



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, June 06, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- June 6: Fed Chair Yellen speaks
- June 9: Jobless claims (June 4)
- June 10: UoM consumer sentiment (Jun, p)

##### EUROZONE

- June 7: GDP (Q1, f) breakdown
- June 9: ECB President Draghi speaks

#### SEE

##### BULGARIA

- June 7: GDP (Q1, f)
- June 8
  - Retail sales (Apr)
  - Industrial production (Apr)
- June 9: Trade balance (Apr)

##### ROMANIA

- June 6: 2.25% 2020 T-bonds auction
- June 7
  - GDP (Q1, f)
  - Net wages (Apr)
- June 9
  - 4.75% 2025 T-bonds auction
  - Trade balance (Apr)
- June 10
  - Industrial sales (Apr)
  - CPI (May)

##### SERBIA

- June 9
  - MPC meeting
  - 2018 T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The US' May non-farm payrolls report disappointed prompting a dovish shift in short-term Fed rate hike expectations. US Treasury yields tested fresh multi-week lows and the USD moved lower across the board. With the non-farm payrolls report out of the way, all eyes are now on Fed Chairperson Janet Yellen who is scheduled to speak later in the day and is expected to reiterate the Central Bank's gradual tightening bias.

**GREECE:** The Euroworking Group (EWG) is reportedly scheduled to convene later in the day via teleconference to assess the compliance report of the 1<sup>st</sup> programme review that was recently completed by official creditors. Upon approval, it is expected to give its consent for the release of the next ESM loan tranche to Greece amounting to €7.5bn.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equity market closed broadly higher on a weekly basis on Friday, thanks to upbeat Q1 corporate earnings reports. The broader positive trend in emerging markets, thanks to scaled back expectations for imminent Fed rate hikes, also appeared to favor.

**ROMANIA:** The EUR/RON hovered around the upper bound of its recent trading range last week, while there was no material change in money market rates, as the market remains very liquid in RON. A combination of hawkish Fed comments and the publication of a relatively heavy issuance calendar for June put some pressure on long term yields in the first part of the week, but weak US data released later reversed the trend, with yields broadly ending flat.

**SERBIA:** The EUR/RSD rebounded strongly late last week, from a weekly low of 122.75/95 hit on Wednesday. On the fixed income side, the Public debt agency announced the T-bill/bond auction calendar for June, where the government will try to raise RSD 31.7bn and EUR275mn in six separate tenders.

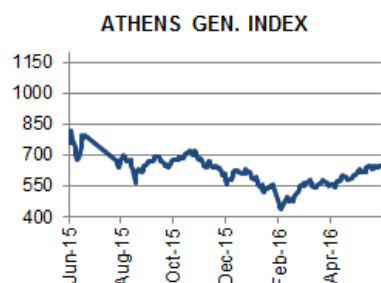
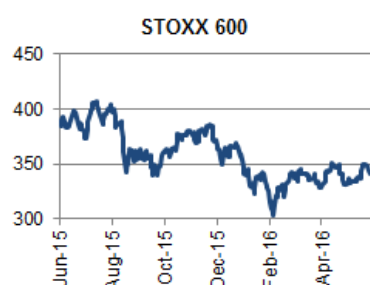
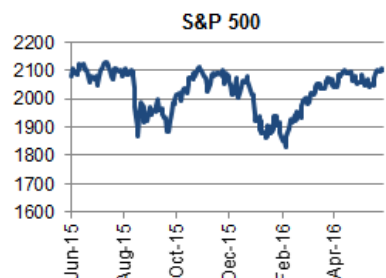
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June 6, 2016

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US' May non-farm payrolls report disappointed prompting a dovish shift in short-term Fed rate hike expectations. Non-farm payrolls rose by just 38k last month, the smallest gain since September 2010 and well below market consensus of 160k. Adding to the gloomy note of the report, the respective figures of the previous two months (March and April) were revised lower by 59k cumulatively. Average weekly hours fell to 34.4 while average hourly earnings rose by 0.2%MoM from 0.4%MoM in the prior month. The unemployment rate fell to a fresh multi-year low of 4.7% from 5.0% in April but that was due to a 0.2ppts drop in the labor force participation rate to 62.6%. Reacting to the poor US report, US Treasury yields tested fresh multi-week lows with the 10-yr paper yielding levels around 1.706% in European trade, within distance from a two-month trough of 1.697% recorded late on Friday. Fed funds futures currently price-in a 6% and 21% probability of a June and July Fed rate hike respectively vs. 21% and 58% last Friday ahead of the release of May's non-farm payrolls report. Meanwhile, the USD remained under pressure across the board. After testing levels near 96.00 a few sessions earlier, the DXY index was standing close to 94.242 in European trade at the time of writing, not far from a near three-week trough of 93.855 recorded on Friday. The EUR/USD was hovering around 1.1360/65 at the time of writing after moving above 1.1300 on Friday for the first time since mid-May. Separately, after marking a five-week trough of 106.35 earlier in the day, the USD/JPY recovered modestly to levels close to 107.15/20 in European trade amid renewed BoJ/MoF intervention fears. With the non-farm payrolls report out of the way, all eyes are now on Fed Chairperson Janet Yellen who is scheduled to speak later in the day and is expected to reiterate the Central Bank's gradual tightening bias. Besides the Fed Chairperson's speech, China's inflation data, US initial jobless claims (both due on Thursday, June 9) and US CB consumer confidence index (Friday, June 10), also feature high in this week's calendar.

