



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 01, 2016

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 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 majority of global equity markets were weaker on Wednesday pressured by lower oil prices ahead of an OPEC meeting on Thursday as well as renewed concerns about the sustainability of the global economic recovery. The latest bout of risk aversion favored the safe-haven appeal of the JPY while the AUD was also among the main outperformers supported by positive domestic data. Looking at today's calendar, the US manufacturing ISM for May and the release of the Fed's Beige Book take centre stage ahead of the key US non-farm payrolls report on Friday.

GREECE: According to the local press, the Greek government and official creditors have managed to edge closer to a compromise on most of the outstanding prior actions required to be fulfilled for the release of the next ESM loan tranche. The main stumbling block remains the request by official creditors for an amendment of the legislation related to the NPL resolution framework so that it applies also to NPLs collateralized with Greek State guarantees. A decision on the issue is likely to be reached on Thursday when the Euroworking Group meets ahead of the June 16th Eurogroup.

SOUTH EASTERN EUROPE

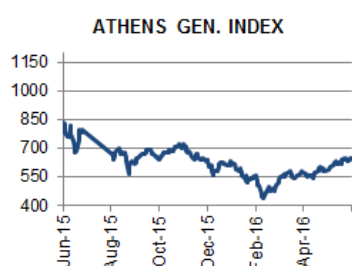
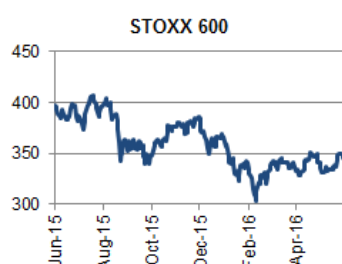
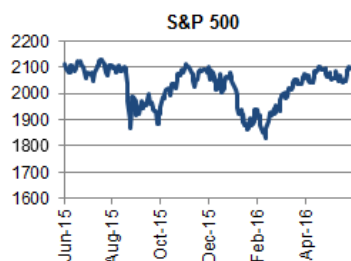
SERBIA: According to final data released yesterday by the Statistical Office of the Republic of Serbia, real GDP growth was confirmed at 3.5%YoY. This marks a significant acceleration from a 1.2%YoY increase a quarter earlier and compares with contraction of 1.8%YoY over the same period of 2015.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of global equity markets were weaker on Wednesday pressured by lower oil prices ahead of an OPEC meeting on Thursday and renewed concerns about the sustainability of the global economic recovery. The Caixin/Manufacturing Purchasing Managers' Index (PMI) revealed that activity at China's factories remained into contractionary territory in May for the 15th straight month coming in at a lower than expected 49.2 from 49.4 in the prior month. Adding to market woes about the growth prospects of China, the new orders component fell, a development that does not bode well for the sector's outlook. Elsewhere, US data released on Tuesday were mixed. US consumer spending rose by 1.0%MoM in April, the largest monthly gain in almost seven years. Yet, the Conference Board's consumer sentiment index for May dropped more than expected coming in at 92.6, down 2.1pts from April. In FX markets, the latest bout of risk aversion favored the safe-haven appeal of the JPY with the USD/JPY hovering around 110.05/10 in European trade at the time of writing, having retreated from an intraday high of 111.34 recorded in the prior session following a move below the technically important level of 110.30 earlier today. The AUD was also among the main outperformers supported by Australian data released earlier today which showed that Q1 GDP grew by 1.1%QoQ from an upwardly revised 0.7%QoQ in the prior quarter and above 0.8%QoQ expected. Against this background, the AUD retained a firm tone for the second session in a row with the AUD/USD hitting a multi-session peak of 0.7299 earlier today after testing levels slightly below 0.7150 at some point earlier this week. Looking at today's calendar, the US manufacturing ISM for May and the release of the Fed's Beige Book take centre stage ahead of the key US non-farm payrolls report on Friday (June 3).

