

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- May 26-27: G7 Summit
- #### US
- May 24: New home sales (Apr)
 - May 26
 - Jobless claims (weekly)
 - Durable goods orders (Apr)
 - Pending home sales (Apr)
 - May 20
 - GDP (2nd est, Q116)
 - UoM consumer sentiment (May)

EUROZONE

- May 23: PMI manufacturing /services (May)
- May 24: DE:
 - GDP (details, Q116)
 - ZEW index (May)
- May 25: DE:
 - Gfk consumer confidence (May)
 - Ifo business climate (May)

GREECE

- May 23: Euro Working Group
- May 24: Eurogroup

SEE

BULGARIA

- May 27: Gross external debt (Apr)
- May 18: CAD (Mar)

ROMANIA

- May 23: 3.25% 2021 T-bond auction
- May 26: 2.5% 2019 T-bond auction

SERBIA

- May 25
 - 3.5% 2026 T-bonds auction
 - Real gross wages (Apr)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries remained under pressure and the USD retained a firm tone against most of its major currency peers following a string of hawkish comments by two Fed officials supporting expectations of further Fed rate tightening in the near future.

GREECE: Following recent approval by the Hellenic Parliament of the relevant legislation required for the implementation of prior actions attached to the 1st programme review, the Eurogroup which convenes later today (15:00 CEST) is reportedly expected to open the door for the release of the next loan tranche. With respect to debt relief, a number of press reports suggested that today's Eurogroup is unlikely to reach a final agreement as a divergence of views on the issue continues to exist between European creditors and the IMF.

SOUTH EASTERN EUROPE

CYPRUS: A more fragmented new parliament emerged from the elections in the Republic of Cyprus on May 22nd.

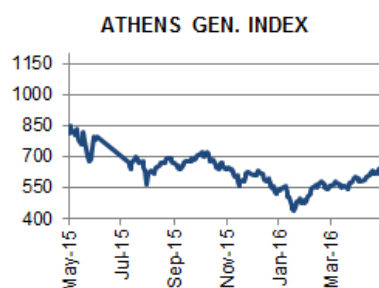
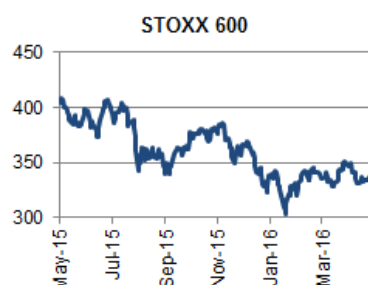
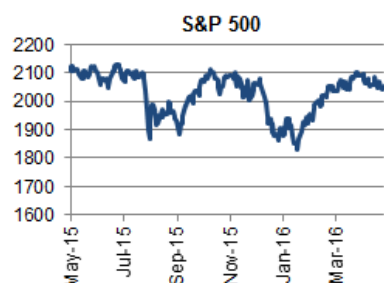
DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

May 24, 2016

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries remained under pressure and the USD retained a firm tone against most of its major currency peers following a string of hawkish comments by two Fed officials on Monday supporting expectations of further Fed rate tightening in the near future. Philadelphia Fed President Patrick Harker stressed that a June rate hike is appropriate unless US data disappoints while, adopting a similar stance, St. Louis Fed President James Bullard cautioned that holding interest rates too low for too long could cause financial instability in future. Short-dated US notes underperformed with the 2-yr paper yielding levels near 0.905% at the time of writing, not far from a multi-week closing high of 0.92% recorded a couple of sessions ago. Against a broadly firmer USD, the EUR/USD hit a session trough of 1.1167 earlier today, the lowest in near two months while the Euro area flash composite PMI for May which came in slightly weaker than expected, may also had an impact (down to 52.9 from 53.0 in April). Looking at today's calendar, focus is on US new home sales for April while BoE Governor Mark Carney and a number of MPC members will testify today before the Treasury Select Committee on the Bank's May Inflation Report.

