

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 30, 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 EURT-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: Asian bourses erased intraday gains on Friday. In the **FX markets**, the USD gave back some of its recent gains in European trade on Friday, while, the EUR remained under pressure amid heightened market expectations that the ECB will likely adopt further measures at its June 5 monetary policy meeting aiming to address deflation risks and boost liquidity for SMEs.

SOUTH EASTERN EUROPE

SERBIA: EBRD estimates the damage caused by the recent adverse weather conditions in the country to cost around €1.5bn to €2bn.

ROMANIA: The EUR/RON remained in a tight range of 4.3900/4.4000 since breaching below the 4.4000 psychological support on Tuesday.

BULGARIA: Business sentiment improves in May; interest rates on new deposits continued to decrease on annual basis in April.

CESEE Markets: Emerging stock markets lost ground in European trade on Friday, on profit taking ahead of next week's ECB monetary policy meeting. Nonetheless, major indices in the region were poised to end May with hefty monthly gains. In the FX markets, **CESEE currencies** broadly weakened in early European trade, as their recent rally ran out of steam.

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Latest world economic & market developments

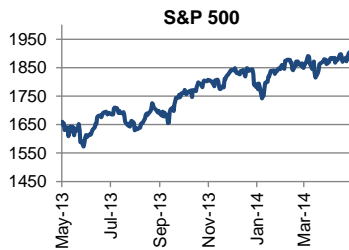
GLOBAL MARKETS

Asian bourses erased intraday gains on Friday, registered after the S&P 500 index closed at a new record high overnight amid investor optimism about the prospects of the US economy. A downward revision in US real GDP growth to -1.0%QoQ annualized in Q1 2014 from 0.1% previously reported and vs. a market median forecast of -0.5% was mainly attributed to temporary-related adverse weather conditions. As a result, the said data was largely overshadowed by a higher than expected decline in initial jobless claims which added to optimism about a strengthening labor market. In the **FX markets**, the USD gave back some of its recent gains in European trade on Friday, with the US dollar Index (DXY) hovering around 80.453 at the time of writing, within distance from a six-week high of 80.581 hit earlier this week. Meanwhile, the EUR remained under pressure amid heightened market expectations that the ECB will likely adopt further measures at its June 5 monetary policy meeting aiming to address deflation risks and boost liquidity for SMEs. Indicatively, the EUR/USD stood close to 1.3603/06 in European trade, within distance from y-day's 3 ½ month low of 1.3584.

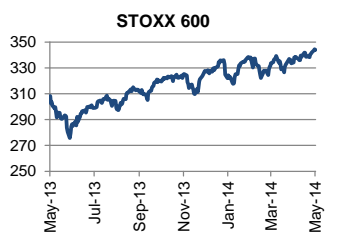
Latest developments in the CESEE region

CESEE markets

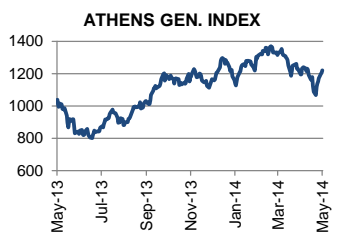
Emerging stock markets lost ground in European trade on Friday, on profit taking ahead of next week's ECB monetary policy meeting. Nonetheless, major indices in the region were poised to end May with hefty monthly gains. Optimism that Chinese authorities will adopt additional stimulus measures to prevent a more pronounced slowdown in the world's second largest economy, speculation that the Fed won't hike interest rates any time soon and expectations that the ECB will likely take some action at its next policy meeting in June in an effort to address deflation risks, have all boded well for regional bourses over recent weeks. A market-friendly outcome in the recent general elections in India and a clear victory for businessman Petro Poroshenko in Ukraine's presidential polls held earlier this month which added to hopes about an eventual easing of geopolitical tensions in the region, also favored. Against this background, the MSCI emerging equity index traded 0.32% lower at 1,035.28 at the time of writing. However, the index was poised to register monthly gains to the tune of 4% in May and stood just off a 7-month peak of 1,043.54 hit a week earlier. Elsewhere, **CESEE stock markets** were little changed on Friday, with the Turkish BIST 100 index standing flat (+0.08%) at 79,360.37 at the time of writing, having eased from 79,710.45 achieved earlier in the session, its highest level since October last year. The said index has received additional support in recent sessions amid mounting speculation that the Central Bank will further cut interest rates this year after it unexpectedly reduced by 50bps to 9.50% its key policy rate (1-week repo rate) earlier in the month. In the FX markets, **CESEE currencies** broadly weakened in early European trade as their recent rally ran out of steam. In more detail, the Turkish lira led the losses in the region with the USD/TRY easing by 0.37% to 2.0930 approaching anew a 1-week high of 2.1122 hit a couple of sessions ago. That said, the cross remains well below a record peak of 2.39 touched on January 27, at the height of emerging market jitters and not too far from 5-month trough of 2.0617 temporarily touched in mid-May. Separately, the Polish zloty lost some ground standing 0.2% weaker from a year-to-date high of 4.1365/EUR tested in the prior session. On the flipside, the Ukrainian hryvnia bucked the region's trend, with the USD/UAH sliding by 0.5% to 11.76 in European trade. The pair has eased from a 13.61 lifetime peak hit in April amid optimism about an eventual resolution of geopolitical tensions in the region, which has largely overshadowed a recent escalation of violence domestically.



