



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, April 13, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

#### US

- April 13
  - Retail sales (Mar)
  - Business inventories (Feb)
- April 14
  - CPI (Mar)
  - Initial jobless claims
- April 15
  - Empire manufacturing (Apr)
  - Industrial production (Mar)
  - Univ. of Michigan Confidence (Apr, p.)
  - Total Net TIC flows (Feb)

#### EUROZONE

- April 13: Industrial production (Feb)
- April 14: CPI (Mar, f.)

#### GREECE

- April 12
  - Mission heads expected to depart from Athens
  - Building activity (Jan)
- April 15: IMF 2016 Spring Meeting

#### SEE

#### BULGARIA

- April 11: Trade balance (Feb)
- April 12: CPI (Mar)
- April 15: U/E rate (Mar)

#### ROMANIA

- April 11
  - CPI (Mar)
  - Trade Balance (Feb)
  - 2.25% 2020 T-bonds auction
- April 12: Industrial output (Feb)
- April 13: CAD (Feb)
- April 14: 3.25% 2022 T-bonds auction

#### SERBIA

- April 12: HICP (Mar)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Global oil prices were higher in European trade on a report suggesting that Russia and Saudi Arabia have agreed to freeze output ahead of the key April 17<sup>th</sup> meeting between members of OPEC and other major oil producers. Firmer oil prices and positive trade data from China, triggered a fresh bout of global risk appetite. Looking at today's calendar, focus is on US retail sales for March while the Fed releases its Beige Book at 20:00 CET.

**GREECE:** In a joint press conference yesterday, Greece's Minister of Finance Euclid Tsakalotos and Minister of Labor, Social Insurance and Social Solidarity Giorgos Katrougalos revealed that, even though there is still no staff level agreement with official creditors on the conditionality attached to the 1<sup>st</sup> programme review, the government intends to submit to Parliament next week two draft bills containing respectively the relevant legislation for the income tax reform and the overhaul of the social security pension system. According to the draft Memorandum of Financial and Economic Policies (MFEP) which was compiled during the last round of official discussions in the context of the programme review and was leaked to local newswires, the IMF claims that "despite generous concessional official financing and further reform plans" Greece's public debt is "highly unsustainable" and it would be essential for European creditors to "grant further official debt relief" to restore debt sustainability.

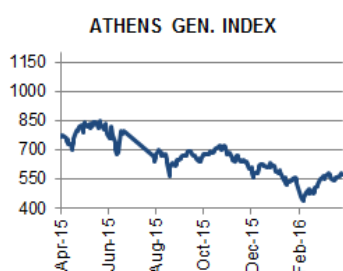
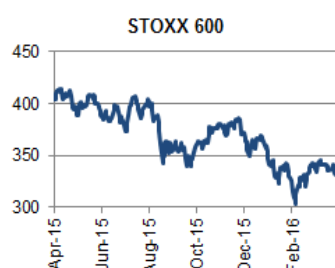
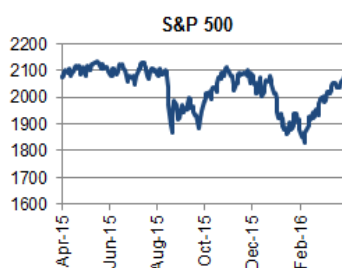
### SOUTH EASTERN EUROPE

**BULGARIA:** Inflation printed at -0.7% MoM/-1.5% YoY in March down from -0.3% MoM/-0.5% YoY in February.

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## BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Global oil prices were higher in European trade on Wednesday on a report suggesting that Russia and Saudi Arabia have agreed to freeze output ahead of the key April 17<sup>th</sup> meeting between members of OPEC and other major oil producers. Brent crude was hovering around \$44.32/barrel at the time of writing, close to Tuesday's \$44.69/barrel four-month closing high and up by around 17% on a weekly basis. Firmer oil prices and positive trade data from China, triggered a fresh bout of global risk appetite with the FTSE 300 index standing close to a two-week high of 1,335pts in early European trade. China's exports rose by 11.5%YoY in March, the first increase in the last ten months, while imports fell by a lower than expected 7.6%YoY. Increased risk appetite weighed on the JPY with the USD/JPY recovering to levels around 109.00 after testing levels near 107.80 at some point in the prior session. Looking at today's calendar, focus is on US retail sales for March while the Fed releases its Beige Book at 20:00 CET.

### GREECE

In a joint press conference yesterday, Greece's Minister of Finance Euclid Tsakalotos and Minister of Labor, Social Insurance and Social Solidarity Giorgos Katrougalos revealed that, even though there is still no staff level agreement with official creditors on the conditionality attached to the 1<sup>st</sup> programme review, the government intends to submit to Parliament next week two draft bills containing respectively the relevant legislation for the income tax reform and the overhaul of the social security pension system. The finance minister suggested that the final bills will come for vote by the end of the month, indicating that they may become subject to alterations after official creditors' counterproposals. In addition, Mr. Tsakalotos suggested that if a final agreement with the institutions is not reached in time for the April 22<sup>nd</sup> Eurogroup, euro area finance minister could hold an extraordinary meeting on April 24<sup>th</sup> or 25<sup>th</sup>. According to press reports, European officials expressed concerns about the government's plan to submit the draft laws to Parliament without official creditors' prior approval. However, IMF officials reportedly argued that, if the bills are brought to Parliament before a staff level agreement is sealed, this move would be considered as a unilateral action. Delivering a speech yesterday, ESM Managing Director Klaus Regling said that Greece's review is ongoing but the process has been difficult as there are still a number of open issues. Echoing recent comments by European Commissioner for Economic and Financial Affairs Pierre Moscovici, the ESM General Director stressed that European creditors want the IMF to stay "on board" on Greece's new bailout programme.