GREECE

Following recent approval by the Hellenic Parliament of the relevant legislation required for the implementation of prior actions attached to the 1st programme review, the Eurogroup which convenes later today (15:00 CEST) is reportedly expected to open the door for the release of the next loan tranche. As per the same sources, the said tranche is likely to amount to €11bn consisting of €3.8bn for the clearance of state arrears and €7.2bn for the coverage of debt interest and amortization payments until November 2016. The former amount will be reportedly released in the form of monthly sub-tranches conditional on the accomplishment of certain prior actions. According to the Euroworking Group that met yesterday, certain issues related to the completion of the review need to be amended including the NPL resolution framework (e.g., without official creditors' consensus the relevant legislation envisioned NPLs collateralized with Greek State guarantees to be excluded indefinitely from the scope of permitted sales) or have yet to be fully completed (i.e., approval by the Hellenic Parliament of the privatization plan of the former Ellinikon International Airport). With respect to debt relief, a number of press reports suggested that today's Eurogroup is unlikely to reach a final agreement as a divergence of views on the issue continues to exist between European creditors and the IMF. In its updated debt sustainability analysis that was published yesterday, the IMF openly disputed Greece's capacity to sustain a primary surplus target of 3.5%-of-GDP in the long term "considering its still weak policy making institutions and projections suggesting that unemployment will remain at double digits for several decades". The IMF insisted that the DSA should be based on a primary surplus over the long-run of no more than 1.5%-of-GDP. It also underlined that any debt restructuring solution would need to meet two key objectives: (i) gross financing needs to be maintained with the 15-20% of GDP thresholds throughout the projection period (2060); and (ii) to ensure that "debt is on a sustained downward path". In addition, the Fund stressed that the implementation of debt relief should be completed by the end of the program period, contingent on program implementation. The IMF proposed several debt relief measures including maturing extension payment deferrals and a fixed interest rate up to 1.5% until 2040.

ppetropoulou@eurobank.gr

May 24, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

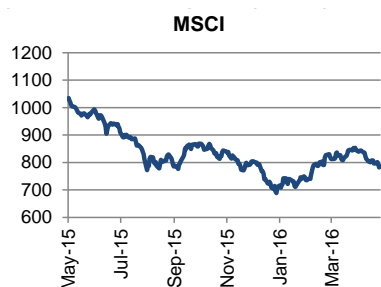
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.00

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	B1	BB-	B+

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

Latest world economic & market developments in the CESEE region

CYPRUS

A more fragmented new parliament emerged from the elections in the Republic of Cyprus on May 22nd. Despite the heightened electoral threshold (3.6% vs. 1.8% previously) plus one of the lowest voters' turnouts in the history of the Republic-the abstention rate was 32.6%-eight parties entered the new parliament. The ruling right-wing party DHSY gained 37.6% of the vote (18 seats), the main opposition left-wing party AKEL gained 25.7% (16 seats), and DHKO gained 14.5% (9 seats). Five other smaller parties, EDEK: 6.2% (3 seats), Citizens Alliance: 6.0% (3 seats), Solidarity: 5.2% (3 seats), Green Party: 4.8% (2 seats) and far right-wing ELAM: 3.7% (2 seats) were allocated a number of 13 seats compared to only 8 in the previous elections in 2011.

The parliamentary elections results are not a game changer as they have no direct impact on the formation of the government, as the system of the Republic is presidential. Nevertheless, elections are still considered a crucial test for the popularity of the incumbent President Anastasiadis whose term is set to expire in 2018. At first sight, it appears that the casualties for the ruling party are low yet not minimized. Even though DHSY was first in popular support, it still lost 3.5 ppts off their electoral base while their major opponent lost more than 7 ppts. A large part, if not all, of DHSY's lost votes were leaked to the Solidarity party whose leader was a former Euro parliament MP of DHSY. On the other hand, the ruling party will be more dependent on smaller parties to pass legislation in the parliament.

As the next Presidential elections will be approaching, it is also highly likely that the new parliament is going to be less friendly to the ruling party than the outgoing. This is not very encouraging given that there is a number of pending important structural reforms of the economic adjustment program that will allow the Cypriot economy not to backtrack. Still, a handful of unfinished structural reforms need to progress in the areas of privatizations, public and health sectors, while addressing the challenges of a still high NPLs stock 48.9% in February 2016, up from 45.8% in December 2015 together with a still relatively high ELA exposure (€3.2bn in April 2016 or 18.1% of projected GDP down from €11.4bn in March 2013)

Cyprus has made significant adjustment progress within the program in a number of areas including, but not limited to, restoring the health of the banking sector, a complete lift of capital controls, the fixing of public finances and addressing of earlier macroeconomic imbalances. After a three year recession in 2012-2014 the economy expanded by +1.6% YoY in 2015 and is expected to gain further momentum above +2% YoY in 2016. This forecast stands above the most recent EU Commission Spring forecast of +1.7%, as lower energy prices, strong sentiment improvement, the lagged effect from Euro depreciation, the lack of additional fiscal austerity measures and a flourishing tourism sector are expected to provide more support to consumption's recovery and net exports.

