

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 ECB's Governing Council meets later today and is widely expected to stay put on its monetary policy. OPEC also convenes today and a potential output ceiling is expected to be an issue of discussions. On the data front, focus is on the US' ADP employment report ahead of Friday's key non-farm payrolls data for the month of May.

GREECE: Aiming at a swift fulfillment of the remaining open issues attached to the review, the Greek government reportedly submitted to the Hellenic Parliament late yesterday a series of draft amendments on the recently approved omnibus bills that incorporate the legislative laws required for the implementation of all prior actions. The relevant draft bill is reportedly expected to come for vote by the end of the week, a development that is anticipated to open the way for the release of the €7.5bn sub-tranche. In other news, Greece's manufacturing activity shrank for the fourth month in a row in May with the seasonally adjusted Markit manufacturing Purchasing Managers' Index (PMI) falling to 48.4 from April's 49.7.

SOUTH EASTERN EUROPE

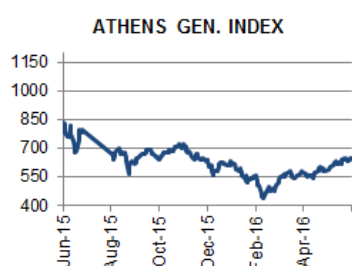
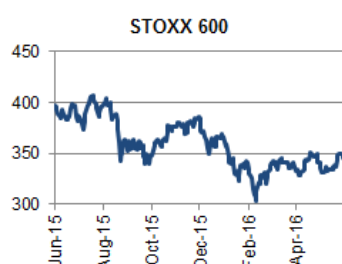
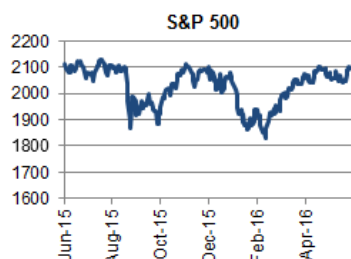
CESEE MARKETS: The majority of emerging market stocks treaded water in European trade on Thursday as caution prevailed ahead of upcoming key data releases from the US this week as well as in view of the ECB's monetary meeting and a meeting of the Organization of the Petroleum Exporting Countries (OPEC), both due today.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Factory surveys released on Wednesday showed that global manufacturing activity remained weak in May as new orders barely accelerated. Separately, in its twice-yearly Global Economic Outlook that was released yesterday, the OECD warned that the global economy is stuck in a “low growth trap” and negative shocks such as geopolitical events could push it “back into another deep downturn”. The US’ Markit manufacturing index PMI fell to 50.7, its lowest level since September 2008 from 50.8 in April. Markit’s final manufacturing PMI for the euro area dropped to a three-month low of 51.5 from April’s 51.7 while China’s official PMI was unchanged at the prior month’s level of 50.1, barely above the boom-or-bust level of 50.0. Investors’ cautious tone against risky assets today favored the safe-haven appeal of the JPY with the USD/JPY hitting a two-week low of 108.86 earlier today after testing levels near 111.50 a couple of sessions earlier. The Fed’s Beige Book which showed modest growth across most economic regions and ongoing improvement in the labor market failed to support the USD. Meanwhile, the official announcement by Japan’s Prime Minister Shinzo Abe that a planned sales tax increase to 10% from 8% currently will be delayed by 2 ½ years, exerted a positive impact on the JPY. The ECB’s Governing Council meets later today and is widely expected to stay put on its monetary policy. OPEC also convenes today and a potential output ceiling is expected to be an issue of discussions. On the data front, focus is on the US’ ADP employment report ahead of Friday’s key non-farm payrolls data for the month of May.

