

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

June 3, 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:** Both the **S&P 500** and the **Dow Jones industrial average indices** closed at fresh record highs on Monday supported by solid US data. Increased optimism about the US' growth prospects helped the **USD** move higher while **US Treasuries** weakened. Elsewhere, the **EUR** remained under pressure amid heightened ECB easing expectations.

**GREECE:** Greece's **Manufacturing Purchasing Managers' Index (PMI)** came in at 51.0 in May, little changed compared to 51.1 in April, remaining above the boom-or-bust level of 50.0 that separates growth from contraction for the fourth month so far this year. Separately, the **Economic Sentiment Indicator for Greece** improved for the second month running in May coming in at a six-year high of 99.1 from April's 95.4.

### SOUTH EASTERN EUROPE

**SERBIA:** Industrial production growth slowed to 1.9%YoY in April, while retail trade turnover remained on the same level at constant prices on an annual basis over the same month.

**ROMANIA:** NBR foreign currency reserves stood at EUR 30.68bn in May, the lowest since 2010, amid IMF repayments and a MoF EUR denominated bond redemption.

**BULGARIA:** Bulgaria's General Government ran a budget deficit of BGN 864.5mn (or 1.1% of projected GDP) over the first four months of 2014 marking a BGN 578.1mn widening with respect to the same period a year earlier.

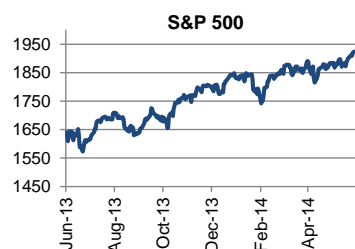
**CESEE Markets: Emerging stock markets** modestly advanced on Monday, supported by persisting ECB monetary easing expectations. In the FX markets, **CESEE currencies** were little changed on Monday, with the Turkish lira underperforming its regional peers.

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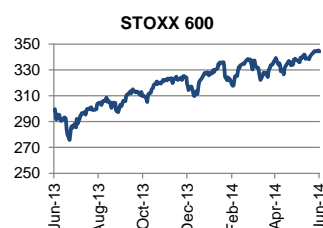
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## Latest world economic & market developments

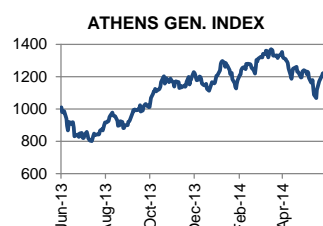
### GLOBAL MARKETS



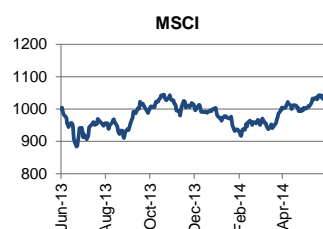
Source: Reuters, Bloomberg, Eurobank Global Markets Research



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Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research

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

Both the S&P 500 and the Dow Jones industrial average indices closed at fresh record highs on Monday supported by solid US data. The US ISM manufacturing headline index rose to a five-month high of 55.4 in May from 54.9 in the prior month mainly assisted by strong gains in new orders and production. Increased optimism about the US' growth prospects weighed on US Treasuries with the 10-yr UST bond yield hovering around 2.52% in European trade on Tuesday after hitting an 11-month low of 2.44% just a few sessions ago. Higher US Treasury yields boosted the USD with its DXY index standing close to 80.590 at the time of writing, within distance from a four-month peak of 80.681 hit at some point in the prior session. Meanwhile the EUR remained under pressure amid heightened ECB easing expectations after y-day's data revealed that Germany's HICP rose by a lower-than-expected 0.99%YoY in May. The EUR/USD was hovering around 1.3605/00 at the time of writing, within distance from a four month low of 1.3584 recorded late last week.

### GREECE

**Greece's Manufacturing Purchasing Managers' Index (PMI)** came in at 51.0 in May, little changed compared to 51.1 in April, remaining above the boom-or-bust level of 50.0 that separates growth from contraction for the fourth month so far this year. Recall that the index moved above the key level of 50.0 in January 2014 for the first time in 54 months. The breakdown of the May report showed that production advanced for the seventh straight month, albeit at a slower pace than in April, new orders rose and employment marked the first back-to-back increase since end-2007. Separately, **the Economic Sentiment Indicator for Greece** improved for the second month running in May coming in at a six-year high of 99.1 from April's 95.4. The breakdown of the report showed that both the Services and Retail Trade Confidence Indicator improved, marking respective 5-½ and 4-year highs. In a similar positive vein, the Consumer Confidence Indicator advanced for the third month in a row.

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## Latest developments in the CESEE region

### CESEE markets

**Emerging stock markets** modestly advanced on Monday, supported by persisting ECB monetary easing expectations. The MSCI index of emerging equity closed marginally 0.18% higher at 1,029.5, with investors adopting a cautious stance ahead of Thursday's ECB monetary policy meeting. On the flipside, **CESEE bourses** were mixed as the latest PMI data revealed a deceleration in manufacturing activity in regional economies. In more detail, Hungary's PMI eased to 53.9 in May from 54.6 in April, Poland's unexpectedly slid to an 11-month trough of 50.8 from 52.0 and Turkey's weakened to 50.1 after registering a 51.1 print in the prior month. In spite of the said slowdown in the region's manufacturing activity, all readings remained above the boom-or-bust level of 50.0 indicating ongoing expansion, albeit at a slower pace, in the sector. Against this backdrop, Turkey's BIST 100 led the losses in the region, recoiling by 0.88%, followed by Romania's BET index which shed 0.57%. In the FX markets, **CESEE currencies** were little changed on Monday, with the Turkish lira underperforming its regional peers ahead of Central Bank Governor Erdem Basci's presentation on the Central Bank's monetary policy before the Cabinet yesterday afternoon. The USD/TRY rose by around 0.51% to close at 2.0959 approaching anew a 1-week high of 2.1122 hit a couple of sessions ago.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	9.50	9.00	9.00

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

## SERBIA

(Belgrade, 2/6/2014, 15:45 CET): **Latest Political & Macro Developments:** According to the latest official data released late last week, industrial production growth slowed to 1.9%YoY in April following a 3.8%YoY increase in the prior month and bringing the cumulative annual rate of increase over the first four months of the year to 2.1%. Separately, retail trade turnover remained on the same level at constant prices on an annual basis in April, halting a 6-month running rising streak. **Market Developments:** The EUR/RSD was little changed on Monday, hovering around levels of 115.55/75 for most of yesterday's session.