igkionis@eurobank.gr

May 24, 2016

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	2052.55	0.0%	0.4%	EUR/USD	1.1195	-0.3%	3.1%	UST - 10yr	1.83	-1	-44	GOLD	1246	-0.5%	17.4%
Nikkei 225	16654.60	-0.5%	-12.5%	GBP/USD	1.4476	-0.2%	-1.8%	Bund-10yr	0.17	1	-46	BRENT CRUDE	48	-2.0%	28.1%
STOXX 600	337.11	-0.3%	-7.8%	USD/JPY	109.43	0.7%	9.7%	JGB - 10yr	-0.09	2	-36	LMEX	2216	-0.1%	0.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	-2	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
3-month	3.29	0	-54
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-4	-22
5Y RSD	5.29	0	16
7Y RSD	6.63	0	-107

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.73	1	-43
USD Nov-24	6.23	0	-18

CDS

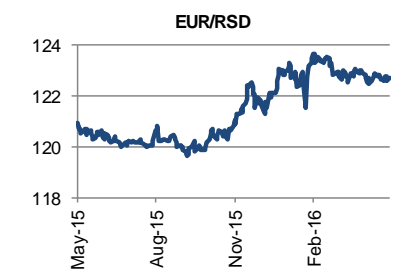
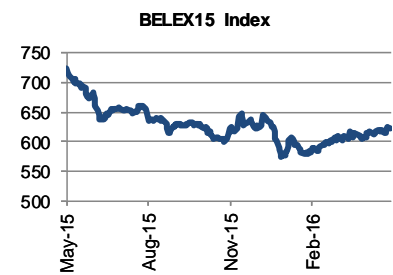
	Last	ΔDbps	ΔYTD bps
5-year	249	-6	-25
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	621.6	-0.25%	-3.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.69	0.01%	-0.91%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	0	-11
1-month	0.58	0	-11
3-month	0.75	0	-27
6-month	1.02	0	-32
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.67	0	-13
10Y RON	3.57	-1	-21

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.49	2	-8
USD Jan-24	3.52	-1	-26

CDS

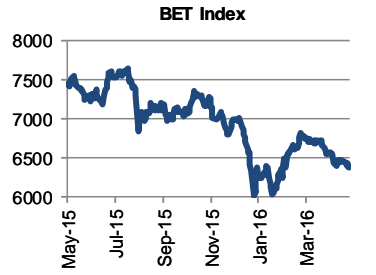
	Last	ΔDbps	ΔYTD bps
5-year	113	-2	-20
10-year	153	-2	-18

STOCKS

	Last	ΔD	ΔYTD
BET	6374.6	0.12%	-8.99%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5168	0.00%	-0.06%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	0	-30
3-month	-0.03	0	-29
6-month	0.11	0	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-21
5Y BGN	1.14	0	-14
10Y BGN	2.45	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	-29	-5
EUR Sep-24	2.36	-46	-6

CDS

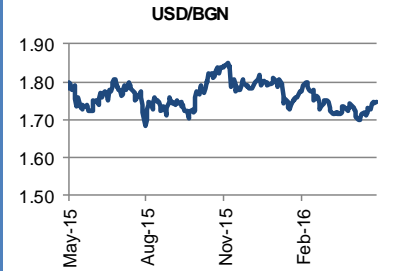
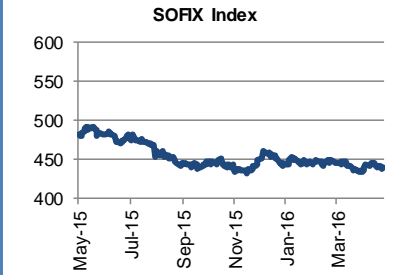
	Last	ΔDbps	ΔYTD bps
5-year	155	0	-17
10-year	200	0	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.2	0.12%	-4.71%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7419	0.12%	3.35%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:00 EEST of previous session

May 24, 2016

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
pmpetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Stylianos G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371226
sgogos@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

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

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 33 71 224

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

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

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 Economic Analysis and Financial Markets
Research

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

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

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

Follow us on twitter: <http://twitter.com/Eurobank>

