



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, May 13, 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:** The USD was firmer in European trade supported by comments from Boston Fed President Rosengren and Cleveland Fed President Mester who suggested that the Central Bank remains on track to push interest rates higher this year. Focus today is on US retail sales for April which are widely expected to have rebounded after having been soft over the last couple of months.

**GREECE:** The USD was firmer in European trade supported by comments from Boston Fed President Rosengren and Cleveland Fed President Mester who suggested that the Central Bank remains on track to push interest rates higher this year. Focus today is on US retail sales for April which are widely expected to have rebounded after having been soft over the last couple of months.

### SOUTH EASTERN EUROPE

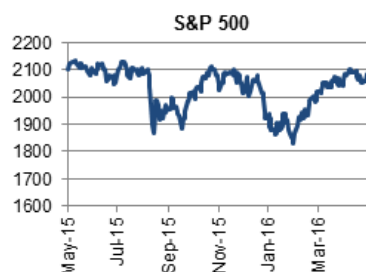
**SERBIA:** The Consumer Price index rose by 0.4% both on a monthly and on an annual basis in April, retreating further below the Central Bank target and supporting the case for one more rate cut at the next MPC meeting in May.

**CESEE MARKETS:** The majority of **emerging stock markets** lost further ground earlier on Friday, trailing losses in major global bourses on global growth concerns, while a stronger US dollar also weighed. Elsewhere, **CESEE bourses** and **regional currencies** were little changed in early European trade. Focus for the remainder of the day lies primarily on the upcoming Moody's review of Poland's sovereign credit ratings.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The USD was firmer in European trade supported by comments from Boston Fed President Rosengren, generally viewed as residing on the dovish end of the FOMC spectrum, as well as Cleveland Fed President Mester both suggesting that the Central Bank remains on track to push interest rates higher this year. The EUR/USD was hovering around 1.1340/45 at the time of writing after hitting session highs of 1.1430 on Thursday with investors awaiting today's US retail sales for April which are widely expected to have rebounded after having been soft over the last couple of months. However, with majority of recent US data having surprised negatively, a positive outcome from today's US report does not necessarily imply a sustained upward trend for the US currency in the coming sessions. Elsewhere, the JPY remained under pressure for the fourth session in a row on the back of heightened market worries over direct BoJ/MoF intervention in FX markets. Increased expectations for further BoJ policy stimulus within the next couple of months also continued to weigh on the JPY. The USD/JPY was standing close to 108.70/75, not much changed relative to yesterday's levels having recovered from an 18-month trough of 105.50 marked earlier this month. Meanwhile, the GBP retreated to levels close to 1.4400 vs. the USD after hitting temporarily a multi-session peak of 1.4530 on Thursday on news that BoE policymakers voted unanimously to keep interest rates unchanged at the policy meeting yesterday, quashing market talk that one or two of them would vote in favour of a rate cut. With the EU referendum looming and recent UK data pointing to further slowdown in domestic economic activity in Q2, any GBP potential rebound is likely to prove limited and short-lived.

### GREECE

Speaking on the sidelines of the European Bank for Reconstruction and Development's annual meeting, Eurogroup President Jeroen Dijsselbloem expressed his hope that the Greek government and the institutions will have reached a final agreement on all remaining prior actions for the completion of the 1st programme review ahead of the March 24th Eurogroup so that discussions on debt relief in a three stage process can start. On the issue, the Eurogroup President said that there are "very few red lines", namely exclusion of nominal haircuts. The debt relief issue will reportedly be in the agenda of the next Eurogroup but, according to some press reports, a final agreement is not expected before this autumn. On the condition that the two sides seal a staff level agreement by May 24th, the Eurogroup is reportedly expected to give the green light for the release of the next loan tranche which is not anticipated State coffers before early June as some time is needed for five national parliaments to vote on the clearance of the loan disbursement. Meanwhile, during yesterday's Euroworking Group, euro area officials sealed an agreement on the remaining prior actions with just a few differences left regarding the contingency mechanism and the set-up of the Privatization and Investment Fund. On the data front, the seasonally adjusted unemployment rate dropped to 24.2% in February compared to an upward revised 25.8% in the same month a year earlier and 24.4% in January 2016. In other news, the total amount of funding taken by Greek banks from the Eurosystem dropped in April for the 10th month in a row coming in at €99.57bn from €101.44bn in March. Direct ECB funding fell by €2.57bn to €32.68 while ELA funding edged up by €0.7bn to stand at €66.89bn.

