



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 25, 2016

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: Wall Street advanced on Tuesday following the US new home sales surge, which reinforced the view that the US economy is strong enough to withstand higher interest rates. Mirroring the positive tone in the US equity market, major Asian and European stock indices were trading higher today. Risk-on sentiment favored crude oil prices, while US Treasuries remained under pressure. In FX markets, the US dollar firmed yesterday against its major currency peers due to increased rate hike expectations amid upbeat US home sales and recent hawkish comments from various Fed officials.

GREECE: The Eurogroup welcomed the full staff level agreement on Greece in the early hours of May 25 2016. This agreement will permit the disbursement of the next tranche from the 3rd Economic Adjustment Programme, the implementation of the roadmap regarding the debt relief measures aiming to reduce Greek public debt as well as the expected full participation of the IMF in the programme before the end of 2016.

SOUTH EASTERN EUROPE

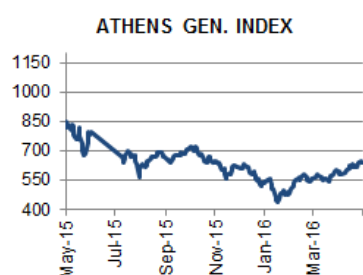
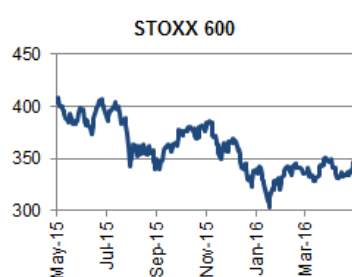
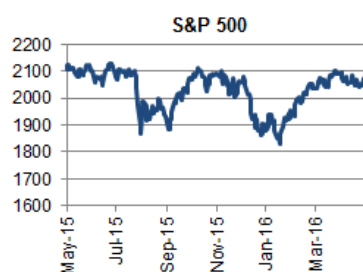
CESEE MARKETS: Trailing gains in major global bourses, **emerging stock markets** rallied earlier on Wednesday thanks to rising oil prices and upbeat data from the US that soothed worries over global growth prospects. Against this backdrop, a similar picture was witnessed in **regional currency and government bond markets** in European trade today.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street advanced on Tuesday following the US new home sales surge, which reinforced the view that the US economy is strong enough to withstand higher interest rates. In more detail, new home sales increased 16.6%MoM to 619k in April surpassing market expectations for a rise to 511k, while prior months' sales were revised higher by a total of 44k. Mirroring the positive tone in the US equity market, major Asian and European stock indices were trading higher today. Risk-on sentiment favored crude oil prices which moved towards 50\$/barrel after stockpiles declined extending yesterday's gains, while US Treasuries remained under pressure with the 2-yr paper yielding near a ten-week high of 0.9343% at the time of writing. In FX markets, the US dollar firmed yesterday against its major currency peers due to increased rate hike expectations amid upbeat US home sales and recent hawkish comments from various Fed officials, with the DXY index hovering around a two-month high of 95.660 in early European trade. Against this backdrop, the EUR/USD consolidated around levels of 1.1145/46 at the time of writing, within distance from a nine-week low of 1.1133 hit intraday yesterday. Technically, initial support lies at 1.1102 (200-day moving average), ahead of 1.1060 with the key psychological level standing at 1.1000. On the flipside, initial resistance holds at 1.1180, in the way to 1.1240. Elsewhere, the sterling strengthened significantly yesterday following a UK poll which showed a 13-point lead for the UK to remain in the European Union, with the GBP/USD hitting a one-week high of 1.4631/32 in early European trade today. Market focus centres on Germany's GfK Consumer Confidence Index for June, as well as May's IFO Business Climate.

