

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

May 26, 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: Tracking gains in Wall Street on Friday, **major Asian bourses** closed broadly firmer on Monday supported by upbeat US housing data and a clear win for businessman Petro Poroshenko in Ukraine's Presidential elections on Sunday. In the **FX markets**, the **EUR/USD** stood close to 1.3644/46 at the time of writing, not far from a three-month low of 1.3615 recorded earlier in the session, weighed down by expectations for further ECB monetary easing and the European Parliament elections' outcome which revealed rising support for Eurosceptic parties in several countries in the block.

SOUTH EASTERN EUROPE

SERBIA: The Economy Minister said on Friday that World Bank (WB) is ready to approve a €300mn recovery loan to Serbia, which is estimated to finance up to 40% of real costs caused by the recent adverse weather conditions.

ROMANIA: MoF holds a primary market auction for RON 800mn of 12M T-Bills, expected to receive strong domestic demand.

BULGARIA: Bulgarian Finance Minister Petar Tchobanov expressed belief in press-conference on Friday that real GDP growth will likely come in at 2.1% in 2014, slightly higher than a previous government forecast of 1.8%.

CESEE Markets: **Emerging stock markets** weakened modestly in European trade on Monday, on profit taking, while **CESEE stock markets** firmed in the wake of Ukraine's presidential polls on Sunday which showed a clear victory for businessman Petro Poroshenko adding to hopes about eventually easing geopolitical tensions in the region. Elsewhere, **CESEE currencies** were marginally weaker in early European trade on Monday; Ukraine's hryvnia, Hungarian forint buck the trend.

DISCLAIMER

This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees. Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Latest world economic & market developments

GLOBAL MARKETS

Tracking gains in Wall Street on Friday, **major Asian bourses** closed broadly firmer on Monday supported by upbeat US housing data and a clear win for businessman Petro Poroshenko in Ukraine's Presidential elections on Sunday. In the **FX markets**, the euro remained under pressure weighed down by expectations for further Central Bank monetary easing as soon as next week and the European Parliament elections' outcome which revealed rising support for Eurosceptic parties in several countries in the block. Along these lines, the **EUR/USD** stood close to 1.3644/46 at the time of writing, not far from a three-month low of 1.3615 recorded earlier in the session. ECB President Draghi's comments earlier on Monday, which came ahead of next week's monetary policy meeting, appeared to have a rather limited impact on the common currency.

