

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 13: Retail sales (Apr)
- May 14: Initial jobless claims (May 9)
- May 15
  - Empire state manuf (May)
  - Industrial prod. (Apr)
  - UoM cons sent (May)

##### EUROZONE

- May 13: GDP (Q1, flash)

##### GREECE

- May 11
  - Industrial prod (Mar)
  - Eurogroup meeting
- May 12: IMF loan repayment (ca €760mn)
- May 15: GDP (Q1, A)

##### CYPRUS

- May 12: HICP (Apr)
- May 13: GDP (Q1, p)

##### SEE

##### BULGARIA

- May 11: T-bonds auction
- May 8
  - Retail sales (Mar)
  - Industrial production (Mar)

##### ROMANIA

- May 11
  - 3.25% 2018 T-bonds auction
  - Trade balance (Mar)
- May 12
  - CPI (Apr)
  - Industrial production (Mar)
- May 13: GDP (Q1, A)
- May 14: 4.75% 2019 T-bonds auction
- May 15: CAD (Mar)

##### SERBIA

- May 11: MPC meeting
- May 12: HICP (Apr)
- May 14: 8% 2017 T-bonds auction

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Bucking the negative trend in Wall Street overnight, the majority of Asian and European stock markets moved broadly higher on Wednesday as downbeat macroeconomic data from China boosted hope of further stimulus by Chinese authorities.

**GREECE:** At an emergency teleconference y-day, the ECB reportedly renewed its approval for the provision of ELA facility to Greek banks and increased the funding ceiling by €1.1bn to €80bn. According to the same sources, Greek banks retain a liquidity buffer of c. 3.5bn as they have not yet used all of their ELA allowance. In other news, speaking to reporters y-day, European Commission spokeswoman Mina Antreeva was quoted saying that, if official discussions between the Greek authorities and the institutions continue intensively, a staff level agreement could potentially be reached in the next 10 days.

**CYPRUS:** HICP came in at -1.7%YoY in April from -1.4%YoY in March, remaining in a negative territory for the sixth month running.

### SOUTH EASTERN EUROPE

**ROMANIA:** In line with the market's consensus annual CPI eased slightly in April, coming in at 0.7%, from 0.8% in March, remaining within distance from February's record low of 0.4% and standing below the Central Bank's (NBR) 2.5+/-1% inflation target for the 7<sup>th</sup> month running.

**SERBIA:** HICP inched marginally down, to 1.8%YoY, in April from 1.9%YoY in the prior month, remaining below the lower bound of the Central Bank's (NBS) 4±1.5% target tolerance band for the 14<sup>th</sup> month running.

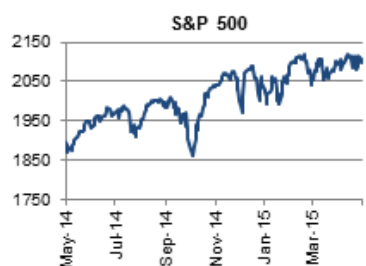
**CESEE MARKETS:** Tracking gains in major Asian and European stock markets, the majority of **emerging bourses** moved higher in European trade on Wednesday. **CESEE currencies** and **government bonds** broadly firmed earlier today after coming under pressure on Tuesday on the back of rising yields in core Eurozone and US government bonds.

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May 13, 2015

## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Bucking the negative trend in Wall Street overnight, the majority of Asian and European stock markets moved broadly higher on Wednesday as downbeat macroeconomic data from China boosted hope of further stimulus by Chinese authorities. In more detail, China's industrial production, fixed-asset investment and retail sales for the month of April all fell short of expectations. In FX markets, the EUR retained a firm tone receiving support from the recent rise in core Eurozone government bond yields, while the US dollar lost some ground as caution prevailed ahead of the retail sales data, due for release later in the day. Against this backdrop, the EUR/USD hovered around levels of 1.1252/53 at the time of writing, having bounced from yesterday's multi-session trough near 1.1135, approaching anew a multi-month high close to 1.1400 reached late last week.