GREECE

According to the local press, the Greek government and official creditors have managed to edge closer to a compromise on most of the outstanding prior actions required to be fulfilled for the release of the next ESM loan tranche. The main stumbling block remains the request by official creditors for an amendment of the legislation related to the NPL resolution framework so that it applies also to NPLs collateralized with Greek State guarantees. Official discussions on the issue will reportedly continue and a decision is likely to be reached on Thursday when the Euroworking Group meets ahead of the June 16th Eurogroup. Meanwhile, Speaker of the Hellenic Parliament Nikolaos Voutsis announced that a bill containing amendments to the recently endorsed omnibus that incorporates the legislative law for the implementation of a number of prior actions attached to the review, will be discussed in Parliament on Wednesday and Thursday. According to the local press, the issue related to the potential reintroduction of the Greek collateral waiver is likely to be discussed at the upcoming ECB monetary policy on Thursday, June 2nd. Unless an agreement on all pending issues has been reached between the two sides by then, the ECB is likely to reach an agreement in principal making clear that the decision will be realized upon fulfillment by the Greek side of all open issues attached to the review. Elsewhere, Bank of Greece data revealed that euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) were little changed in April coming in at €121.426bn, down 0.03% from the prior month. Elsewhere, credit to domestic non-MFIs residents by domestic MFIs excluding the Bank of Greece, edged up in April to stand at €224.53bn from €224.102bn in the prior month which was the lowest level in nine years.

June 1, 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

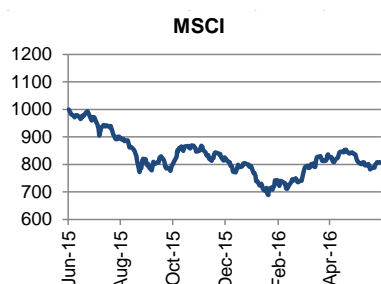
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

SERBIA

According to final data released yesterday by the Statistical Office of the Republic of Serbia, real GDP growth was confirmed at 3.5%YoY. This marks a significant acceleration from a 1.2%YoY increase a quarter earlier and compares with contraction of 1.8%YoY over the same period of 2015. Reflecting the ongoing improvement in domestic economic activity after the 2014 floods, it marks the highest annual rate of increase since Q4 2013 and the fourth consecutive quarter of positive annual growth rates.

The breakdown of the data revealed a broad-based improvement in nearly all sectors of the economy. From the production side, financial and insurance activities was the only exception to reveal some deterioration (to +1.6%YoY from +3.8%YoY in Q4 2015). Favorable base effects seemed to bear a significant impact, with agricultural production rising by 3.0%YoY after a contraction of 6.6%YoY in Q4 2015 and 8.4%YoY in Q1 2016. A similar picture was witnessed from the expenditure side with all categories staging a further recovery. In line with our expectations investments and exports remained the main engines of economic activity. Gross fixed capital formation remained robust, rising by 7.9%YoY, a tad faster from a 7.8%YoY in the last quarter of the prior year. Meanwhile, exports' growth of 11.5%YoY more than doubled from 5.5%YoY in Q4 2015, significantly outpacing a concomitant growth of 4.7%YoY (+5.1%YoY in the October-December 2015 period) which possibly reflected lower energy imports in view of the decline in global commodity prices. Following nine consecutive quarters of annual declines, household expenditure rose by 0.7%YoY in Q1 2016. Meanwhile, government consumption growth also picked up pace coming in at 3.2%YoY from 0.8%YoY a quarter earlier despite ongoing fiscal consolidation.

All in all, the data confirmed that last year's positive trends seem to have continued into early 2016. Also in support of the aforementioned have been higher frequency data for the January-April period. Industrial production growth and retail trade turnover both remained robust, coming in at +9.9%YoY each. External trade also continued to improve in the first four months of the year, with the corresponding deficit narrowing by 19.1%YoY, as exports rose by 11.9%YoY, while imports posted a meagre advance of 3.4%YoY.

Looking ahead, real GDP growth is expected to accelerate to around 2.0% this year from 0.7% in 2015. Investments are anticipated to continue leading the recovery in view of improving business climate and higher public capital expenditure. Lower primary commodities prices – compared to last year - are also likely to continue favoring gross fixed capital formation as well as private spending. Cheaper debt servicing costs and subdued inflation pressures will also likely provide an additional lift to disposable income. Growth in private consumption is expected to pick up further pace as the impact of fiscal consolidation gradually wanes and private sector employment recovers. On the other hand, the net exports' contribution will likely become more neutral as the recovery in domestic demand backs a concomitant growth in imports.

