

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 31:
  - Personal income & spending (Apr)
  - CB consumer sentiment (May)
- June 1:
  - ISM index manuf. (May)
  - Fed's Beige Book
- June 2:
  - ADP employment change (May)
  - Initial jobless claims (May 28)
- June 3
  - Trade balance (Apr)
  - Non-farm payrolls (May)
  - ISM index (non-manuf. May)

##### EUROZONE

- May 30: Economic sentiment indicator (May)
- May 31:
  - M3 (Apr)
  - Consumer prices (May)
- June 1: PMI manuf. (final, May)
- June 2: ECB monetary policy meeting

##### SEE

##### BULGARIA

- May 31: Base Interest Rate (June)
- May 31: Budget Balance (Apr)

##### ROMANIA

- May 31: ILO Unemployment Rate (Apr)
- June 2: PPI (Apr)
- June 3: Retail Sales (Apr)

##### SERBIA

- May 31: Trade Balance (Apr)
- May 31: Retail Sales (Apr)
- May 31: Industrial Production (Apr)
- May 31: GDP NSA (Q1-2016, details)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The USD retained a firm tone and US Treasuries moved lower in European trade on Tuesday amid expectations that the Fed will likely raise interest rates near-term following a recent string of US encouraging data as well as more hawkish than expected comments by Chairperson Janet Yellen late last week. With several FOMC policy makers clearly inclined for higher interest rates in the next couple of months, market eyes are on upcoming US data including April's personal income and spending later in the day ahead of the key US non-farm payrolls report on Friday (June 3).

**GREECE:** According to the provisional data published yesterday by ELSTAT real GDP growth contracted by - 1.4% YoY in Q1 2016 on the back of lower private consumption, gross fixed capital investments and exports.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging stock markets resumed their uptrend earlier on Tuesday, with Chinese equity leading the way higher. In the CESEE region, most bourses stood in the black in European trade today, while currencies and government bonds were mixed.

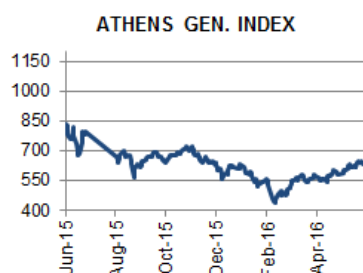
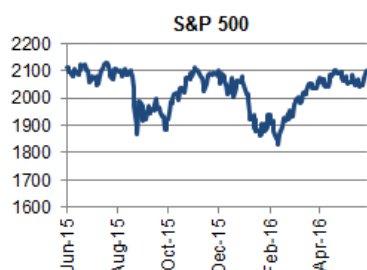
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May 31, 2016

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD retained a firm tone and US Treasuries moved lower in European trade on Tuesday amid expectations that the Fed will likely raise interest rates near-term following a recent string of encouraging US data as well as more hawkish than expected comments by Chairperson Janet Yellen late last week. The DXY index was hovering around 95.768 at the time of writing, close to a 2-month intraday peak of 95.968 marked in the prior session. The USD/JPY was holding near the 111.00 level, not far from a four-week high of 111.43 recorded earlier this week with the Japanese currency failing to capitalize much on an unexpected 0.3% MoM improvement in Japan's April industrial output. One of the major exceptions to the USD's broad strength was the AUD following a bulk of positive Australian data. Private sector credit grew by a higher than expected 6.7% YoY in April while the current account deficit narrowed in Q1 2016 to AUD\$20.8bn from AUD\$22.6bn in the prior quarter. The AUD/USD hit a session high of 0.7250 earlier today after ending at 0.7179 on Monday, the lowest level since early March 2016. Focus is on China's PMI report for the manufacturing sector due on Wednesday (June 1) which has the potential to push the AUD lower should it come in weaker than anticipated. Elsewhere, short-dated US sovereign paper underperformed with the 2-yr note yielding levels close to 0.934% at the time of writing, approaching a 2 ½ month intraday peak of 0.938% recorded a few sessions earlier after ending at 0.883% in the prior session. With several FOMC policy makers clearly inclined for higher interest rates in the next couple of months, market eyes are on upcoming US data including April's personal income and spending later in the day ahead of the key US non-farm payrolls report on Friday (June 3).

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### GREECE

The Greek Government reportedly aims to close until Wednesday (June 1) the open issues that will permit the successful conclusion of the 1<sup>st</sup> review of the programme. This will pave the way for the disbursement of the tranche of the €7.5 bn from the ESM loan by mid-June 2016 according to the staff level agreement reached at the Eurogroup of May 25 and the reinstatement of the waiver for the GGBs by the ECB on Thursday. Reportedly, the most important and difficult issues contain the inclusion of NPLs collateralized with State guarantees to the NPLs package eligible for transfer to non-banking institutions and the phasing out of the EKAS (social solidarity allowance for low-income pensioners). The Greek Government is currently trying to a) find ways to circumvent the negative effect that the inclusion of state guaranteed NPLs might have on the budget execution and b) to avoid the return of the EKAS retrospectively (from January - May 2016). The Hellenic Statistical Authority (EL.STAT.) published yesterday the provisional data of the quarterly national accounts for Q1 2016. Compared to the respective data estimates published on May 13th 2016, there was a slight downward revision in real GDP growth from -1.3% to -1.4% (seasonally adjusted data) on a yearly basis and from -0.4% to -0.5% on a quarterly basis. Private consumption contracted by -1.3% YoY/-0.4% QoQ. Government consumption contracted by -1.5% YoY contributing -0.3 ppts to real GDP growth. On the investment front, gross capital formation slightly contracted by -0.3% YoY, while on a quarterly basis it expanded by 7.5% QoQ. Gross fixed capital formation contracted by -2.7% YoY/-6.8% QoQ. Finally, foreign sector GDP components, exports declined by -11.7% YoY/ -3.3% QoQ and imports contracted by -12.8% YoY/ -0.3% QoQ.

