



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, May 11, 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: Market worries over the global growth outlook prevailed in European trade on Wednesday with major European equity markets standing in negative territory in early trade and major government bonds retaining a firm tone.

GREECE: According to the local press, the Greek government is expected to submit to Parliament soon after the May 17 Euro Working Group a multi-bill incorporating the legislation required for the accomplishment of the remaining prior actions attached to the 1st programme review. In other news, the Director for Greece and Cyprus of the European Bank of Reconstruction and Development (EBRD) said that the Bank is expected to buy its first batch of non-performing loans from Greek banks in the coming weeks.

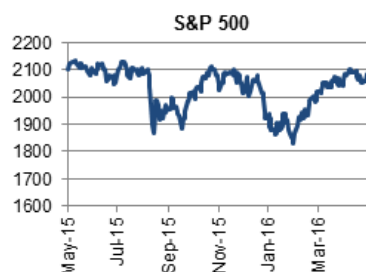
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging stock markets closed broadly higher on Tuesday, snapping a 7-session falling streak, amid improved global risk sentiment. In this context, regional currencies broadly firmed yesterday, while government bonds broadly weakened.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Market worries over the global growth outlook prevailed in European trade on Wednesday with major European equity markets standing in negative territory in early trade and major government bonds retaining a firm tone. A few days after the release of the US Q1 GDP report which revealed a slowdown to 0.5%QoQ annualized from 1.4%QoQ annualized in the prior quarter, the non-farm payrolls report for April came in weaker than expected with the economy generating the lowest number of new jobs in the last seven months. In addition, according to data released earlier this week, China's trade figures for April disappointed with exports falling in US dollar terms for nine of the last 10 months and exports declining for the 18th consecutive month. In FX markets, the USD/JPY was hovering around 108.70/75 in European trade, not much changed relative to yesterday's levels but above levels near 107.00 marked earlier this amid heightened BoJ/MoF intervention fears. Using explicitly the world "intervention", Japan's Finance Minister Taro Aso was quoted saying yesterday that the authorities would intervene in FX markets if "one-sided" JPY appreciation lasts long enough to hurt the domestic economy. Elsewhere, data released earlier today showed that UK factory orders recorded the biggest annual drop in nearly three years in March adding to recent evidence that the economy is losing momentum pressured by market anxiety over the outcome of the June 23rd EU referendum. The calendar remains quiet today ahead of Thursday's updated BoE Inflation Report and Friday's US retail sales for April.

GREECE

According to the local press, the Greek government is expected to submit to Parliament soon after the May 17 Euro Working Group a multi-bill incorporating the legislation required for the accomplishment of the remaining prior actions attached to the 1st programme review. According to the May 9th Eurogroup decision, this should incorporate: (i) a package of additional parametric measures worth €1.8bn, including, inter alia, an increase of the top VAT to 24% from 23% currently, (ii) the establishment of the Privatization and Investment Fund; (iii) the finalization of the NPL resolution mechanism; and (iv) a contingency mechanism which will ensure that when Greece deviates from the annual primary surplus targets in the programme, based on an objective assessment, a package of measures, including non-discretionary ones, would be automatically activated. As per the same sources, the government intends the said multi-bill to come for vote in Parliament by May 23rd in order for the May 24th Eurogroup to politically approve the completion of the 1st programme review and support the release of the next loan tranche. Speaking to reporters yesterday, European Commission's spokesperson Annika Breidhardt was quoted saying that the outcome of the May 9th Eurogroup is a step of "significant progress towards the conclusion of the Greek programme review". Along these lines, in a dinner event yesterday Germany's Finance Minister Wolfgang Schäuble appeared confident that a final agreement between Greece and its official creditors will be reached at the May 24th Eurogroup. He stressed that there is no real need for haircuts on official-sector loans noting that, if debt sustainability is not achieved in the medium term, then the debt issue will be reassessed. In other news, the Director for Greece and Cyprus of the European Bank of Reconstruction and Development (EBRD) said that the Bank is expected to buy its first batch of non-performing loans from Greek banks in the coming weeks.

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May 11, 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

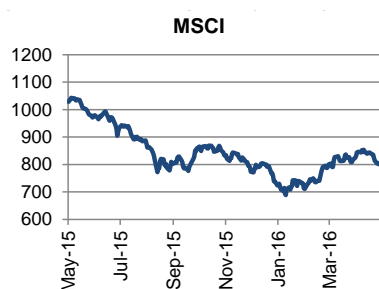
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging stock markets closed broadly higher on Tuesday, snapping a 7-session falling streak, amid improved global risk sentiment. Along these lines, the MSCI Emerging Markets index rose by 0.75% pulling back from a 1-month trough hit intraday in the prior session. However, bourses in the CESEE region were mixed with Poland's main WIG index leading the way lower with a 1% daily decline and Hungary's BUX outperforming its regional peers with a 1% advance.

