



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, May 09, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 12: Initial jobless claims
- May 13:
 - Retail sales (Apr)
 - Consumer confidence, University of Michigan (May, prel.)

EUROZONE

- May 9: Industrial order intake (Mar)
- May 10: Germany's industrial production (Mar)
- May 12: Industrial production (Mar)
- May 13: Q1 GDP

GREECE

- May 9: Eurogroup meeting
- May 10:
 - Industrial production index (Mar.)
 - Harmonized index of Consumer prices (Apr)
 - National Consumer price index (Apr)
- May 12:
 - Building Activity (Feb)
 - Labor Force Survey (Feb)
- May 13: Q1 GDP (estimates)

SEE

ROMANIA

- May 9: Wages Net (Mar)
- May 10: Trade balance (Mar)
- May 11: Industrial sales (Mar)
- May 12:
 - CPI (Apr)
 - Industrial output (Mar)
- May 13:
 - GDP (SA, Q1)
 - Current account (Mar)

SERBIA

- May 12: CPI EU Harmonized (Apr)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity markets kicked off the week on a positive tone and major sovereign bond markets remained well supported amid increased expectations that the Fed will not rush to push interest rates higher following the weaker-than-expected non-farm payrolls report for April. Looking at this week's calendar, the next significant US data release is not due until Friday (April retail sales) while the updated BoE Inflation Report and BoE Governor Mark Carney's press conference, both on Thursday, are also expected to lure market attention.

GREECE: Following last-minute amendments on certain contentious provisions, the SYRIZA/ANEL coalition government secured late last night parliamentary approval of a bill containing the relevant legislation for the implementation of the social security pensions reform and the overhaul of the income tax code, two of the key prior actions for the conclusion of the 1st programme review. The Eurogroup holds later today an emergency meeting to discuss the state of play of Greece's macroeconomic adjustment programme. According to the local press, euro area finance ministers are unlikely to reach a final agreement today as differences remain with the "contingency" package of measures presenting the main contentious issue.

SOUTH EASTERN EUROPE

ROMANIA: The EUR/RON moved higher last week in thin post-Easter trading.

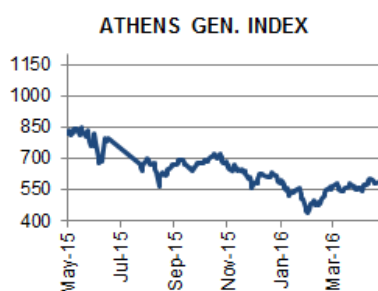
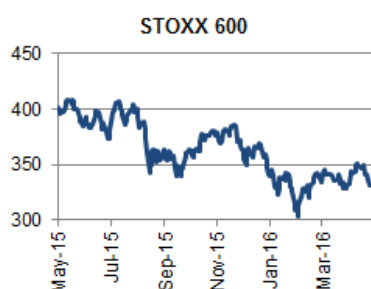
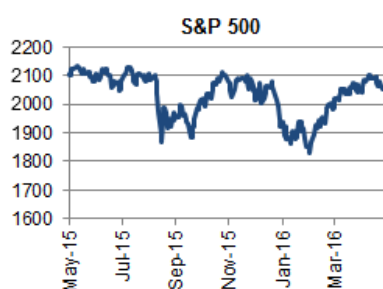
SERBIA: The EUR/RSD remained bound within a tight range of 122.55/75 - 122.80/00 last week, closing Friday's session at 122.70/90.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European equity markets kicked off the week on a positive tone and major sovereign bond markets remained well supported amid increased expectations that the Fed will not rush to push interest rates higher following the weaker-than-expected non-farm payrolls report last week. US non-farm payrolls rose by 160k in April, the lowest in seven months, while the respective figures of the prior two months were revised downward by 19k cumulatively. The unemployment rate remained stable at 5.0%, confounding expectations for a modest decline to 4.9% with the labor force falling by 316k, the first decline in the last seven months. In FX markets, the USD recovered some of the post non-farm payrolls losses in European trade supported by NY Fed Reserve President William Dudley's comments that two rate hikes by the end of this year were still a "reasonable expectation". Yet, unless upcoming US macro data surprise to the upside, it would be premature to assess that the US currency is poised for further significant gains in the coming sessions. Looking at this week's calendar, the next significant US data release is not due until Friday (April retail sales) while the updated BoE Inflation Report and BoE Governor Mark Carney's press conference, both on Thursday, are also expected to lure market attention.

