



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, May 06, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 2: ISM manufacturing index (Apr)
- May 3: Auto sales (Apr)
- May 4:
  - ADP employment change (Apr)
  - Trade balance (Mar)
  - ISM non-manufacturing (Apr)
  - Industrial orders (Mar)
- May 5: Initial jobless claims
- May 6: Non-farm payrolls (Apr)

##### EUROZONE

- May 2: PMI manufacturing (Apr. final)
- May 4: PMI services (Apr. final)

##### GREECE

- May 4: Euro Working Group
- May 6: Commercial Transactions (Mar. provisional data)

##### SEE

##### ROMANIA

- May 3:
  - Producer's Price Index (Mar)
  - International Reserves (Apr)
- April 4: Retail sales (Mar)
- May 5: NBR policy meeting

##### SERBIA

- May 4: GDP (NSA, Q1)
- May 6: Producer's Price Index (Apr)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of European equity markets opened lower on Friday and major government bonds retained a positive tone in early trade ahead of the US' non-farm payrolls report for April. Following a recent string of poor US employment-related data, market consensus is currently for a rise of c. 190k in the headline, less than 200k expected earlier this week following an increase of 215k in the prior month.

**GREECE:** The Greek government reportedly intends to assemble the plenary of the Parliament on the coming Saturday and Sunday in order to discuss the draft bill on the income tax and the social security reform. On Monday May 9<sup>th</sup>, an extraordinary Eurogroup meeting will be held to discuss the comprehensive package of policy reforms as well as the sustainability of Greece's public debt.

### SOUTH EASTERN EUROPE

**ROMANIA:** At its monetary policy meeting yesterday, NBR maintained interest rates unchanged at 1.75% in line with our and the almost unanimous consensus view.

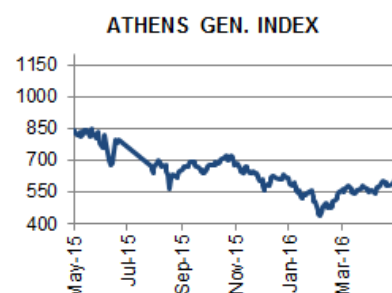
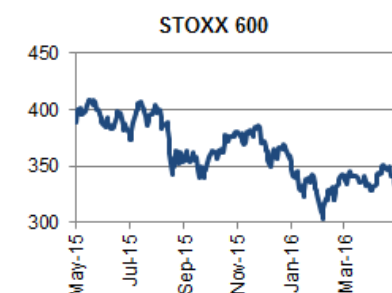
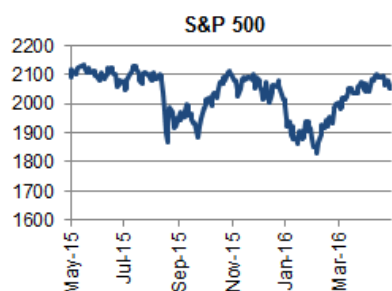
#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

May 6, 2016

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European equity markets opened lower on Friday and major government bonds retained a positive tone in early trade ahead of the US' non-farm payrolls report for April. Following a recent string of poor US employment-related data, market consensus is currently for a rise of 190k in the headline, less than 200k expected earlier this week following an increase of 215k in the prior month. According to US data released over the last few sessions, initial jobless claims rose by a higher than expected 17k to a seasonally adjusted 274k the week ending April 30th, the private sector generated just 156k new jobs in April, the smallest gain in two years and planned layoffs by US-based employers rose by 35%MoM in April. Against this background, the 10-yr US Treasury closed at a three-week low of 1.735% on Thursday and was stabilized around that level in European trade while the 10-yr Bund yield was testing levels slightly below 0.16% at the time of writing for the first time since April 21<sup>st</sup>. In FX markets, the USD was little changed ahead of the US' employment data. The USD/JPY was hovering around 106.90/95 at the time of writing, not much changed relative to Thursday's 106.78 settlement and above a 1 ½ year low of 105.50 marked earlier this week. Elsewhere, the GBP/USD stood close to 1.4490/95, having retreated from a four-month high of 1.4770 hit earlier this week pressured by a bulk of weaker-than-expected UK data which added to the view that the domestic economy is losing further momentum in Q2 mainly due to market uncertainty about the June 23<sup>rd</sup> EU referendum outcome (April PMI for both the manufacturing and the services sector). The BoE MPC monetary policy meeting and the updated BoE Inflation Report, both due on May 12, are expected to lure market attention next week.