### GREECE

The Euroworking Group (EWG) is reportedly scheduled to convene later in the day via teleconference to assess the compliance report of the 1<sup>st</sup> programme review that was recently completed by official creditors. Upon approval, it is expected to give its consent for the release of the next ESM loan tranche to Greece amounting to €7.5bn. Provided that things go as planned, the necessary procedures in several euro area parliaments –where required –for the clearance of the said tranche will commence thereafter so that the ESM Board of Directors can meet ahead of the June 16<sup>th</sup> Eurogroup to give the green light for the release of the said tranche. According to the local press, until late yesterday some issues required for the completion for the review were still open. These are: (i) the transfer of the State's 5% stake in Hellenic Telecommunications Organization S.A. (OTE) to the new privatization fund; (ii) the speed up of the signing of the MoU between the Greek government and preferred bidder Lamda Development for the privatization of Ellinikon; and (iii) parliamentary approval of the legislation related to the legal protection of officials employed in the new Privatization Fund and the Hellenic Republic Asset Development Fund. If the EWG does not reach a final decision today, it will reportedly reassess the issue at its next meeting on Thursday, June 9<sup>th</sup>. The next loan tranche is reportedly expected to arrive in State coffers by June 20<sup>th</sup>; out of that amount, €1.8bn will be reportedly channeled towards the clearance of State arrears and the remaining €5.7bn towards covering debt servicing needs. According to the Greek finance ministry, the total stock of state arrears (i.e., government debts outstanding for more than 3 months) stood at €6.674bn in March (including tax refunds arrears).

June 6, 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

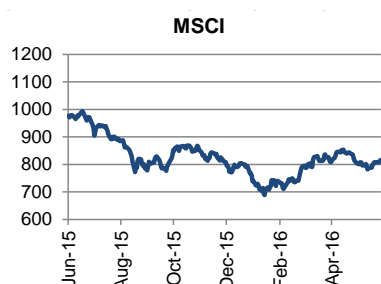
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

The domestic equity market closed broadly higher on a weekly basis on Friday, thanks to upbeat Q1 corporate earnings reports. The broader positive trend in emerging markets, thanks to scaled back expectations for imminent Fed rate hikes, also appeared to favor. In this environment, the main SOFIX index added ca 1% on the week, to a two-month high of 442.70 points, while the real estate benchmark BGREIT gained ground above 101 points for the first time since February 2008. Weekly turnover stood at EUR 1.9mn. Separately, the local sovereign bond market was little changed last week, with curve closing nearly unchanged. A similar picture was evidenced in the Bulgarian external debt market.

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### ROMANIA

The EUR/RON hovered around the upper bound of its recent trading range last week, having moved from 4.5030 at the end of the prior week to a 4-month high of 4.5240 on Thursday. The pair's technical picture suggests that immediate resistance lies around 4.5250, with the cross having failed to break higher and closing the week around 4.5200. There is still no material change in money market rates, as the market remains very liquid in RON, with the short term rates still stuck close to the deposit facility rate of 0.25%. The implied RON rate from swaps for the 1M maturity remained unchanged from the previous week at 0.50%, while the 12M rate decreased around 7 bps over the week to 0.73%. A combination of hawkish Fed comments and the publication of a relatively heavy issuance calendar for June have put some pressure on long term yields in the first part of the week, pushing them a few bps higher in very light trading. However weak US data at the end of the week reversed the trend, with yields recovering to close flat.