GREECE

Aiming at a swift fulfillment of the remaining open issues attached to the review, the Greek government reportedly submitted to the Hellenic Parliament late yesterday a series of draft amendments on the recently approved omnibus bills that incorporate the legislative laws required for the implementation of all prior actions. As per the same sources, the relevant draft bill is expected to come for vote by the end of the week, a development that is anticipated to open the way for the release of the €7.5bn sub-tranche. This has to follow: (i) the approval by the ESM of the compliance report for the 1st programme review, and (ii) conclusion of the necessary procedures in five euro area national parliaments-where it is required- for the disbursement of the sub-tranche to Greece. An unnamed Greek government official was quoted saying in the local press that the €7.5bn amount is expected to arrive in State coffers by June 13th. Meanwhile, the ECB’s Governing Council meets later today and the potential reintroduction of the Greek collateral waiver is expected to be included in the agenda. According to some press reports, the ECB is unlikely to reach a decision on the issue today. However, assuming that the required amendments will be approved by the Hellenic Parliament by the end of the week, the ECB is reportedly likely to decide the reinstatement of the waiver through a teleconference in the coming few sessions, ahead of its next meeting scheduled for June 22nd. In other news, Greece’s manufacturing activity shrank for the fourth month in a row in May with the seasonally adjusted Markit manufacturing Purchasing Managers’ Index (PMI) falling to 48.4 from April’s 49.7. May’s decline was mainly due to another solid drop in new order intakes which contracted at the fastest pace since September 2015. New export orders contracted for the 18th time in the past 19 months with manufacturing output returning to contractionary territory.

ppetropoulou@eurobank.gr

June 2, 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

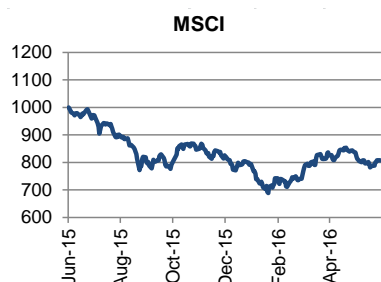
Latest world economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market stocks treaded water in European trade on Thursday as caution prevailed ahead of upcoming key data releases from the US this week as well as in view of the ECB's monetary meeting and a meeting of the Organization of the Petroleum Exporting Countries (OPEC), both due today. In this context the MSCI Emerging Markets index stood in a modestly positive territory earlier on Thursday, hovering around a near 1-month peak hit recently. Meanwhile, most bourses in the CESEE region were firmer. Romania's BET Index led the gains rising by 1.6% at the time of writing compared to the prior session's settlement. This follows yesterday's 1.7% advance.

On the flipside, the Polish WIG extended its recent downtrend, standing in a negative territory at the time of writing for the fifth consecutive session and having hit earlier in the day a 3 ½ month low. The European Commission issued a warning to the Polish government on Wednesday, allowing for a 2-week window to resolve areas of concerns over the rule of law. The ruling Law and Justice party (PiS) which came in power in October last year promoted changes in the legislation over the Constitutional Court and the media, sparking market concerns that these policies are undermining the institutions' independence. Caution also prevailed as market participants awaited details over a government-backed plan to convert mortgages denominated in CHF to PLN that is expected to weigh on the banking sector's balance sheet.

Elsewhere, CESEE currencies and government bonds were mixed. The Polish zloty broadly underperformed its regional peers following the European Commission's warning, while Brexit worries are also taking a toll on the region's most liquid currency. In this context, the EUR/PLN stood 0.2% higher on the day at 4.3940, bouncing further above a multi-session low of 4.3745 hit earlier in the week and approaching anew a 3 ½ month peak of 4.4575 tested a few days ago.

gphoka@eurobank.gr


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

June 2, 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	2086.95	-0.5%	2.1%	EUR/USD	1.1156	0.3%	2.8%	UST - 10yr	1.82	-3	-45	GOLD	1214	-0.1%	14.4%
Nikkei 225	16955.73	-1.6%	-10.9%	GBP/USD	1.4415	-0.5%	-2.2%	Bund-10yr	0.13	-1	-50	BRENT CRUDE	49	-2.1%	31.0%
STOXX 600	343.30	-1.2%	-6.2%	USD/JPY	109.39	1.2%	9.8%	JGB - 10yr	-0.11	-1	-38	LMEX	2247	-0.1%	2.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	290	3	-13
1-week	3.01	4	-18
1-month	3.19	7	-32
3-month	3.37	6	-46
6-month	3.61	7	-42