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

### GREECE

The Greek government reportedly intends to assemble the plenary of the Parliament on the coming Saturday and Sunday in order to discuss the draft bill on the income tax and the social security reform. A roll-call vote is reportedly expected to take place late on Sunday. According to press reports, all 153 SYRIZA-ANEL coalition MPs are expected to support the bill without dissents, whereas the major opposition parties New Democracy, Democratic Coalition and Potami have stated their intention to vote against the bill. Meanwhile, on Monday May 9<sup>th</sup>, an extraordinary Eurogroup meeting will be held to discuss the comprehensive package of policy reforms as well as the sustainability of Greece's public debt. According to the agenda of the meeting, the euro area ministers will be informed by the institutions and Greek officials about the progress regarding the reforms required to complete the first review, including the contingent fiscal package. The Eurogroup will also discuss possible debt relief measures in order to ensure that Greece's financing needs remain at a sustainable level. The sticking point at the moment is the contingent package of measures, and more specifically, whether or not the nature of these measures and the trigger mechanism will be defined and legislated upfront. In any case, the new milestone for an agreement on the review is the May 24<sup>th</sup> Eurogroup.

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

May 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

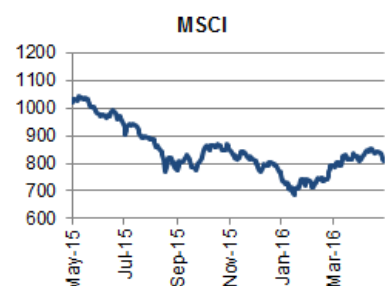
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	4.25

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

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

### ROMANIA

On May 5<sup>th</sup>, NBR maintained interest rates unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 12% and 8% respectively. The decision was in line with our expectations and the almost unanimous view of analysts in Bloomberg's poll (14 out of 15). In the press-conference held after the meeting, the NBR governor, Mugur Isarescu said that the Central Bank's view on inflation trajectory has slightly changed. In the NBR's view, inflation is going to stay in negative territory until July and then gradually move up. He explained that the transitory effects of the headline VAT rate cut and of other indirect tax cuts as well as the announced reduction of several administrative prices in energy were the main reasons behind the revision. According to the updated NBR report, which is due to come out on next Tuesday, the baseline scenario envisages the inflation rate gradually returning inside the variation target band (2.5% +/-1%) and standing in the upper half of the band at the end of the forecast horizon in Q4-2017.

Furthermore, according to the NBR press release, risks to the forecast arise from both local and external developments. The external risks stem from growing concerns on global economic recovery, international financial markets' volatility, geopolitical tensions, diverging monetary policies of the world's major central banks, international energy prices as well as unfavorable developments in Greece and the probability of Brexit. Domestic risks arise from the expansive fiscal and wage policies and adverse effects of legislative initiatives-namely the debt discharge law- in the financial sector. The debt discharge law was the focus of the press-conference held after the NBR policy meeting. On that issue, the NBR Governor expressed the view that it would be critical to see the first reactions from financial institutions and debtors in order to have a more thorough assessment of the impact as well as a verdict from the Constitutional Court on the constitutionality of the law. From a monetary policy point of view, NBR is not in a wait and see mode but ready to act on the right time. We recall that the first step in that direction would be to intervene through narrowing the interest rates' corridor by 25bps from currently  $\pm 150$ bps. In the previous press-conference he had called this step "monetary policy recalibration" instead of tightening. Finally, although there is no additional forward guidance with respect to the timing, our call is not for such a move to take place until the presentation of next inflation report in November when those aforementioned uncertainties would have most probably subsided.