GREECE

Following last-minute amendments on certain contentious provisions, the SYRIZA/ANEL coalition government secured late last night parliamentary approval of a bill containing the relevant legislation for the implementation of the social security pensions reform and the overhaul of the income tax code, two of the key prior actions for the conclusion of the 1st programme review. Out of a total of 296 attending deputies, all 153 governing coalition MPs casted a positive vote and the remaining 143 MPs voted against. The said measures, projected to secure savings c. €3.6bn in the period 2016-2018, are part of a package of measures worth €5.4bn, Greece is required to adopt for meeting the fiscal target for a primary surplus of 3.5%-of-GDP in 2018. The required legislation related to the remaining measures worth €1.8bn - mostly indirect taxes- are reportedly expected to be submitted for vote in the Hellenic Parliament by the end of next month. As per the same sources, by the end of June the Hellenic Parliament will also have to vote on the legislation related to the NPLs resolution framework and the new Privatization Fund, key deliverables for the conclusion of the review. Meanwhile, the Eurogroup holds later today an emergency meeting to discuss the state of play of Greece's macroeconomic adjustment programme. Deliberations will cover a comprehensive package of policy reforms and the sustainability of Greece's public debt, two elements that need to be in place for the finalization of Greece's review and the release of the next loan tranche. According to the local press, euro area finance ministers are unlikely to reach a final agreement today as differences remain with the "contingency" package of measures presenting the main contentious issue. International newswires revealed a letter sent by the IMF Managing Director Christine Lagarde to euro area finance ministers highlighting that talks with the Greek government on a "contingency" package of measures worth 2%-of-GDP have become fruitless so far and that discussions on "specific [economic reform] measures, debt restructuring and financing must now be discussed contemporaneously" making clear that for the Fund to participate in Greece's new programme "it is essential that the financing and debt relief from Greece's European partners are based on fiscal targets that are realistic because they are supported by credible measures to reach them." On its part, the Greek government insists on the adoption of a mechanism of automatic adjustments in case of deviations from the agreed fiscal targets, rather than the identification and legislation of specific contingencies measures. In a letter sent to his European counterparts, Minister of Finance Euclid Tsakalotos made clear that "there is no way such a package can be passed by the current government, or by any democratic government that I can imagine." ppetropoulou@eurobank.gr

May 9, 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

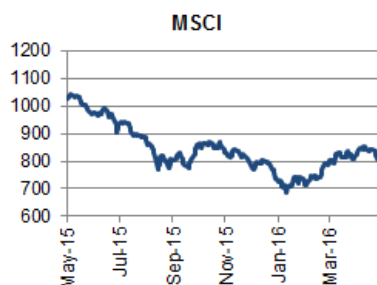
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The EUR/RON moved higher last week in thin post-Easter trading. From a 4.4750 close last Friday, the pair opened with a gap higher at 4.4850 on Tuesday, breaking the psychological 4.5000 level on Wednesday and touching a three months high of 4.5065 before closing around 4.5000 on Friday. The RON money market remains very liquid, 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 decreased slightly to 0.45% from 0.55% the previous week, while the 12M rate remained unchanged at 0.90%. After heavy selling in the last weeks of April, the long end of RON government bonds have seen some recovery last week. While yields up to 5Y maturities remained unchanged from the previous Friday, staying close to their all-time lows, the 5Y yield decreased 5bps over the week to 2.65% and the 10Y yield dropped 12 bps to 3.58%.