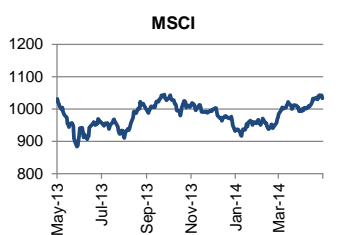
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research

L-T ccy	Credit Ratings		
	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	2.5	1.0
CPI (pa, yoy %)	7.8	7.8	3.5
Budget Balance/GDP	-7.5	-5.8	-7.1
Current Account/GDP	-10.9	-5.0	-4.2
EUR/RSD (eop)	112.37	114.57	116.50
	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, 30/5/2014, 09:10 CET): **Latest Political & Macro Developments:** The EBRD said yesterday that the total damage from the recent adverse weather conditions is preliminarily estimated at around €1.5bn to €2bn. The recent flooding in the country is expected to have taken a significant toll on agricultural output and mining, as well as on the infrastructure and energy sector. Their impact is also anticipated to weigh on this year's growth and inflation outlook. In parallel, the IMF has postponed negotiations with the Serbian government for autumn, stating disrupted economic activity due to flooding and an expected revision in this year's budget in July. **Market Developments:** The EUR/RSD was little changed on Thursday, with the cross closing at 115.50/70 within distance from its opening levels of 115.55/75.

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ROMANIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	3.5	3.0
CPI (pa, yoy %)	3.3	4.0	2.3
Budget Balance/GDP	-3.0	-2.3	2.2
Current Account/GDP	-4.4	-1.1	-1.2
EUR/RON (eop)	4.44	4.46	4.40
	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, 30/5/2014, 09:05 EET): **Market Developments:** The EUR/RON has remained in a tight range of 4.3900/4.4000 since breaching the 4.4000 psychological support on Tuesday. Investors cited potential Central Bank intervention in FX markets that prevented the spot from moving below the lower bound of the said range. Meanwhile, RON government bonds continued to rally on Thursday, with buying across the curve pushing yields around 5 bps lower on average.

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BULGARIA: Indicators	2012	2013e	2014f
Real GDP growth %	0.6	0.9	1.8
CPI (pa, yoy %)	3.0	0.9	-0.2
Budget Balance/GDP	-0.8	-1.5	-1.8
Current Account/GDP	-0.9	1.9	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, 29/5/2014, 17:35 EET): **Latest Political & Macro Developments:** According to latest BNB data, interest rates on new deposits continued to decrease on annual basis in April, with those denominated in BGN falling by 0.51ppts to 3.51% and those in EUR by 0.58ppts to 3.22%. On the flipside, interest rates on consumer loans granted in local currency increased by 0.84ppts to 11.39%, while those in EUR fell by 0.35ppts to 9.21%. Rates on mortgages were down by 0.31ppts to 6.56% in BGN and by 0.49ppts to 6.86% in EUR. According to NSI figures, the total business climate indicator rose by 4.3ppts month-on-month in May after a 1.7ppts increase in the prior month, almost reaching its long-term average of 22.5%. The breakdown of the data showed broad-based improvement with the highest increase (8.2ppts) registered in services, followed by the industrial sector (4.2ppts). **Market Developments:** The domestic stock market closed broadly higher on Thursday, with the main SOFIX index advancing by 0.50% to 596.78 points.