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### SERBIA

The EUR/RSD rebounded strongly late last week, from a weekly low of 122.75/95 hit on Wednesday. The pair's bullish momentum will likely continue, unless the National Bank of Serbia (NBS) intervenes anew in the FX markets in order to halt any further upside and slow down the pace of dinar depreciation. The area around 123.45 looks most likely for an initial intervention. On the fixed income side, the Public debt agency announced the T-bill/bond auction calendar for June, where the government will try to raise RSD 31.7bn and EUR275mn in six separate tenders.

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June 6, 2016

## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
S&P 500	2099.13	-0.3%	2.7%	EUR/USD	1.1354	-0.1%	4.6%	UST - 10yr	1.71	1	-56	GOLD	1241	-0.3%	16.9%
Nikkei 225	16580.03	-0.4%	-12.9%	GBP/USD	1.444	-0.6%	-2.0%	Bund-10yr	0.08	1	-55	BRENT CRUDE	50	1.0%	34.5%
STOXX 600	341.39	0.0%	-6.7%	USD/JPY	107.16	-0.6%	12.0%	JGB - 10yr	-0.11	-2	-38	LMEX	2260	1.2%	2.6%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	290	3	-13
1-week	3.01	2	-18
1-month	3.19	4	-32
3-month	3.38	3	-45
6-month	3.61	1	-42

#### RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	3.55	0	-12
5Y RSD	5.29	0	16
7Y RSD	5.77	0	-193

#### RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	2.47	-2	-70
USD Nov-24	6.22	0	-19

#### CDS

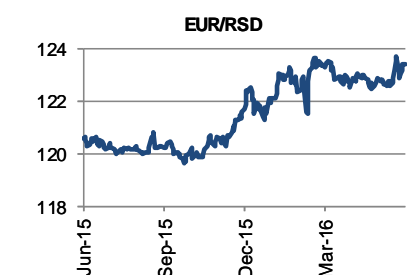
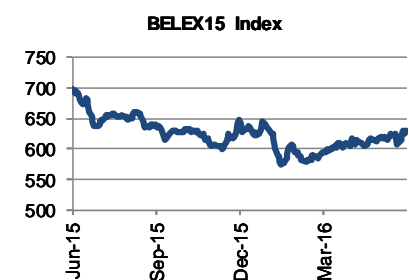
	Last	ΔD	ΔYTD
5-year	249	0	-25
10-year	291	-1	-48

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	630.0	0.87%	-2.19%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.56	-0.13%	-1.60%



### ROMANIA

#### Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.39	-1	-14
1-month	0.57	-1	-12
3-month	0.75	0	-27
6-month	1	0	-34
12-month	1.17	-1	-35

#### RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.79	-1	-14
5Y RON	2.67	-1	-13
10Y RON	3.58	-1	-20

#### RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	2.44	#N/A	N/A
USD Jan-24	3.41	-10	-37

#### CDS

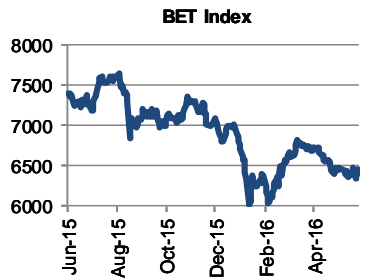
	Last	ΔD	ΔYTD
5-year	110	-1	-23
10-year	152	-2	-20

#### STOCKS

	Last	ΔD	ΔYTD
BET	6515.5	-0.46%	-6.98%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5186	0.03%	-0.10%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	-0.40	0	-41
1-month	-0.15	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	ΔD	ΔYTD
3Y BGN	0.40	-1	-21
5Y BGN	1.14	0	-13
10Y BGN	2.43	0	-22

#### BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	0.41	-48	34
EUR Sep-24	2.29	7	-13

#### CDS

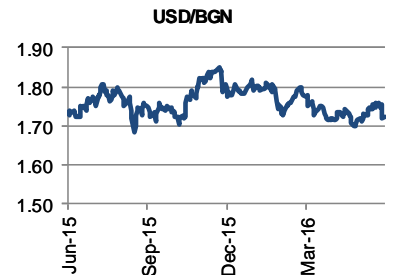
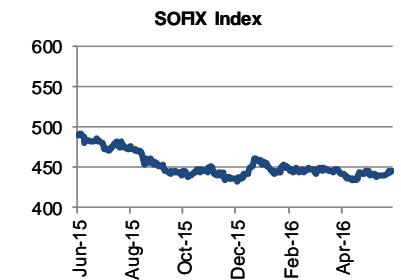
	Last	ΔD	ΔYTD
5-year	148	-1	-23
10-year	192	-2	-24

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.3	0.59%	-3.39%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7226	0.08%	4.51%



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

Data updated as of 12:10 EEST

June 6, 2016

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