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GREECE

Eurozone finance ministers – the Eurogroup – welcomed the full staff level agreement on Greece in the early hours of May 25 2016. This agreement will permit the disbursement of the next tranche from the 3rd Economic Adjustment Programme for Greece, the implementation of the roadmap regarding the debt relief measures aiming to reduce Greek public debt as well as the expected full participation of the IMF in the programme before the end of 2016. In more detail, on the basis of the two fiscal and reform packages that the Greek Parliament voted in the previous weeks and the results of the previous Eurogroup of May 9th, it was decided that the second tranche of the 3rd bailout programme totaling €10.3 bn will be disbursed in two installments. The first one, amounting to €7.5 bn, is expected in June and it will cover debt servicing needs (currently estimated at €4.4 bn for June and July) and the partial clearance of the general government arrears (totaling €6.7 bn in March according to the latest available data). The second sub-tranche will be at €2.8 bn, which will be used solely for arrears clearance, is expected to be disbursed in September at the earliest. The disbursement of the first sub-tranche is subject to certain conditionality regarding the amendments to the NPLs and the pension reform legislation, the progress on privatizations, bank governance, revenue agency and the energy sector. On the debt relief roadmap implementation, the short, medium and long term approach was used. The short term debt relief measures include the smoothing of the EFSF repayment profile under the current weighted average maturity, the use of the EFSF/ESM tools to reduce interest rate risk and the waiver of the step-up interest rate margin (to be applied in 2017) related to the debt-buy-back tranche of the 2nd Economic Adjustment Programme. The medium term measures will be applied after the end of the current programme, while the long term strategy will include a mechanism for additional debt relief conditional on the achievement of the Stability and Growth Pact targets. The yield on the 10-YRr GGB slid at 7.0% close to the 7-month low of November 2015 (6.9%), as a result of the news on the staff level agreement.

May 25, 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

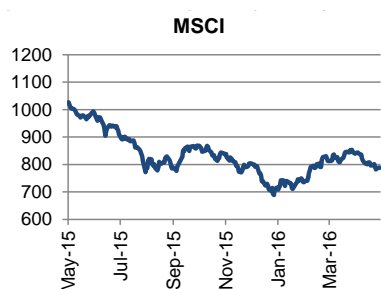
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Trailing gains in major global bourses, **emerging stock markets** rallied earlier on Wednesday thanks to rising oil prices and upbeat data from the US that soothed worries over global growth prospects. Despite increased expectations for a Fed rate hike in the coming months and the ensuing strengthening of the US dollar, the MSCI Emerging Markets index firmed more than 1% in Asian trade today, while CESEE indices opened in the black.

Against this backdrop, a similar picture was witnessed in **regional currency and government bond markets** in European trade. In the FX market, the Turkish lira extended yesterday's rally earlier today. The currency rallied strongly over the last couple of sessions reaching a 2-week peak of 2.9280/\$ earlier on Wednesday, after new Prime Minister Binali Yildirim announced on Tuesday a cabinet reshuffle that signaled a continuation of the policies pursued by the previous administration. Despite nearly half of the cabinet having been replaced, the economic team remained largely unchanged. Among those retaining their posts were Deputy Prime Minister Mehmet Simsek, Finance Minister Naci Abgal and Foreign Minister Mevlut Cavusoglu. The new Premier, who officially took over office from predecessor Ahmet Davutoglu on Tuesday, outlined yesterday his government's programme to Parliament. Among the top priorities named were the enhancement of economic activity, primarily via increased production, as well as investments and job creation, while maintaining fiscal discipline. He also pledged to safeguard the Central Bank independence, pursue structural reforms and change the constitution.

Elsewhere, the Hungarian forint retained a firm tone, gaining further ground against hard currency peers after the Central Bank slashed, as was broadly expected, to 0.90% from 1.05% previously, but signaled that the current monetary easing cycle may have come to an end. In this context, the EUR/HUF slid to an intraday low near 314.35 recoiling further below a 4-month peak of 317.84 hit late last week, and approaching a multi-session trough close to 314.10 hit after Fitch's upgrade announcement on Friday. In more detail, Fitch revised higher by one notch Hungary's sovereign long-term foreign currency rating to 'BBB-', with stable outlook, citing reduced vulnerabilities and improved external imbalances.