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.55	0	-11
5Y RSD	5.29	0	16
7Y RSD	5.79	-3	-191

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

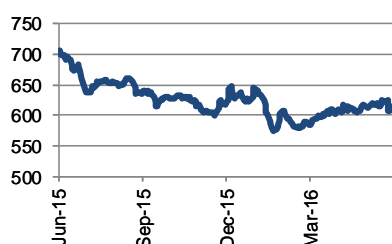
STOCKS

	Last	ΔD	ΔYTD
BELEX15	622.0	1.14%	-3.43%

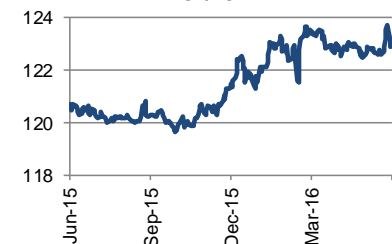
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.95	-0.04%	-1.11%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
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	2.68	0	-12
10Y RON	3.61	0	-17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.44	#N/A	N/A
USD Jan-24	3.55	-2	-23

CDS

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

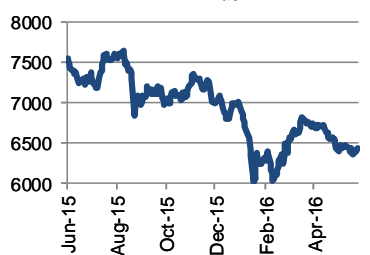
STOCKS

	Last	ΔD	ΔYTD
BET	6460.4	1.57%	-7.77%

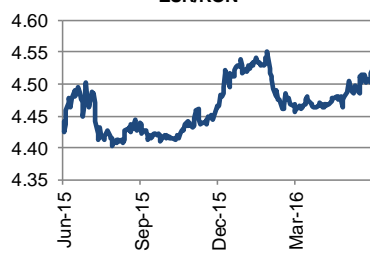
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5218	-0.09%	-0.17%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
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	0.40	0	-20
5Y BGN	1.14	-1	-14
10Y BGN	2.44	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.45	-86	38
EUR Sep-24	2.31	4	-11

CDS

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

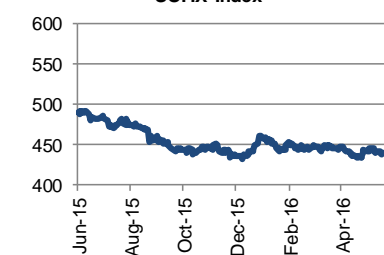
STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.4	0.24%	-4.02%

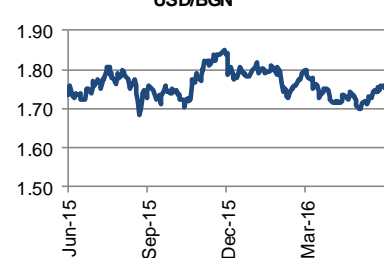
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7528	0.25%	2.71%

SOFIX Index



USD/BGN



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

June 2, 2016

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991
ppetropoulou@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias

+30 210 3718793
andimitriadou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias

+30 210 3718922
gphoka@eurobank.gr

Stylianos G. Gogos (Special Contributor)
Economic Analyst, Eurobank Ergasias

+30 210 3371226
sgogos@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias

+30 210 3337305
IGKIONIS@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

Dr. Platon Monokroussos: Group Chief Economist

pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist

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
ppetropoulou@eurobank.gr, + 30 210 37 18 991

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

Theodoros Stamatiou: Senior Economist

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

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