the MoF sold on Thursday the planned RON 500mn in 5Y bonds at an average accepted yield of 5.11%, down from 4.59% at an April auction of similar maturity paper, and some 10bps below expectations and secondary market levels. This triggered a downward adjustment of 5-10bps in the entire yield curve in the secondary market.

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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, 15/5/2014, 17:15 EET): **Latest Political & Macro Developments:** According to the latest BNB data, Bulgaria's current account balance recorded a deficit of EUR 82.6mn (or 0.2%-of-projected-GDP) in the first quarter of 2014, below a shortfall of BGN 411.6mn (1%-of-GDP) in January-March 2013. The said improvement was mainly attributed to a narrower income deficit which stood at BGN 55.4mn in Q1 2014 vs. BGN 352.7mn over the same period a year earlier, offsetting an 84%YoY increase in the trade deficit to BGN 825.6mn. Meanwhile, Foreign Direct Investment in Bulgaria dropped by more than 76%YoY in Q1 2014 to BGN 88.9mn. **Market Developments:** The domestic stock market extended its recent losses on Thursday. The main SOFIX index lost 0.46% to end at 591.58 points, after closing 0.91% lower a session earlier.

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May 16, 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	1870.85	-0.9%	1.2%	EUR/USD	1.3716	0.0%	-0.2%	UST - 10yr	2.51	2	-52	GOLD	1294	-0.2%	7.3%
Nikkei 225	14096.59	-1.4%	-13.5%	GBP/USD	1.6806	0.1%	1.5%	Bund-10yr	1.33	2	-60	BRENT CRUDE	167	0.0%	-0.1%
STOXX 600	338.06	-0.1%	3.0%	USD/JPY	101.57	0.0%	3.7%	JGB - 10yr	0.58	-1	-16	LMEX	3119	-1.5%	-1.3%

SEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.34	-11	-67	O/N	0.86	-20	-88	LEONIA	0.03	0	-4
1-week	7.72	-9	-56	1-month	2.26	-4	38	1-month	0.29	-1	-3
1-month	8.07	-8	-51	3-month	2.77	-1	33	3-month	0.57	-1	-8
3-month	8.40	-9	-48	6-month	3.18	-2	19	6-month	1.08	0	-8
6-month	8.59	-6	-56	12-month	3.24	-2	9	12-month	2.09	0	-11
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	10.03	0	7	3Y RON	3.44	-4	-51	3Y BGN	0.85	-3	-24
5Y RSD	10.91	0	-191	5Y RON	3.91	-3	-74	5Y BGN	1.46	-3	-38
7Y RSD	11.74	0	-206	10Y RON	4.74	1	-56	10Y BGN	2.97	0	-52
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.63	1	-138	EUR Sep-20	2.74	2	-110	USD Jan-15	0.39	-6	-19
USD Nov-24	2.02	-445	-488	USD Aug-23	4.00	-3	-80	EUR Jul-17	1.21	-4	-60
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	275	-5	-134	5-year	173	0	-11	5-year	124	0	1
10-year	313	-5	-133	10-year	212	0	-21	10-year	167	0	-7
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	585.6	0.15%	4.96%	BET	6416.5	-0.15%	-1.19%	SOFIX	592.2	0.11%	20.49%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.03%	-0.77%	EUR/RON	4.4276	0.17%	1.02%	USD/BGN	1.426	0.04%	-0.20%

BELEX15 Index		BET Index		SOFIX Index	

EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 12:00 EET

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