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

May 6, 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	2050.63	0.0%	0.3%	EUR/USD	1.1414	0.1%	5.1%	UST - 10yr	1.75	0	-52	GOLD	1278	0.1%	20.4%
Nikkei 225	16106.72	-0.3%	-15.4%	GBP/USD	1.4468	-0.1%	-1.8%	Bund-10yr	0.15	-1	-48	BRENT CRUDE	45	-0.6%	20.0%
STOXX 600	332.86	0.3%	-9.0%	USD/JPY	107.09	0.2%	12.1%	JGB - 10yr	-0.11	1	-38	LMEX	2305	-1.7%	4.6%

**CESEE MARKETS**

**SERBIA**

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	1	-16
1-week	2.98	2	-21
1-month	3.12	3	-39
3-month	3.28	2	-55
6-month	3.54	1	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-4	-23
5Y RSD	5.29	0	16
7Y RSD	6.70	0	-100

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.93	0	-23
USD Nov-24	6.25	0	-17

CDS

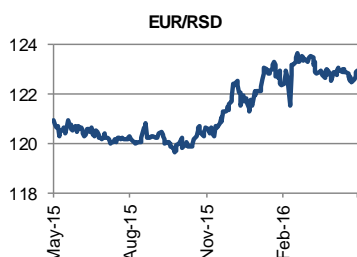
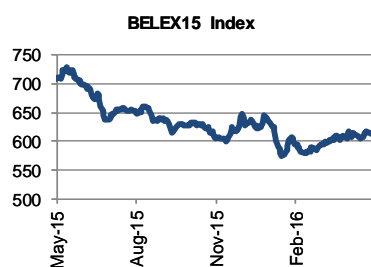
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-24
10-year	291	-1	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	614.5	0.40%	-4.60%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.96	-0.05%	-1.12%



**ROMANIA**

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-7
1-month	0.63	0	-6
3-month	0.76	0	-26
6-month	1.01	0	-33
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.85	0	-8
5Y RON	2.68	0	-12
10Y RON	3.60	0	-18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	-3	-18
USD Jan-24	3.42	0	-36

CDS

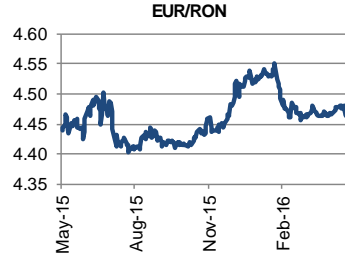
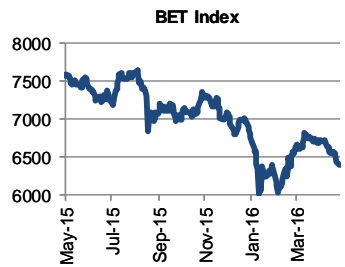
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6474.3	0.69%	-7.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.503	0.02%	0.24%



**BULGARIA**

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.18	0	-33
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.42	0	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	1	-20
5Y BGN	1.14	1	-14
10Y BGN	2.53	0	-13

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.08	-19	1
EUR Sep-24	2.27	0	-15

CDS

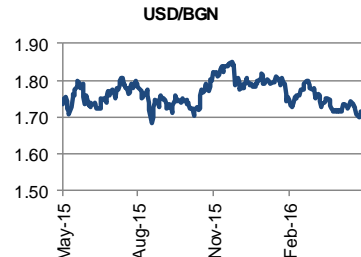
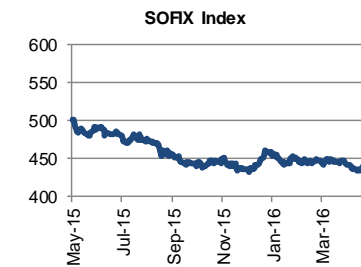
	Last	ΔDbps	ΔYTD bps
5-year	158	0	-14
10-year	204	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.5	0.60%	-3.56%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7135	0.06%	5.07%



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

Data updated as of 09:50 EEST, May 6, 2016

May 6, 2016

## Contributors

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

Eurobank Economic Analysis and Financial Markets  
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