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May 31, 2016

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

### CESEE MARKETS

Emerging stock markets resumed their uptrend earlier on Tuesday, with Chinese equity leading the way higher on speculation that yuan-denominated shares will be included in the MSCI global benchmark index for the first time next month. In this context, the MSCI Emerging Markets index stood modestly firmer in Asian trade having hit its highest level in three weeks earlier today. Despite this up-move, the index is poised to end the month with losses to the tune of nearly 4%, weighed down by increased expectations for a Fed rate hike in the near future.

In the CESEE region, most bourses stood in the black in European trade today, while currencies and government bonds were mixed. In the FX markets, the polish zloty broadly outperformed its regional peers, with the EUR/PLN sliding to a near 2-week low of 4.3745 earlier today after the release of final Q1 2016 GDP data. In more detail, real GDP growth was confirmed at 3.0%YoY, following a 4.3%YoY expansion in the prior quarter. Private consumption and inventories were the main drivers of economic activity, while investments fell by 1.8%YoY in the January-March period and net exports also provided a negative contribution as imports growth of 9.3%YoY outpaced a 6.9%YoY concomitant rise in exports.

Today, the final Q1 2016 GDP growth reading in Serbia and CPI for May in Poland lure market attention. From a global perspective, US data due for release later this week, such as the PCE deflator for April, the ISM manufacturing and the non-farm payrolls both for May on Friday, will likely be closely scrutinized by market participants as they may provide some indication about the Fed's monetary policy deliberations ahead. A meeting of the Organization of the Petroleum Exporting Countries (OPEC) that will be held on Thursday is also in focus, though the market's median forecast is that there will not be any major changes announced.

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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

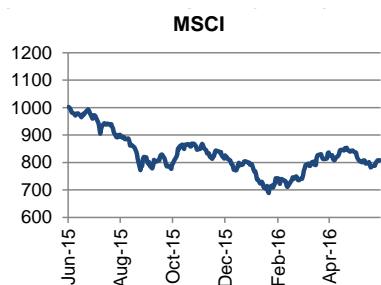
ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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

May 31, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities																																																																
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**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	2	-16
1-week	2.98	2	-21
1-month	3.12	2	-39
3-month	3.29	-3	-54
6-month	3.54	-2	-49

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	0	-11
5Y RSD	5.29	0	16
7Y RSD	5.90	-2	-180

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.65	-2	-52
USD Nov-24	6.22	0	-20

**CDS**

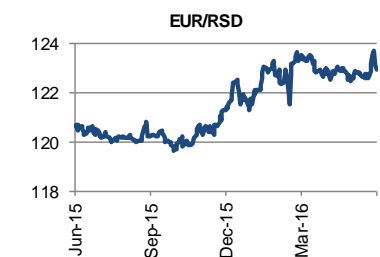
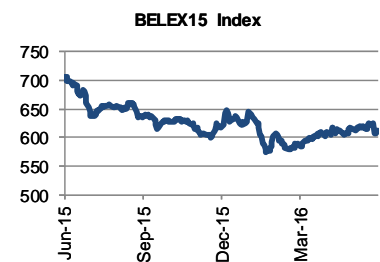
	Last	ΔDbps	ΔYTD bps
5-year	249	-1	-25
10-year	291	0	-48

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	613.1	0.16%	-4.81%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.94	0.13%	-1.10%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-10
1-month	0.58	1	-11
3-month	0.75	0	-27
6-month	1.01	1	-33
12-month	1.17	1	-35

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.81	1	-12
5Y RON	2.69	1	-11
10Y RON	3.61	3	-17

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.47	#N/A	N/A
USD Jan-24	3.48	-3	-30

**CDS**

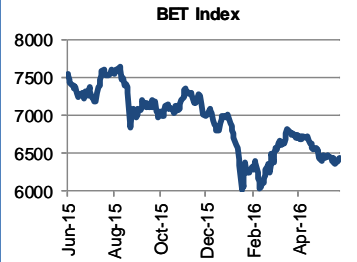
	Last	ΔDbps	ΔYTD bps
5-year	111	-4	-22
10-year	151	-4	-20

**STOCKS**

	Last	ΔD	ΔYTD
BET	6393.6	0.67%	-8.72%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5105	-0.18%	0.08%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	0	-29
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	0.41	1	-20
5Y BGN	1.15	3	-12
10Y BGN	2.43	0	-22

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.32	0	-39
EUR Sep-24	2.31	-4	-11

**CDS**

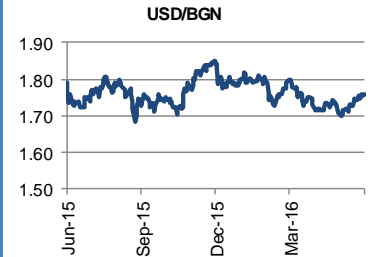
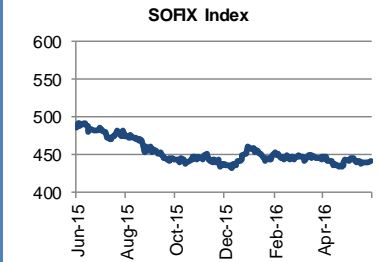
	Last	ΔDbps	ΔYTD bps
5-year	154	1	-18
10-year	198	1	-18

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	441.4	0.07%	-4.24%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7574	-0.08%	2.44%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:15EEST

May 31, 2016

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