

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 2, 2014

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 2: ISM manuf (May)
- June 3
 - Factory orders (Apr)
 - Car sales (May)
- June 4
 - ADP employment (May)
 - Trade balance (Apr)
 - ISM non-manuf (May)
- June 5: Initial jobless claims (May 31)
- June 6
 - NFP (May)
 - U/E rate (May)

EUROZONE

- June 2: PMI manuf (May)
- June 3: HICP (May)
- June 4: GDP (Q1)
- June 5: ECB MPC meeting

SEE SERBIA

- June 3: 7-Y T-Bonds auction
- June 4: 10-Y EUR T-Bonds auction
- June 6: PPI (May)

ROMANIA

- June 2: International reserves (May)
- June 3
 - Retail sales (Apr)
 - PPI (Apr)
- June 4: GDP (Q1, p)
- June 6: Net wages (Apr)

BULGARIA

- June 4: GDP (Q1, f)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Tracking gains on Wall Street on Friday, **Asian bourses** kicked off the week on a firm footing supported by positive manufacturing-related data from China. Elsewhere, the **EUR** remained under pressure against its major currency peers in European trade on Monday amid persisting expectations that the ECB will likely ease its monetary policy further at this week's meeting aiming to address deflation risks and boost liquidity for SMEs.

GREECE: Following a staff-level agreement between the Greek government and the troika on the latest program review in mid-March along with EU officials' assurance at the April 1st Eurogroup that the country's adjustment program is fully financed on a 12-month forward basis, **the IMF Executive Board approved at its meeting on Friday, May 30th the release of the next loan tranche to Greece**, amounting to ca €3.41bn. In the accompanying statement, the IMF acknowledged Greek authorities' "significant progress in consolidating the fiscal position and rebalancing the economy" noting that, in cyclically-adjusted terms, Greece has the strongest primary fiscal balance in the euro area.

SOUTH EASTERN EUROPE

SERBIA: The trade deficit widened by 26%YoY to €1.26mn over the first four months of the year following a 14.4%YoY jump in exports and a meagre rise of 0.3%YoY in imports.

ROMANIA: The MoF holds a double primary market auction for RON 600mn of 5Y bonds and RON 200mn of 15Y bonds.

BULGARIA: According to the latest NSI data, the PPI decreased by 0.9%YoY in April, following a 1.6%YoY drop a month earlier, suggesting persisting pipeline deflation pressures.

CESEE Markets: Emerging stock markets closed broadly lower on Friday as USTs inched higher. Nonetheless, on a monthly basis, most regional indices closed in the black in May.

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Latest world economic & market developments

GLOBAL MARKETS

Tracking gains on Wall Street on Friday, **Asian bourses** kicked off the week on a firm footing supported by positive manufacturing-related data from China. Elsewhere, the **EUR** remained under pressure against its major currency peers in European trade on Monday amid persisting expectations that the ECB will likely ease its monetary policy further at this week's meeting aiming to address deflation risks and boost liquidity for SMEs. Indicatively, the EUR/USD stood close to 1.3600/05 at the time of writing, within distance from a four month low of 1.3584 recorded late last week. Meanwhile, ECB easing expectations helped **German government bonds** retain a firm tone with the 10-yr Bund yield hovering around 1.35% at the time of writing, not very far from a multi-month low of 1.31% recorded a couple of weeks ago against levels close to 1.42% marked a few sessions ago.

GREECE

Following a staff-level agreement between the Greek government and the troika on the latest program review in mid-March along with EU officials' assurance at the April 1st Eurogroup that the country's adjustment program is fully financed on a 12-month forward basis, the IMF Executive Board approved at its meeting on Friday, May 30th the release of the next loan tranche to Greece, amounting to ca €3.41bn. In the accompanying statement, the IMF acknowledged Greek authorities' "significant progress in consolidating the fiscal position and rebalancing the economy" noting that, in cyclically-adjusted terms, Greece has the strongest primary fiscal balance in the euro area. Yet, the Fund noted that "additional fiscal adjustment is necessary to ensure debt sustainability, through durable, high-quality measures, while strengthening the social security net". On the data front, **Greece's retail trade volume index** (i.e. turnover at constant prices), including automotive fuel, dropped by 0.8%YoY in March following a 0.9%YoY gain in the prior month.

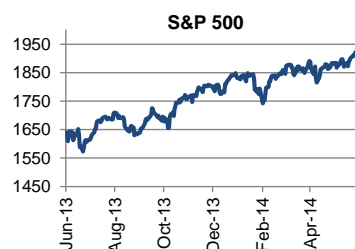
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Latest developments in the CESEE region

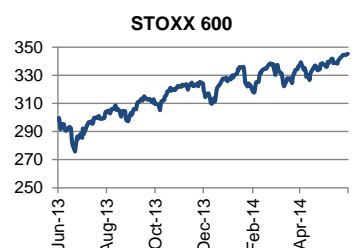
CESEE markets

Emerging stock markets closed broadly lower on Friday as USTs inched higher. Nonetheless, on a monthly basis, most regional indices closed in May in the black with the MSCI index of emerging equity ending with gains of 3.26%. Recall that regional bourses retained a positive tone over the last few weeks amid mounting ECB monetary easing expectations. Market speculation that the Fed will not probably rush to hike interest rates, also bolstered investor appetite towards regional assets recently. A market-friendly outcome in the recent general elections in India and optimism about easing geopolitical tensions in Ukraine, also favored. Along similar lines, stock markets in the **CESEE region** closed broadly higher on Friday. Bulgaria's SOFIX led the gains with a 1.41% rise. On the flipside, Poland's WIG slid by 0.93%. On a monthly basis, all indices in the region ended in a positive territory in May with Ukraine's PFTS having staged a 10.71% rally and Hungary's BUX trailing behind with a 10.50% jump. In the FX markets, **CESEE currencies** were little changed on Friday, with the Turkish lira underperforming its peers ahead of the anniversary of last year's anti-government protests and Central Bank Governor Erdem Basci's presentation on the Central Bank's monetary policy before the Cabinet later today. Along these lines, the USD/TRY rose by around 0.5% to close at 2.0959 approaching anew a 1-week high of 2.1122 hit a couple of sessions ago.