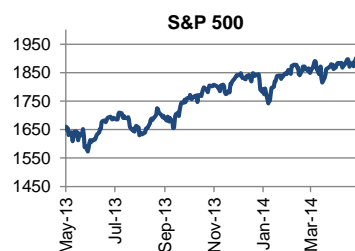
ppetropoulou@eurobank.gr

Latest developments in the CESEE region

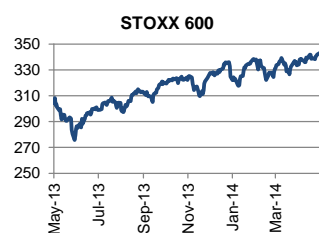
CESEE markets

Emerging stock markets weakened modestly in European trade on Monday, on profit taking with additional losses capped by a rally in Indian stock markets and optimism that Chinese authorities will adopt further measures to underpin the domestic economy. Along these lines, the MSCI emerging equities index stood in a marginally negative territory of 0.02% at the time of writing, halting a 3-session rising streak and standing slightly below from a 7-month peak hit intraday on Friday. Elsewhere, the majority of **CESEE stock markets** firmed earlier today, in the wake of Ukraine's Presidential polls last week which showed a clear victory for businessman Petro Poroshenko adding to hopes about an eventual easing of geopolitical tensions in the region. Most CESEE indices largely shrugged off a European Parliament elections' outcome which revealed rising support for Eurosceptic parties in several countries in the block. As a result, Ukraine's PFTS led the gains in the region, firming by 1.46% earlier today. Poland's WIG trailed behind posting gains to the tune of 0.42%. On the flipside, Hungary's BUX and Romania's BET Index registered losses of 0.26% and 0.12% respectively. Elsewhere, **CESEE currencies** were marginally weaker in early European trade on Monday. Ukraine's hryvnia bucked the trend in the wake of Sunday's polls, with the USD/UAH sliding by 0.42% to 11.85. Technical factors pushed the Hungarian forint to a 4-month peak of 301.85/EUR earlier on Monday. The currency largely shrugged off expectations for further monetary easing at the Central Bank (MNB) meeting tomorrow. Recall that, MNB has cut its base rate by a cumulative of 450bps since August 2012 in order to bolster the domestic economy against an environment of subdued inflation pressures. Separately, the Turkish lira weakened by ca 0.15% to 2.08383/USD after S&P affirmed on Friday the county's sovereign credit ratings but kept its outlook negative citing a "less predictable" policy environment, which "could weigh on the economy's resilience to external shocks and hamper its long-term growth". In the **local rates markets**, Hungarian government bonds extended their recent gains amid persisting rate cut expectations with the corresponding 3- and 10-year benchmark yields easing by 6 and 12bps respectively to multi-week lows of 3.35% and 4.88%, respectively.

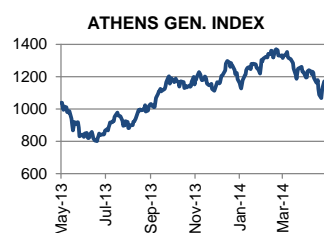
gphoka@eurobank.gr



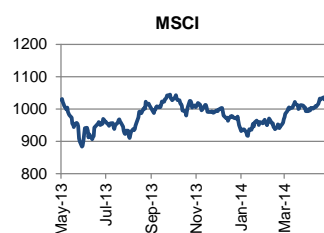
Source: Reuters, Bloomberg, Eurobank Global Markets Research



Source: Reuters, Bloomberg, Eurobank Global Markets Research



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

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 Economy Minister said on Friday that World Bank (WB) is ready to approve a €300mn recovery loan to Serbia, which is estimated to finance up to 40% of real costs caused by the recent adverse weather conditions. The first USD 100 million, at a 1% interest rate, could arrive as early as June. Separately, the Prime Minister said late last week to local newspapers that the total damage caused by the recent floods is expected to be determined by May 30th.

Market Developments: The EUR/RSD closed at 115.65/85 on Friday, having slightly bounced from its opening level of 115.55/75 on back of solid domestic demand for hard currency.

Zoran.Korac@eurobank.rs

ivan.radovic@eurobank.rs

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, 26/5/2014, 09:30 EET): **Market Developments:** The EUR/RON hovered around levels of 4.4050/150 on Friday, consolidating near a year-to-date low of 4.4000 temporarily hit a session earlier. 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 holds on Monday the last primary market auction of the month, for RON 800mn in 12M T-Bills. The auction is expected to receive strong demand by local investors, with yields expected to come in at around 2.55-65%.

Bogdan.Radulescu@bancpost.ro

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, 23/5/2014, 18:00 EET): **Latest Political & Macro Developments:** Bulgarian Finance Minister Petar Tchobanov expressed belief in press-conference on Friday that real GDP growth will likely come in at 2.1% in 2014, slightly higher than a previous government forecast of 1.8%. He cited a recent increase in consumption and investments as well as improvement in business sentiment and added that real GDP is likely to grow between 1.3% and 1.4% in the second quarter of the year following a 1.1%YoY rise in Q1 2014.

Market Developments: The main SOFIX index closed 0.58% lower on Friday at 590.99 points.