Regional currencies broadly firmed yesterday thanks to improving risk sentiment. The Hungarian forint recovered some ground following an upward surprise in April's inflation data. In more detail, the EUR/HUF ended 0.4% lower on the day at 314.20 recoiling below Monday's 4-month trough near 316.00. CPI came in at 0.2%YoY in April, vs. a market median forecast of -0.1%YoY. Hungary's Central Bank resumed its rate-cutting cycle in March, having delivered two 15bps reductions which brought the base rate to a new historical low of 1.05% last month. It is worth noting that despite the upward surprise in April's consumer inflation data and prospect for some further upside ahead, CPI is anticipated to remain below the 3% medium-term target in the months to come.

In the **local rates markets**, government bonds broadly weakened. Hungarian and Turkish paper broadly underperformed, with the corresponding 10-year yields rising by 8bps and 12bps to 3.41% and 9.83% respectively.

Looking into the **remainder of the week**, April CPI data for Poland, Romania and Serbia on Thursday as well as Q1 GDP growth flash estimates for several countries due for release on Friday take centre stage. Sovereign credit rating reviews for Ukraine from Fitch and Poland from Moody's also lure market attention over the next couple of days. On the latter, a downward revision on Poland's outlook this week is on the cards in view of mounting concerns about the government's strategies, following a broadly unexpected downgrade by S&P in January.

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GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD					
S&P 500	2084.39	1.2%	2.0%	EUR/USD	1.1387	0.1%	4.9%	(yields)	UST - 10yr	1.74	-2	-53	GOLD	1271	0.4%	19.8%
Nikkei 225	16579.01	0.1%	-12.9%	GBP/USD	1.441	-0.2%	-2.2%	Bund-10yr	0.11	-2	-52	BRENT CRUDE	45	-1.1%	20.8%	
STOXX 600	333.82	-0.7%	-8.7%	USD/JPY	108.67	0.6%	10.5%	JGB - 10yr	-0.10	-2	-37	LMEX	2253	0.0%	2.3%	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	288	2	-15
1-week	2.98	1	-21
1-month	3.12	2	-39
3-month	3.28	0	-55
6-month	3.54	0	-49

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.35	#N/A N/A	-24
5Y RSD	5.29	0	16
7Y RSD	6.66	0	-104

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.78	-1	-38
USD Nov-24	6.24	0	-18

CDS

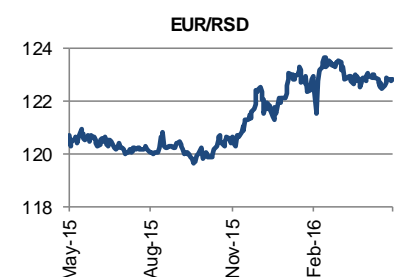
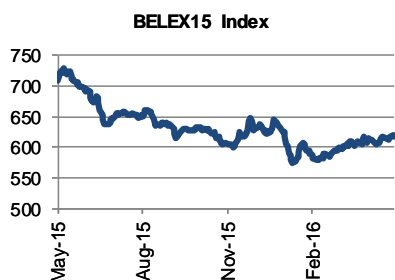
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-24
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	615.6	-0.37%	-4.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.86	-0.10%	-1.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	-1	-9
1-month	0.6	2	-9
3-month	0.76	2	-26
6-month	1.03	1	-31
12-month	1.18	1	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	0	-7
5Y RON	2.66	0	-14
10Y RON	3.55	0	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	-2	-18
USD Jan-24	3.41	-2	-38

CDS

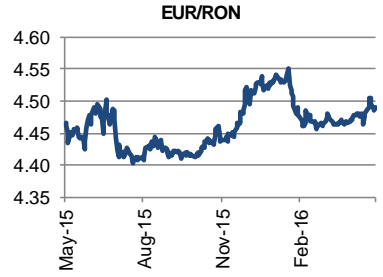
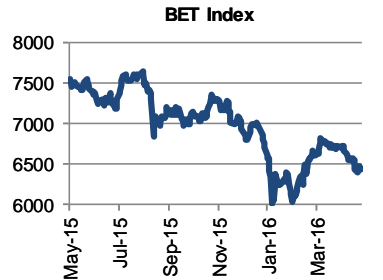
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6502.8	0.43%	-7.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4913	-0.10%	0.51%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.16	0	-31
3-month	-0.04	0	-30
6-month	0.12	1	-41
12-month	0.45	1	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-20
5Y BGN	1.16	0	-11
10Y BGN	2.50	0	-16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.11	27	-18
EUR Sep-24	2.27	0	-16

CDS

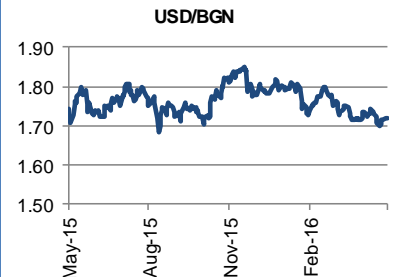
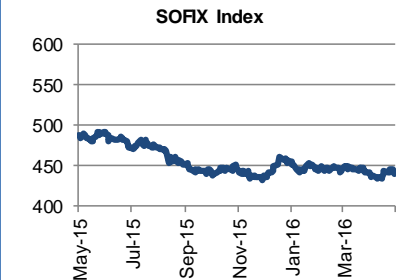
	Last	ΔDbps	ΔYTD bps
5-year	158	0	-14
10-year	204	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.1	-0.31%	-4.73%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7177	0.12%	4.81%



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