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### GREECE

At an emergency teleconference y-day, the ECB reportedly renewed its approval for the provision of ELA facility to Greek banks and increased the funding ceiling by €1.1bn to €80bn. According to the same sources, Greek banks retain a liquidity buffer of c. 3.5bn as they have not yet used all of their ELA allowance. As a reminder, speaking in the press conference that followed the conclusion of the April 15 ECB meeting, President Mario Draghi clarified that the Central Bank will continue to extend the ELA facility for Greek banks provided that: (i) they are solvent; and (ii) they have adequate collateral. He acknowledged that the issue of increasing the haircut on collateral used by Greek banks to draw liquidity from the ELA facility "was mentioned, not discussed" in the meeting adding that the Governing Council decided to "come back on this issue in due time". Note that the Statute of the European System of Central Banks and of the ECB (Art. 14.4), assigns the ECB Governing Council responsibility for restricting ELA operation should it consider that activation of ELA "interferes with the objectives and tasks of the Eurosystem" (i.e. violates the Treaty's prohibition of monetary financing). Such decisions can be taken with a majority of two-thirds of the votes cast. In other news, speaking to reporters y-day, European Commission spokeswoman Mina Antreeva was quoted saying that, if official discussions between the Greek authorities and the institutions continue intensively, a staff level agreement could potentially be reached in the next 10 days.

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### CYPRUS

HICP came in at -1.7%YoY in April from -1.4%YoY in March, remaining in a negative territory for the sixth month running. The indicated acceleration in deflation was primarily driven by a 9.1%YoY decrease in the housing, water, electricity and gas sector following an 8.3%YoY drop in March. The transport sub-index also fell on an annual basis, marking a 6.0% drop, nearly in line with the prior month's 6.1% fall. On the flipside, food & non-alcoholic beverages as well as alcoholic beverages & tobacco rose by 1.0%YoY each.

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CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.8	0.4
HICP (pa, yoy %)	0.4	-1.4	0.7
Budget Balance/GDP	-4.9	-3.0	-3.0
Current Account/GDP	-1.9	-1.1	-0.8

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

## Latest world economic & market developments in the CESEE region

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.5	2.9	2.7
CPI (pa, yoy %)	4.0	1.3	2.6
Budget Balance/GDP *	-2.5	-1.9	-2.0
Current Account/GDP	-1.1	-1.2	-0.5
EUR/RON (eop)	4.46	4.40	
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	2.00	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	-0.5
CPI (pa, yoy %)	7.9	2.1	3.5
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.0	-4.7
EUR/RSD (eop)	114.60	120.96	125.00
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	6.50	6.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



### Credit Ratings

L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

### ROMANIA

In line with the market's consensus, annual CPI eased slightly in April, coming in at 0.7%, from 0.8% in March, remaining within distance from February's record low of 0.4% and standing below the Central Bank's (NBR) 2.5+/-1% inflation target for the 7<sup>th</sup> month running. Looking ahead, CPI is likely to ease further in the coming months and possibly slide into a negative territory in H2 2015 on the back of tax cuts planned to come into effect in June this year. Up until now, the benign inflation environment had provided leeway for the Central Bank to deliver a cumulative of 150bps rate cuts since last August. Nonetheless, we anticipate the NBR to remain on hold in the next couple of meetings given lingering external uncertainties, fiscal slippage risks stemming from the government's ambitious tax-cut plans and the impact from the release of RON3bn extra liquidity in the money market. In other data releases, industrial production rose by 2.9%YoY in March, in line with the market's median forecast, following a revised increase of 3.3%YoY (from 3.1%YoY reported initially) in the prior month.

### SERBIA

HICP inched marginally down, to 1.8%YoY, in April from 1.9%YoY in the prior month, remaining below the lower bound of the Central Bank's (NBS) 4±1.5% target tolerance band for the 14<sup>th</sup> month running. In all, the data confirms weak inflation pressures amid low global oil prices, while the domestic economy remains well below potential. Delays in planned regulated price hikes, such as a 15% hike in electricity costs, initially planned to come into effect in April and currently deferred for June, also bode well for low inflation. All in all the data does not change our view that the door is open for further monetary easing in the months ahead. However, we reiterate that the room for such action seems rather limited as any such moves are likely to be of measured size amidst lingering external uncertainties and risks to the government's fiscal consolidation plans. It is also worth noting that the impact of monetary easing on credit activity is likely to prove rather limited as ca 70% of loans are EUR linked. Additionally, a significant further reduction in the key policy rate may weigh on the local government market.

