

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

May 27, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- May 27
 - Durable goods orders (Apr)
 - CB cons conf (May)
- May 29
 - Initial jobless claims (May 24)
 - GDP (Q1, 2nd)
 - Pending home sales (Apr)
- May 30
 - Personal spending (Apr)
 - Core PCE (Apr)
 - Chicago PMI (May)
 - UoM cons conf (May)

SEE SERBIA

- May 26: Real wages (Apr)
- May 29: 3-Y EUR T-Bonds auction
- May 30
 - IP (Apr)
 - Trade balance (Apr)
 - Retail sales (Apr)

ROMANIA

- May 26: M2 money supply

BULGARIA

- May 26: T-Bonds auction (2021)
- May 27: Gross external debt (Mar)
- May 30:
 - PPI (Apr)
 - Budget Balance (Apr)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian bourses weakened on Tuesday as profit taking emerged following y-day's hefty gains on the back of increased market optimism for political stability in Ukraine. In FX markets, the EUR gained some ground against its major currency peers in European trade.

GREECE

During his meeting with the President of the Hellenic Republic y-day, SYRIZA's leader Alexis Tsipras repeated his call for an orderly recourse to national elections as soon as possible and urged the Prime Minister not to implement his alleged fiscal austerity and privatization plans. In a news conference held shortly after the meeting between SYRIZA's leader and the President of the Hellenic Republic, PASOK leader and Deputy Prime Minister Evangelos Venizelos stressed that the said request for early national elections is deemed "unconstitutional".

SOUTH EASTERN EUROPE

SERBIA: Government adopts a decree aimed at subsidizing new investments in manufacturing, export oriented businesses and strategic tourism projects.

ROMANIA: MoF issued on Monday RON 800mn in 12M T-Bills at an average accepted yield of 2.49%, 45 bps below a prior tender of similar maturity paper in April.

BULGARIA: MinFin reopened a 7-year EUR-denominated Note at an average accepted yield of 2.26%, lower compared to previous auctions of similar maturity paper earlier in the year.

CESEE Markets: Emerging stock markets opened modestly weaker on Tuesday on profit taking as Indian bourses recoiled from recent lifetime peaks reached in the wake of the recent general elections in the country. Elsewhere, the majority of CESEE stock markets were somewhat firmer in European trade, with Bulgaria's SOFIX leading the gains with a 0.44% rise, while CESEE currencies were mixed.

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Latest world economic & market developments

GLOBAL MARKETS

The **majority of Asian bourses** weakened on Tuesday as profit taking emerged following y-day's hefty gains on the back of increased market optimism for political stability in Ukraine after pro-Europe Petro Poroshenko was declared the winner of Sunday's presidential elections. In FX markets, the EUR gained some ground with the **EUR/USD** hovering around 1.3645/50 in European trade at the time of writing, following a drop to a three-month low of 1.3615 in the prior session. Despite the pair's upside attempt, it remained below levels near 1.3750 recorded just a few sessions ago as increased ECB easing expectations continued to weigh.

GREECE

During his meeting with the President of the Hellenic Republic y-day, **SYRIZA's leader Alexis Tsipras** repeated his call for an orderly recourse to national elections as soon as possible and urged the Prime Minister not to implement his alleged fiscal austerity and privatization plans. In a news conference held shortly after the meeting between SYRIZA's leader and the President of the Hellenic Republic, **PASOK leader and Deputy Prime Minister Evangelos Venizelos** stressed that the said request for early national elections is deemed "unconstitutional". Along similar lines, the **government spokesman** said that the outcome of the May 25 European Parliament election could not be interpreted as a vote against the coalition government adding that "if this were the case then governments would not have four-year terms in any country". Greece's main opposition radical left SYRIZA gained a clear lead in the elections for the European Parliament, winning 26.60% against 22.71% gathered by ruling conservative New Democracy (ND). Elia (Olive Tree) - the centre-left electoral alliance in which junior government coalition party PASOK participates - took the fourth place with 8.02%.

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Latest developments in the CESEE region

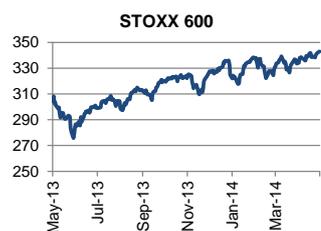
CESEE markets

Emerging stock markets opened modestly weaker on Tuesday on profit taking as Indian bourses recoiled from recent lifetime peaks reached in the wake of a market-friendly outcome in the recent general elections in the country. A retreat in South Korean automakers' shares also weighed. Along these lines, the MSCI emerging equities index was trading 0.40% lower at 1,037.63 points at the time of writing, however remaining within distance from a 7-month peak of 1,043.54 points hit late last week. Elsewhere, the majority of **CESEE stock markets** were somewhat firmer in European trade, with Bulgaria's SOFIX leading the gains with a 0.44% rise. Poland's WIG bucked the trend sliding by 0.15% at the time of writing. Elsewhere, **CESEE currencies** were mixed in early European trade on Tuesday. Ukraine's hryvnia outperformed its regional peers, receiving support from a decisive presidential elections outcome on Sunday which raised hope about an eventual resolution of geopolitical tensions in the broader area. As a result, the USD/UAH eased by 0.17% to 11.86. Yet, the cross remained not too far from a 13.61 lifetime peak hit at the height of the crisis in the country. Separately, the Turkish lira broadly underperformed, pressured by Prime Minister Tayyip Erdogan's recent comments suggesting that the size of last week's Central Bank interest rate cut was deemed too small. The USD/TRY bounced as far as an intraday peak of 2.0976 from 2.0837 in the prior session's settlement, approaching anew a 3-week high of 2.1193 touched a few days ago.