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May 30, 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	1920.03	0.5%	3.9%	EUR/USD	1.3613	0.1%	-0.9%	UST - 10yr	2.47	0	-56	GOLD	1254	-0.1%	4.0%
Nikkei 225	14632.38	-0.3%	-10.2%	GBP/USD	1.6735	0.1%	1.1%	Bund-10yr	1.37	2	-56	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	344.66	0.0%	5.0%	USD/JPY	101.63	0.2%	3.6%	JGB - 10yr	0.58	0	-16	LMEX	3149	-0.7%	-0.3%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.27	0	-74
1-week	7.61	0	-67
1-month	8.06	2	-52
3-month	8.45	1	-43
6-month	8.58	1	-57

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.92	#N/A N/A	-4
5Y RSD	10.90	0	-192
7Y RSD	11.60	0	-221

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.59	1	-141
USD Nov-24	2.31	-420	-459

CDS

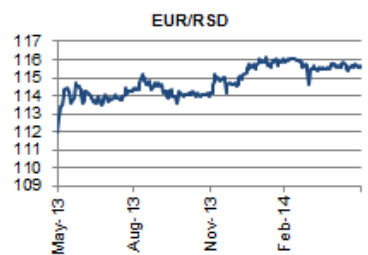
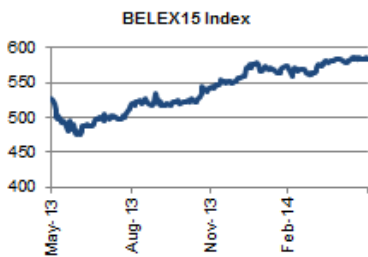
	Last	ΔDbps	ΔYTD bps
5-year	285	1	-125
10-year	324	2	-123

STOCKS

	Last	ΔD	ΔYTD
BELEX15	584.8	0.01%	4.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.08%	-0.87%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.39	-2	65
1-month	2.25	2	37
3-month	2.68	1	24
6-month	3.09	0	10
12-month	3.14	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.31	-1	-64
5Y RON	3.85	0	-80
10Y RON	4.76	1	-54

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.64	-2	-117
USD Aug-23	3.98	-2	-82

CDS

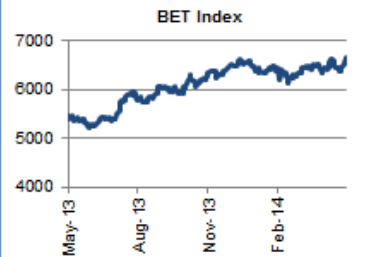
	Last	ΔDbps	ΔYTD bps
5-year	153	#N/A N/A	-32
10-year	212	#N/A N/A	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6679.6	0.26%	2.86%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3992	-0.08%	1.68%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.06	-1	-1
1-month	0.30	-1	-2
3-month	0.57	-1	-8
6-month	1.08	0	-7
12-month	2.10	1	-9

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.85	0	-24
5Y BGN	1.48	0	-36
10Y BGN	2.97	0	-52

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.55	-9	-3
EUR Jul-17	1.39	-6	-41

CDS

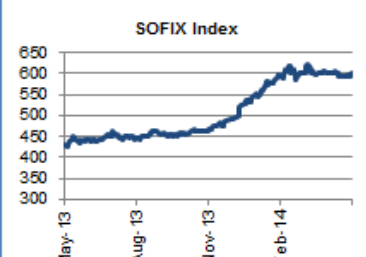
	Last	ΔDbps	ΔYTD bps
5-year	124	#N/A N/A	0
10-year	167	#N/A N/A	-7

STOCKS

	Last	ΔD	ΔYTD
SOFIX	600.7	0.65%	22.20%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4369	0.08%	-0.96%



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 12:30 EET

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