According to the draft Memorandum of Financial and Economic Policies (MFEP) which was compiled during the last round of official discussions in the context of the programme review and was leaked to local newswires, the IMF claims that "despite generous concessional official financing and further reform plans" Greece's public debt is "highly unsustainable" and it would be essential for European creditors to "grant further official debt relief" to restore debt sustainability. The IMF projects a general government primary deficit of 0.5%-of-GDP this year (vs. a fiscal target for a surplus of 0.5%-of-GDP), a surplus of 0.25%-of-GDP in 2017 (vs. 1.75%-of-GDP fiscal target) and a surplus of 1.5%-of-GDP in 2018 (vs. 3.5%-of-GDP fiscal target), stating that the expected underperformance relative to corresponding official fiscal targets reflects reform fatigue after five years of adjustments and social pressures due to high unemployment.

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

### BULGARIA

Consumer prices dipped even lower in March. Inflation printed at -0.7% MoM/-1.5% YoY in March down from -0.3% MoM/-0.5% YoY in February compared to +0.0% MoM/+0.0% YoY in January. As a result, the average annual inflation in the past twelve months came at -0.2% YoY. The volatile food prices made the largest negative contribution both on a monthly and an annual basis. The food component of the CPI, the one with the highest share in the consumer basket, dipped further in negative territory after recording the first negative reading in six months in February driven by lower prices for vegetables and meat on an annual basis. Food prices came at -0.9% MoM/-1.3% YoY in March down from +0.4% MoM/-0.2% YoY in February compared to +0.8% MoM/+0.5% YoY in January. Driven by lower world energy prices on an annual basis, transportation prices plunged by -1.7% MoM/-10.7% YoY in March down from -3.2% MoM/-5.5% YoY in February compared to -1.7% MoM/-2.7% YoY in January. Looking ahead, even though inflation readings came out so far lower than we had expected, consumer prices ought to recover in the 2H-2016, provided domestic demand dynamics become healthier, and deflationary pressures from the energy component subside as a result of the normalization of global prices.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

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

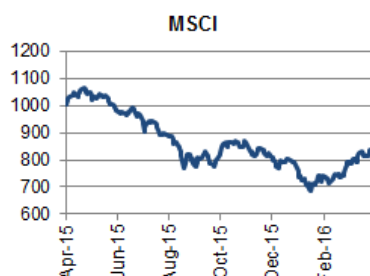
ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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	4.25

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

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**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	2061.72	1.0%	0.9%	EUR/USD	1.1342	-0.4%	4.5%	UST - 10yr	1.78	0	-49	GOLD	1247	-0.7%	17.5%
Nikkei 225	16381.22	2.8%	-13.9%	GBP/USD	1.422	-0.4%	-3.5%	Bund-10yr	0.15	-2	-48	BRENT CRUDE	44	-1.1%	18.5%
STOXX 600	339.95	1.6%	-7.1%	USD/JPY	109.14	-0.5%	10.0%	JGB - 10yr	-0.08	3	-34	LME X	2265	2.3%	2.8%

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	285	-2	-18	O/N	0.41	-2	-12	LEONIA	0.01	0	0		
1-week	2.96	-1	-23	1-month	0.58	-1	-11	1-month	-0.17	0	-32		
1-month	3.10	-2	-41	3-month	0.77	-1	-25	3-month	-0.05	0	-31		
3-month	3.30	0	-53	6-month	1.02	0	-32	6-month	0.10	0	-43		
6-month	3.56	0	-47	12-month	1.19	0	-33	12-month	0.43	0	-54		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	3.34	-3	-22	3Y RON	1.74	0	-19	3Y BGN	0.37	-3	-23		
5Y RSD	5.29	0	16	5Y RON	2.55	0	-25	5Y BGN	1.04	0	-23		
7Y RSD	7.06	0	-63	10Y RON	3.37	0	-41	10Y BGN	2.54	0	-12		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.04	0	-13	EUR Oct-25	2.34	0	-23	EUR Jul-17	0.13	1	6		
USD Nov-24	6.23	0	-18	USD Jan-24	3.31	-2	-47	EUR Sep-24	2.30	-14	-12		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	270	8	-5	5-year	123	6	-10	5-year	165	0	-7		
10-year	306	0	-33	10-year	167	7	-5	10-year	212	0	-5		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	615.0	0.08%	-4.52%	BET	6739.8	0.47%	-3.78%	SOFIX	438.6	-0.35%	-4.84%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	122.96	-0.04%	-1.12%	EUR/RON	4.4697	0.01%	0.99%	USD/BGN	1.7245	-0.36%	4.40%		

**BELEX15 Index**

**BET Index**

**SOFIX Index**

**EUR/RSD**

**EUR/RON**

**USD/BGN**

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

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Stylianos G. Gogos (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), + 30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), + 30 210 33 71 178

### Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), + 30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) + 30 210 33 71 225

**Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) + 30 210 33 71 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) + 30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) + 30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), + 30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), + 30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), + 30 210 3371228

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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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