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SERBIA

The EUR/RSD remained bound within a tight range of 122.55/75 - 122.80/00 last week, closing Friday's session at 122.70/90. The pair had gradually strengthened over the past three days mainly due to corporate demand for the European common currency. The National bank of Serbia (NBS) intervened anew on Friday in effort to halt the euro's upside momentum, selling €10mn between 122.80 and 122.75. Since NBS is showing consistency in intervening on both sides of a narrow range (NBS was buying euros few days ago around the 122.50 level) during the current post-election period, the pair is likely to keep moving sideways between 122.50 and 123.00 in the days to follow (at least until the new Serbian government is put in place).

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May 9, 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	2057.14	0.3%	0.6%	EUR/USD	1.14	0.0%	5.0%	UST - 10yr	1.78	0	-49	GOLD	1280	-0.6%	20.6%
Nikkei 225	16216.03	0.7%	-14.8%	GBP/USD	1.4385	-0.3%	-2.4%	Bund-10yr	0.15	1	-48	BRENT CRUDE	46	1.3%	23.3%
STOXX 600	333.03	0.4%	-9.0%	USD/JPY	107.44	-0.3%	11.7%	JGB - 10yr	-0.10	2	-36	LMEX	2313	0.3%	5.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	0	-16
1-week	2.97	-1	-22
1-month	3.12	0	-39
3-month	3.31	3	-52
6-month	3.55	1	-48

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.36	#N/A	N/A
5Y RSD	5.29	0	16
7Y RSD	6.70	0	-99

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.90	-1	-27
USD Nov-24	6.24	0	-18

CDS

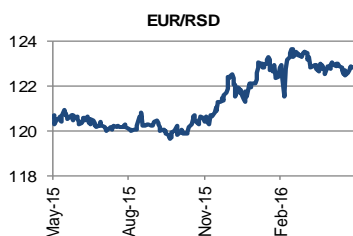
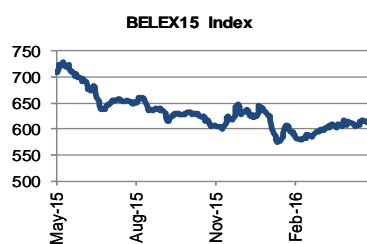
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-24
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	617.1	0.42%	-4.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.81	0.00%	-1.00%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	0	-6
1-month	0.61	0	-8
3-month	0.76	0	-26
6-month	1.02	0	-32
12-month	1.18	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	0	-7
5Y RON	2.68	0	-12
10Y RON	3.58	-1	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.42	1	-36

CDS

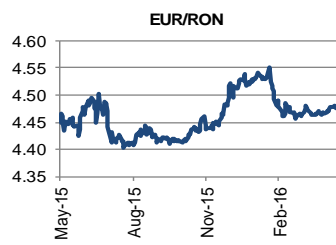
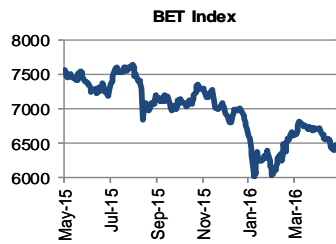
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6475.5	0.51%	-7.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4953	0.00%	0.42%



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	0.39	-3	-21
5Y BGN	1.12	-3	-15
10Y BGN	2.51	0	-15

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.07	0	0
EUR Sep-24	2.27	0	-15

CDS

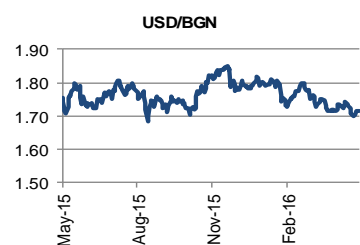
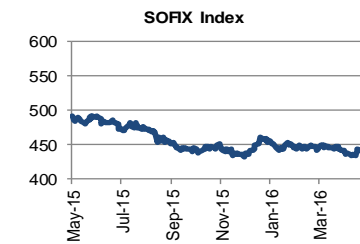
	Last	ΔDbps	ΔYTD bps
5-year	158	0	-14
10-year	203	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.5	0.00%	-3.56%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7159	-0.32%	4.92%



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

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May 9, 2016

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