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May 25, 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	2076.06	1.4%	1.6%	EUR/USD	1.1153	0.1%	2.7%	UST - 10yr	1.87	1	-40	GOLD	1221	-0.5%	15.0%
Nikkei 225	16757.35	1.6%	-12.0%	GBP/USD	1.4634	0.0%	-0.7%	Bund-10yr	0.18	0	-45	BRENT CRUDE	49	0.9%	31.6%
STOXX 600	347.40	1.0%	-5.0%	USD/JPY	110.12	-0.1%	9.0%	JGB - 10yr	-0.08	2	-35	LMEX	2211	0.3%	0.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	-1	-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	3.28	-4	-27
5Y RSD	5.29	0	16
7Y RSD	6.62	-1	-108

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.71	0	-46
USD Nov-24	6.22	0	-19

CDS

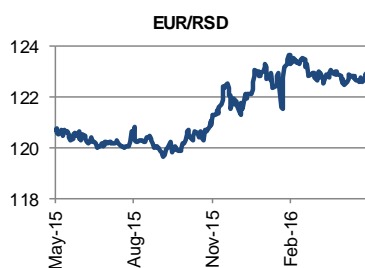
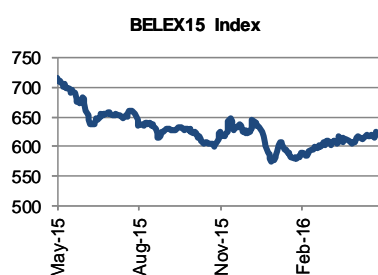
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-24
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	626.8	0.64%	-2.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.95	-0.02%	-1.11%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	2	-6
1-month	0.58	0	-11
3-month	0.75	0	-27
6-month	1.02	-1	-32
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.80	0	-13
5Y RON	2.68	0	-12
10Y RON	3.59	1	-19

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.47	0	-10
USD Jan-24	3.52	0	-26

CDS

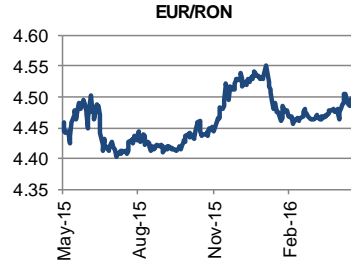
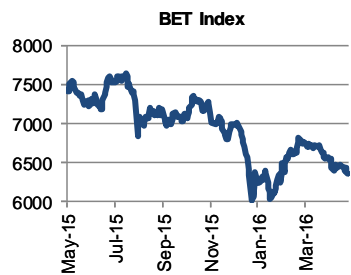
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6418.7	0.20%	-8.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5067	0.04%	0.16%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	0	-30
3-month	-0.03	0	-29
6-month	0.11	-1	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-21
5Y BGN	1.13	0	-14
10Y BGN	2.46	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	0	-2
EUR Sep-24	2.31	44	-11

CDS

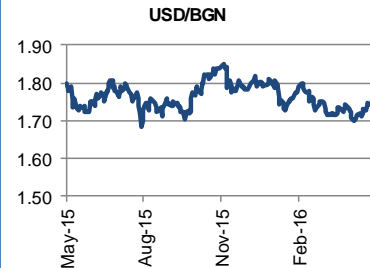
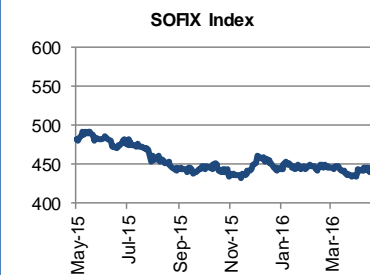
	Last	ΔDbps	ΔYTD bps
5-year	153	0	-19
10-year	198	0	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.1	-0.02%	-4.73%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7538	0.14%	2.65%



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

Data updated as of 12:30 EEST

May 25, 2016

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