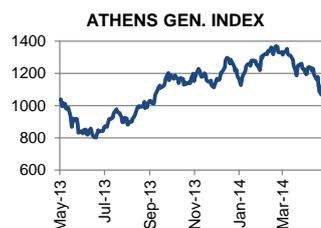
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Source: Reuters, Bloomberg, Eurobank Global Markets Research



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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

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, 26/5/2014, 09:00 CET): **Latest Political & Macro Developments:** The government adopted a ministerial decree on Friday, aimed at subsidizing large portions of new investments in the manufacturing sector, exportable services, and strategic tourism projects. Elsewhere, the Public Debt Agency announced on Monday that they will hold an extraordinary auction for 7Y RSD T-Bonds worth 15bn (EUR 130m) on June 3, earmarked for Serbia's infrastructure and agricultural sector which were severely damaged from recent adverse weather conditions. **Market Developments:** The EUR/RSD was little changed on Monday, remaining trapped within the 115.55/75 recent range. Separately, the BELEX15 index inched down by 0.02% on Monday amid subdued 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, 27/5/2014, 09:05 EET): **Market Developments:** The EUR/RON moved lower y-day closing at 4.4030, 0.3% lower compared to the session's opening level, approaching anew a 4.4000 year-to-date low hit last week. In money markets, the beginning of the new reserve period and ample RON liquidity are likely to keep short-term RON rates in the sidelines. In government bonds, the MoF issued on Monday RON 800mn in 12M T-Bills at an average accepted yield of 2.49%, 45bps below that achieved at a previous auction of similar maturity paper in April.

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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, 27/5/2014, 9:20 EET): **Market Developments:** Domestic stock indices closed mixed on Monday. In other news, the Ministry of Finance re-tapped on Monday a 7-year EUR-denominated government note, selling EUR 25mn. The average accepted yield came in at 2.26%, lower compared to respective levels of 2.92% and 2.52% achieved at prior auctions of similar maturity paper in mid-February and April. The bid to cover ratio stood at 3.09. Most of the issue was acquired by pension funds (45.96%) and banks (31.20%), while the remaining was purchased by insurance companies (14.13%), guarantee state funds and other investment intermediaries (8.71%).

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May 27, 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	1900.53	0.4%	2.8%	EUR/USD	1.3647	0.0%	-0.7%	UST - 10yr	2.53	0	-50	GOLD	1284	-0.7%	6.5%
Nikkei 225	14636.52	0.2%	-10.2%	GBP/USD	1.6862	0.1%	1.8%	Bund-10yr	1.41	-1	-52	BRENT CRUDE	177	0.0%	#VALUE!
STOXX 600	343.99	0.1%	4.8%	USD/JPY	101.82	0.1%	3.4%	JGB - 10yr	0.59	0	-15	LME X	3162	0.6%	0.1%

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	7.28	-1	-73	O/N	2.63	-3	89	LEONIA	0.08	0	1			
1-week	7.66	0	-62	1-month	2.29	-7	41	1-month	0.30	1	-2			
1-month	8.06	0	-52	3-month	2.71	-2	27	3-month	0.59	2	-6			
3-month	8.46	1	-42	6-month	3.09	-3	10	6-month	1.08	0	-7			
6-month	8.58	1	-57	12-month	3.18	-1	3	12-month	2.09	-1	-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	9.93	0	-3	3Y RON	3.38	-1	-57	3Y BGN	0.82	0	-27			
5Y RSD	10.90	0	-192	5Y RON	3.87	0	-78	5Y BGN	1.45	0	-39			
7Y RSD	11.59	0	-221	10Y RON	4.75	0	-55	10Y BGN	2.98	0	-52			
RS Eurobonds				RO Eurobonds				BG Eurobonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	3.81	-1	-120	EUR Sep-20	2.72	-1	-113	USD Jan-15	0.54	#N/A	#N/A	-5		
USD Nov-24	2.55	-397	-435	USD Aug-23	4.07	-3	-74	EUR Jul-17	1.28	-2	-52			
CDS				CDS				CDS						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	294	-1	-115	5-year	173	0	-11	5-year	124	0	1			
10-year	333	-1	-113	10-year	212	0	-21	10-year	167	0	-7			
STOCKS				STOCKS				STOCKS						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	583.8	-0.02%	4.62%	BET	6488.1	-0.01%	-0.09%	SOFIX	594.6	0.26%	20.96%			
FOREX				FOREX				FOREX						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	115.4	-0.03%	-1.06%	EUR/RON	4.3953	0.19%	1.77%	USD/BGN	1.4333	-0.01%	-0.71%			

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Global Markets Research
Data updated as of 11:15 EET

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