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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
	<b>2013</b>	<b>current</b>	<b>2014f</b>
Policy Rate (eop)	4.00	3.50	3.50

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

## ROMANIA

(Bucharest, 3/6/2014, 09:10 EET): **Latest Political & Macro Developments:** According to the latest NBR data, foreign currency reserves fell from €32.44bn in April to €30.68bn in May, the lowest level since 2010. The said decrease may be mainly attributed to debt repayments to the IMF and a MoF EUR denominated bond redemption, both amounting to around EUR 2.4bn cumulatively. **Market Developments:** After Friday's attempt to break above 4.4000, the EUR/RON kicked off the week on a negative footing hovering around levels of 4.3865/975 for most of Monday's session. Separately, the MoF sold on Monday the planned amount of RON 600mn of 5-year benchmark paper at an average accepted yield of 3.93%, roughly in line with market expectations. In addition, the MoF allotted RON 467mn in 13-year bonds yesterday, more than double the RON 200mn targeted amount, at an average accepted yield of 5.11%.

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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	
	<b>current</b>	<b>2013</b>	<b>2014f</b>
Policy Rate (eop)	N/A	N/A	N/A

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

## BULGARIA

(Sofia, 3/6/2014, 09:45 EET): **Latest Political & Macro Developments:** Bulgaria's General Government ran a budget deficit of BGN 864.5mn (or 1.1% of projected GDP) over the first four months of 2014 marking a BGN 578.1mn widening with respect to the same period a year earlier. The said deterioration was primarily driven by higher expenditure under EU programmes and increased social expenditure, including a rise in pensions which came into effect on April 1, 2013. Meanwhile, the fiscal reserve came in at BGN 6.0bn, including BGN 5.1bn deposits in BNB and domestic banks as well as BGN 0.9bn receivables under EU Funds for certified expenditure and advance payments. Revenues and grants rose, marking a 1.8%YoY increase to BGN 9.454bn over the January-April period and covering up to 30.5% of the annual plan for full-year 2014. **Market Developments:** Domestic stock indices retreated on Monday, with the main SOFIX falling by 0.44% to close at 602.56 points.

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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	1924.97	0.1%	4.1%	EUR/USD	1.3604	0.1%	-1.0%	UST - 10yr	2.52	0	-51	GOLD	1246	0.1%	3.3%
Nikkei 225	15034.25	0.7%	-7.7%	GBP/USD	1.6754	0.1%	1.2%	Bund-10yr	1.36	-1	-57	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	344.31	-0.2%	4.9%	USD/JPY	102.33	0.0%	2.9%	JGB - 10yr	0.59	0	-15	LMEX	3168	1.0%	0.3%

## SEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.26	-1	-75
1-week	7.61	0	-67
1-month	8.06	0	-52
3-month	8.43	-2	-45
6-month	8.57	-1	-58

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.87	4	-9
5Y RSD	10.90	0	-192
7Y RSD	11.60	0	-221

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.52	1	-148
USD Nov-24	2.15	-436	-476

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	288	13	-122
10-year	334	16	-113

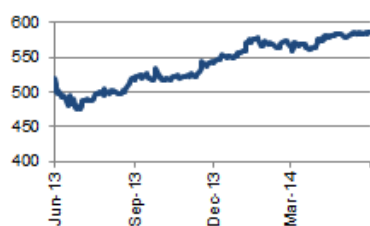
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	586.6	-0.01%	5.13%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	-0.02%	-0.83%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

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

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.26	-1	-69
5Y RON	3.79	-2	-86
10Y RON	4.74	1	-56

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.66	0	-119
USD Aug-23	3.92	-8	-88

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	147	-5	-37
10-year	#N/A	-5	#VALUE!

## STOCKS

	Last	ΔD	ΔYTD
BET	6688.7	0.07%	3.00%

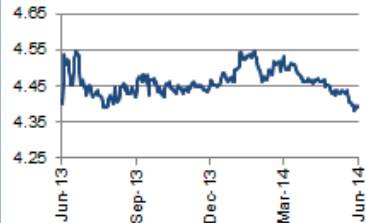
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.3936	-0.01%	1.80%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.07	0	0
1-month	0.30	0	-2
3-month	0.57	1	-7
6-month	1.08	0	-7
12-month	2.10	0	-10

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.84	-1	-25
5Y BGN	1.50	3	-35
10Y BGN	2.99	0	-50

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.58	4	0
EUR Jul-17	1.37	0	-43

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	0	-1
10-year	#N/A	0	#VALUE!

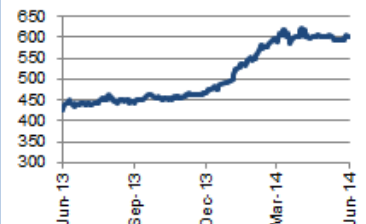
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	601.8	-0.13%	22.43%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4379	0.04%	-1.03%

SOFIX Index



USD/BGN



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