### CESEE MARKETS

Tracking gains in major Asian and European stock markets, the majority of **emerging bourses** moved higher in European trade on Wednesday. **CESEE currencies** and **government bonds** broadly firmed earlier today after coming under pressure on Tuesday on the back of rising yields in core Eurozone and US government bonds. In FX markets, the Polish zloty led the recovery, with the EUR/PLN easing towards 4.0745 in European trade from yesterday's multi-week peak slightly above 4.1100 hit amid mounting domestic political uncertainty after the ruling Civic Platform party's presidential nominee and incumbent Bronislaw Komorowski unexpectedly came second in Sunday's first round of the polls. In the local rates markets, 10-year Polish yields were sliding by ca 5bps to 2.85% at the time of writing, trimming a cumulative 18bps rise on Monday and Tuesday.

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May 13, 2015

**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	2099.12	-0.3%	2.0%	EUR/USD	1.1248	0.3%	-7.0%	UST - 10yr	2.24	-1	7	GOLD	1194	0.0%	0.8%
Nikkei 225	19764.72	0.7%	13.3%	GBP/USD	1.5692	0.1%	0.7%	Bund-10yr	0.66	-2	12	BRENT CRUDE	176	0.0%	0.2%
STOXX 600	398.63	0.6%	16.4%	USD/JPY	119.83	0.0%	-0.1%	JGB - 10yr	0.46	1	13	LMEX	2949	1.2%	1.2%

**CESEE MARKETS**

**SERBIA**

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	5.10	-7	-481
1-week	5.63	-2	-438
1-month	6.16	-9	-389
3-month	6.57	-24	-328
6-month	7.11	-17	-268

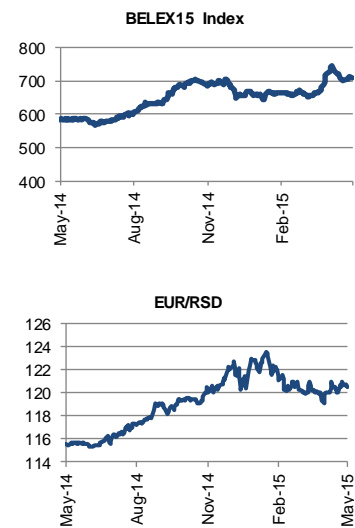
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	8.25	0	-83
5Y RSD	9.16	-1	-102
7Y RSD	9.80	0	-227

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.67	-1	-59
USD Nov-24	6.47	1	-12

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	233	0	-57
10-year	286	0	-70

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	707.6	-0.15%	6.08%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	120.43	0.03%	0.77%



**ROMANIA**

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.74	-33	17
1-month	1.23	-7	32
3-month	1.36	-2	-34
6-month	1.56	-3	-45
12-month	1.6	-2	-42

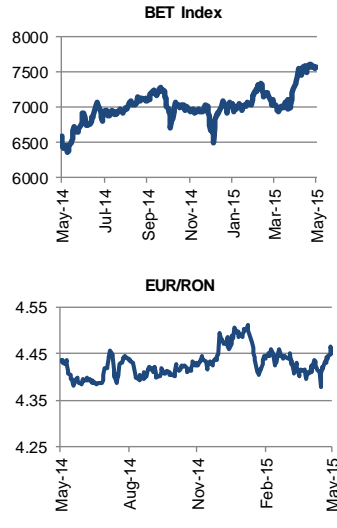
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	2.04	0	-27
5Y RON	2.57	1	-14
10Y RON	3.60	0	-6

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.71	0	-2
USD Aug-23	3.75	0	14

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	115	-2	-27
10-year	161	-3	-25

STOCKS			
	Last	ΔD	ΔYTD
BET	7558.4	0.01%	6.71%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4525	0.32%	0.70%



**BULGARIA**

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.17	0	-5
3-month	0.34	0	-9
6-month	0.67	0	-12
12-month	1.27	0	-23

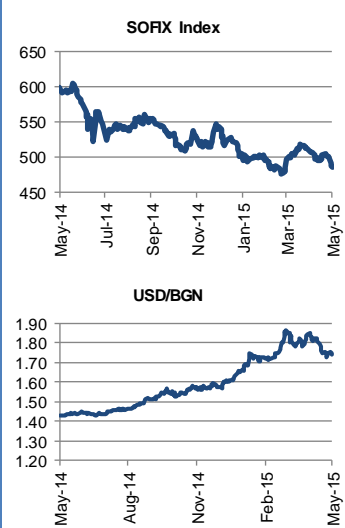
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.52	1	-52
5Y BGN	0.81	0	-64
10Y BGN	2.15	0	-60

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.79	0	-37
EUR Sep-24	2.45	48	-42

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	163	0	-28
10-year	213	-1	-27

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	485.8	-0.34%	-6.96%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7388	0.31%	-7.03%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 11.00 EET

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