June 1, 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	2096.96	-0.1%	2.6%	EUR/USD	1.1153	0.3%	2.7%	UST - 10yr	1.83	-1	-44	GOLD	1216	0.1%	14.6%
Nikkei 225	16955.73	-1.6%	-10.9%	GBP/USD	1.4473	-0.1%	-1.8%	Bund-10yr	0.13	-1	-50	BRENT CRUDE	49	-1.4%	32.0%
STOXX 600	344.83	-0.8%	-5.7%	USD/JPY	109.94	0.7%	9.2%	JGB - 10yr	-0.11	-1	-38	LMEX	2247	-0.1%	2.0%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	287	0	-16
1-week	2.97	-1	-22
1-month	3.12	0	-39
3-month	3.31	2	-52
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	0	-11
5Y RSD	5.29	0	16
7Y RSD	5.80	-2	-189

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.60	-1	-56
USD Nov-24	6.21	-1	-20

CDS

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

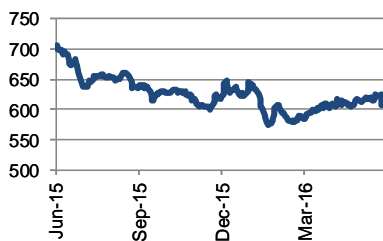
STOCKS

	Last	ΔD	ΔYTD
BELEX15	614.5	-0.09%	-4.60%

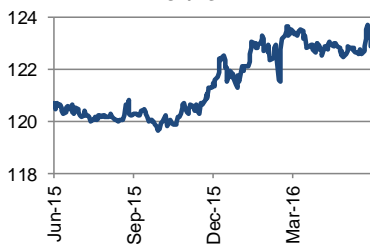
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.88	0.02%	-1.06%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.42	-1	-11
1-month	0.58	0	-11
3-month	0.75	0	-27
6-month	1.01	0	-33
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.81	0	-12
5Y RON	2.69	0	-11
10Y RON	3.61	1	-17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.44	#N/A	N/A
USD Jan-24	3.52	-5	-27

CDS

	Last	ΔDbps	ΔYTD bps
5-year	115	4	-18
10-year	158	7	-14

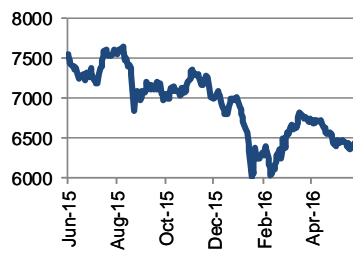
STOCKS

	Last	ΔD	ΔYTD
BET	6423.3	0.99%	-8.29%

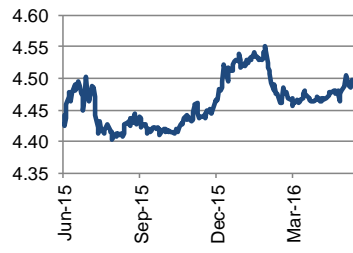
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.516	0.04%	-0.04%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	-0.21	19	-22
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	0.42	1	-19
5Y BGN	1.17	2	-10
10Y BGN	2.47	0	-19

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.45	-86	38
EUR Sep-24	2.33	-14	-9

CDS

	Last	ΔDbps	ΔYTD bps
5-year	154	1	-17
10-year	198	0	-18

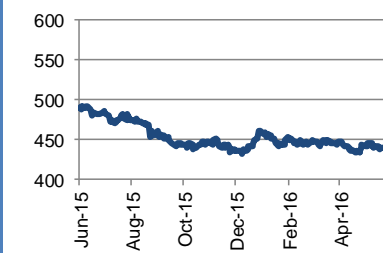
STOCKS

	Last	ΔD	ΔYTD
SOFIX	440.3	-0.23%	-4.47%

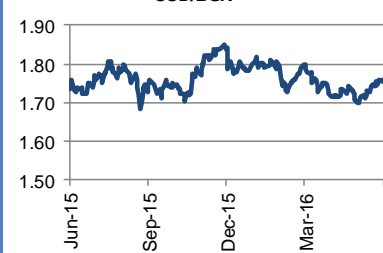
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7538	0.19%	2.65%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:10EEST

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