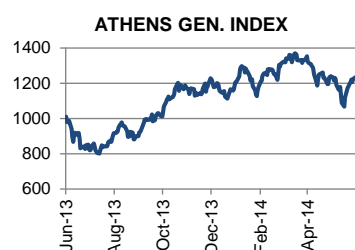
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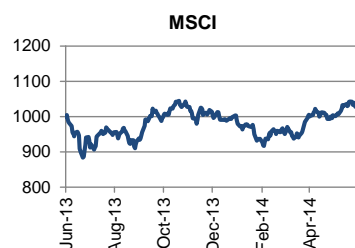
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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	2.5	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, 16:35 CET): **Latest Political & Macro Developments:** According to Statistical Bureau of Serbia the monthly average net salary amounted to RSD 45,847 (equivalent to €397) in April. In other news, the trade deficit widened by 26%YoY to €1.26mn over the first four months of the year following a 14.4%YoY jump in exports and a meagre rise of 0.3%YoY in imports. **Market Developments:** The EUR/RSD remained range-bound within 115.50/70 on Friday. Elsewhere, the Public Debt Administration sold on Thursday EUR63.19mn of 3Y EUR T-bonds, less than EUR100mn initially planned. The average accepted yield stood at 4.72%, 8bps lower compared to that achieved at an auction of similar maturity paper on February 19.

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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, 2/6/2014, 09:35 EET): **Market Developments:** Following a spike to a multi-session peak of 4.4060 at some point on Friday, the EUR/RON eased to levels around 4.3970 in early trade on Monday. Elsewhere, the MoF holds two primary market auctions later today; RON 600mn of 5Y benchmark bonds (Apr 2014) which is expected to produce an average yield of 3.90-4.00%, and RON 200mn of 15Y benchmark bonds (Jul 2027, 13Y remaining maturity), with the average yield seen at around 4.90-5.10%.

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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, 30/5/2014, 17:10 EET): **Latest Political & Macro Developments:** According to the latest NSI data, the Producer Prices Index decreased by 0.9%YoY in April, following a 1.6%YoY drop a month earlier, suggesting persisting pipeline deflation pressures. **Market Developments:** The domestic stock market moved higher for the second day running on Friday, with the main SOFIX index firming by 1.41% to 605.22 points after a 0.5% rise in the prior session.

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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	1923.57	0.2%	4.1%	EUR/USD	1.3605	-0.2%	-1.0%	UST - 10yr	2.48	0	-55	GOLD	1245	-0.4%	3.3%
Nikkei 225	14935.92	2.1%	-8.3%	GBP/USD	1.6734	-0.1%	1.1%	Bund-10yr	1.34	-2	-59	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	345.23	0.3%	5.2%	USD/JPY	102.01	-0.2%	3.2%	JGB - 10yr	0.59	1	-15	LMEX	3137	-0.4%	-0.7%

SEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	9.87	0	-9
5Y RSD	10.90	0	-192
7Y RSD	11.60	0	-221

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.55	-2	-146
USD Nov-24	2.14	-437	-477

CDS

	Last	ΔDbps	ΔYTD bps
5-year	275	-10	-134
10-year	318	-6	-128

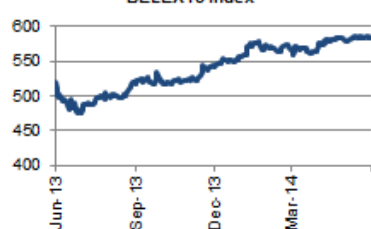
STOCKS

	Last	ΔD	ΔYTD
BELEX15	583.7	-0.50%	4.61%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.18%	-0.84%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	2.37	-2	63
1-month	2.24	-1	36
3-month	2.69	1	25
6-month	3.08	-1	9
12-month	3.14	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.31	0	-64
5Y RON	3.83	-2	-82
10Y RON	4.74	-1	-56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.67	1	-117
USD Aug-23	3.92	-8	-88

CDS

	Last	ΔDbps	ΔYTD bps
5-year	145	-5	-40
10-year	212	-5	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6708.2	-0.21%	3.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3963	-0.29%	1.74%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.07	1	0
1-month	0.30	1	-2
3-month	0.56	-1	-8
6-month	1.08	0	-7
12-month	2.10	0	-10

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.86	1	-23
5Y BGN	1.42	-5	-42
10Y BGN	2.96	0	-54

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.52	-2	-7
EUR Jul-17	1.37	4	-44

CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	0	-1
10-year	167	0	-7

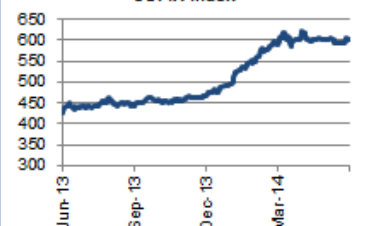
STOCKS

	Last	ΔD	ΔYTD
SOFIX	602.2	-0.50%	22.52%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4376	-0.20%	-1.01%

SOFIX Index



USD/BGN



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