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

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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

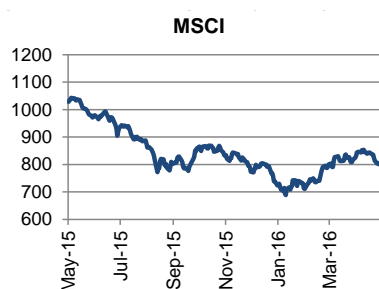
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### SERBIA

The Consumer Price index rose by 0.4% both on a monthly and on an annual basis in April. The annual rate of increase follows a 0.6% advance in March and marks the reading since a record trough of 0.1%YoY in January 2015. The breakdown of the data showed that the *food* subcomponent (-2.4%YoY) was amongst the main culprits of the decrease. Meanwhile, notable positive increases were registered in *alcoholic beverages and tobacco* (+5.7%YoY), *recreation and culture* (+4.8%YoY), *healthcare* (+3.4%YoY) as well as *housing, water, electricity, gas and other fuels* (+3.2%YoY).

Inflation has remained below the Central Bank target of 4.0±1.5 for two years now in view of low global commodity prices, a restrictive fiscal policy and a negative output gap. Looking ahead, in line with the Central Bank's (NBS) view we anticipate CPI to gradually move towards the said target tolerance band late this or early next year as domestic demand picks up further. That said, the further easing in price pressures in April supports the case for one more 25bps rate cut at the next MPC meeting on May 17. After cutting the key policy rate by 25bps to a new record low of 4.25% in February, the National Bank of Serbia (NBS) stayed put on its monetary policy over the next two months. However, the room for further monetary easing appears to be rather limited as fiscal slippage risks linger and inflation is anticipated to move gradually higher in the months ahead following 750bps of rate cuts since May 2013. Any further decisions will likely be dependent on the aforementioned risks to the country's outlook and their implication on inflation dynamics as well as on the dinar's upcoming performance.

### CESEE MARKETS

The majority of **emerging stock markets** lost further ground earlier on Friday, trailing losses in major global bourses on global growth concerns, while a stronger US dollar also weighed. Against this backdrop, the MSCI Emerging Markets index moved modestly lower compared to the prior session's settlement, poised to end in the red for the fourth consecutive week. This marks the longest losing streak since August last year, with the index having nearly fully parred its earlier year-to-date gains over the last month or so. Elsewhere, **CESEE bourses** and **regional currencies** were little changed in early European trade. The Romanian leu regained some composure, possibly also receiving assistance by the Q1 flash GDP data which showed stronger-than-anticipated growth of 4.3%YoY over the said period after a 3.8% reading in the prior quarter. In this context, the EUR/RON hovered around levels of 4.4950 at the time of writing, having eased from a 1-week high at 4.5020 hit yesterday. Elsewhere, the Polish zloty firmed modestly in European trade on Friday. That said the EUR/PLN traded at 4.4065 at the time of writing, not too far from a multi-session trough of 4.4340/EUR hit yesterday. Weaker than anticipated GDP data released earlier today (3.0%YoY vs. consensus of 3.5%YoY), that suggested the door is open for further rate easing ahead, proved to have a rather limited impact on the Polish currency. Focus for the remainder of the day lies primarily on the upcoming Moody's review of Poland's sovereign credit ratings. A downward revision on the country'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.