VBoteva@postbank.bg

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	1.3645	0.1%	-0.7%	UST - 10yr	2.53	0	-50	GOLD	1293	0.0%	7.2%
Nikkei 225	14602.52	1.0%	-10.4%	GBP/USD	1.6847	0.1%	1.8%	Bund-10yr	1.42	1	-51	BRENT CRUDE	177	0.0%	5.6%
STOXX 600	343.00	0.4%	4.5%	USD/JPY	101.91	0.1%	3.3%	JGB - 10yr	0.59	0	-15	LMEX	3162	0.6%	0.1%

SEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	7.28	-1	-73
1-week	7.66	0	-52
1-month	8.06	0	-52
3-month	8.46	1	-42
6-month	8.58	1	-57

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	9.76	-13	-20
5Y RSD	10.89	0	-193
7Y RSD	11.59	0	-221

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.82	0	-119
USD Nov-24	2.65	-386	-425

CDS

	Last	ΔDbps	ΔYTD bps
5-year	295	4	-114
10-year	334	3	-112

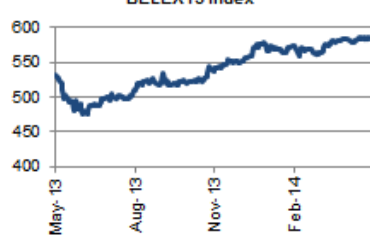
STOCKS

	Last	ΔD	ΔYTD
BELEX15	585.1	0.18%	4.86%

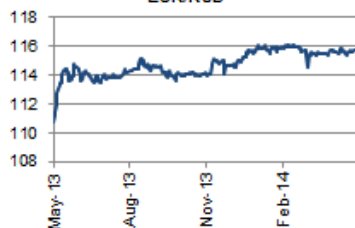
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	115.4	0.00%	-0.99%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.66	125	92
1-month	2.36	6	48
3-month	2.73	-3	29
6-month	3.12	-2	13
12-month	3.19	-2	4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.39	0	-56
5Y RON	3.87	0	-78
10Y RON	4.75	-2	-55

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.74	0	-111
USD Aug-23	3.90	-22	-91

CDS

	Last	ΔDbps	ΔYTD bps
5-year	173	0	-11
10-year	212	0	-21

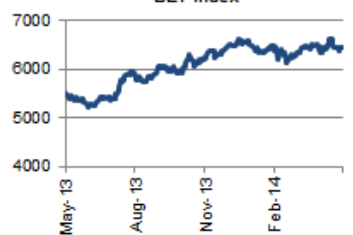
STOCKS

	Last	ΔD	ΔYTD
BET	6437.0	-0.17%	-0.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4113	-0.07%	1.40%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.08	1	1
1-month	0.30	1	-2
3-month	0.59	2	-6
6-month	1.08	0	-7
12-month	2.09	-1	-11

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.82	0	-27
5Y BGN	1.45	-1	-39
10Y BGN	2.96	0	-53

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Jan-15	0.47	0	-11
EUR Jul-17	1.29	0	-51

CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	0	1
10-year	167	0	-7

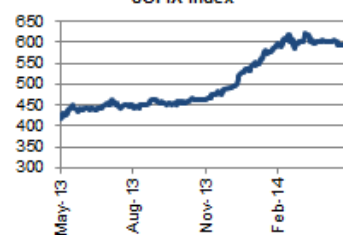
STOCKS

	Last	ΔD	ΔYTD
SOFIX	591.8	0.14%	20.41%

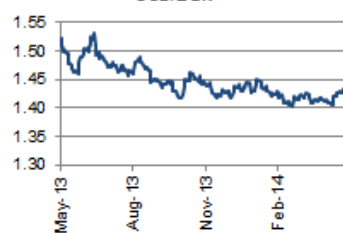
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.4335	0.10%	-0.73%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Global Markets Research

Data updated as of 11:50 EET

Contributors to this issue

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg

Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Paraskevi Petropoulou

G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr

Galatia Phoka

Emerging Markets Analyst, Eurobank Ergasias

+30 210 3718922

galatia.phoka@eurobank.gr

Ivan Radović

Head, Brokerage Department, Eurobank ad Beograd

+381 11 30 27 533

ivan.radovic@eurobank.rs

Bogdan Radulescu, CFA

Senior Trader, Bancpost

+40 21 3656291

bogdan.radulescu@bancpost.ro

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokrousos: Head of Global Markets
Research pmonokrousos@eurobank.gr, +30 210 37 18 903

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Emerging Markets Analyst
gphoka@eurobank.gr, +30 210 37 18 922

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head International Sales
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>