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

May 13, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD					
S&P 500	2064.11	0.0%	1.0%	EUR/USD	1.1347	-0.3%	4.5%	(yields)	UST - 10yr	1.72	-3	-55	GOLD	1274	0.8%	20.0%
Nikkei 225	16412.21	-1.4%	-13.8%	GBP/USD	1.441	-0.3%	-2.2%	Bund-10yr	0.13	-2	-50	BRENT CRUDE	48	-0.9%	27.9%	
STOXX 600	331.04	-0.7%	-9.5%	USD/JPY	108.82	0.2%	10.3%	JGB - 10yr	-0.11	1	-37	LMEX	2230	-2.0%	1.2%	

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	286	-1	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
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
5Y RSD	5.29	0	16
7Y RSD	6.66	0	-104

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.76	0	-40
USD Nov-24	6.24	1	-18

**CDS**

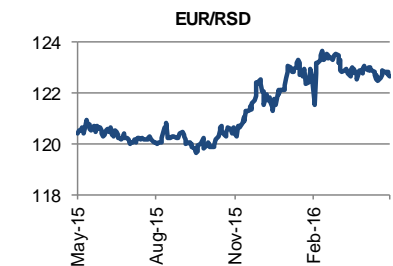
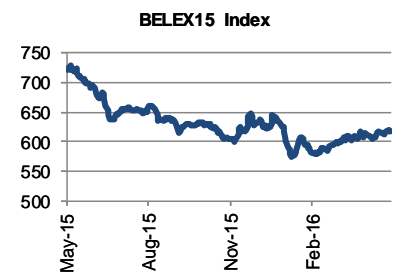
	Last	ΔDbps	ΔYTD bps
5-year	247	-2	-28
10-year	291	0	-48

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	617.1	-0.40%	-4.43%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.70	0.00%	-0.91%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	0	-8
1-month	0.6	1	-9
3-month	0.76	0	-26
6-month	1.03	0	-31
12-month	1.18	0	-34

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.84	0	-9
5Y RON	2.66	0	-14
10Y RON	3.57	0	-21

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.39	-1	-39

**CDS**

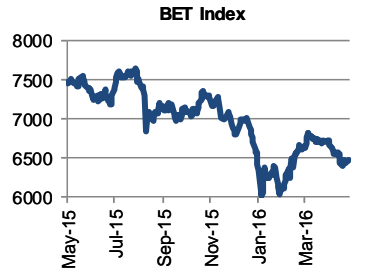
	Last	ΔDbps	ΔYTD bps
5-year	114	-5	-19
10-year	154	-5	-17

**STOCKS**

	Last	ΔD	ΔYTD
BET	6457.7	0.15%	-7.78%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4982	-0.03%	0.35%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.16	0	-31
3-month	-0.05	0	-31
6-month	0.11	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-19
5Y BGN	1.16	2	-12
10Y BGN	2.53	0	-13

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.15	0	-22
EUR Sep-24	2.29	-20	-13

**CDS**

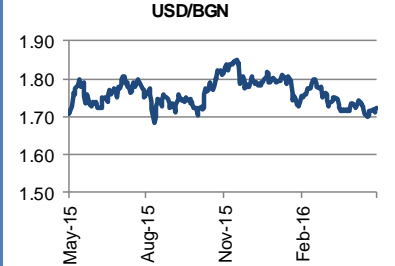
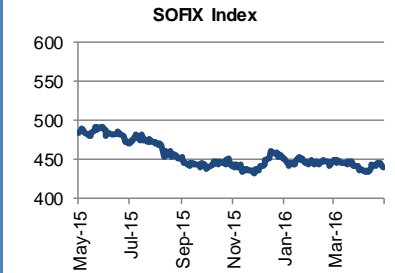
	Last	ΔDbps	ΔYTD bps
5-year	156	-2	-15
10-year	202	-2	-14

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	439.8	0.01%	-4.49%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7239	-0.26%	4.43%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:50 EEST

May 13, 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)

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