

Monday, May 16, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- May 16
 - NAHB Housing index (May)
 - Empire state index (May)
- May 17
 - CPI (Apr)
 - Housing starts / permits (Apr)
 - Industrial production (Apr)
- May 18: FOMC 26/27 April meeting minutes
- May 19
 - Jobless claims (weekly)
 - Philly Fed
- May 20: Existing home sales (Apr)

EUROZONE

- May 18: HICP (Apr, f)
- May 19: ECB April 21 meeting minutes

GREECE

- May 20: Turnover Index in Industry (Mar)
- May 20-22: Parliament votes on multi-bill containing legislation on remaining prior actions attached to 1st review

SEE

BULGARIA

- May 16: BGN 100mn 10Y T-bond auction
- May 13-16: U/E rate (Apr)
- May 18: CAD (Mar)

ROMANIA

- May 16: 5.9% 2017 T-bond auction
- May 19: 3.5% 2022 T-bond auction

SERBIA

- May 17: MPC meeting
- May 20: CAD (Mar)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US inventories increased by in March the highest in nine months adding to a flurry of data released over the last couple of weeks suggesting an upward revision to Q1 GDP from 0.5%QoQ annualized initially reported. Separately, US retail sales rose by in April, the largest since March 2015, while UM consumer sentiment index improved in May to the highest since June 2015 supporting market optimism for a rebound in US economic activity in Q2. Focus this week is on US inflation data and the Fed minutes while the ECB is scheduled to release the account of the monetary policy meeting held on 21 April.

GREECE: Conditional on the timely approval by the Hellenic Parliament of a multi-bill containing the legislation for the implementation of the remaining prior actions attached to the 1st programme review, the May 24th Eurogroup is reportedly expected to give the green light for the release of the next loan tranche to Greece. With respect to debt relief, a final agreement on the issue is reportedly unlikely to be reached at next week's Eurogroup. European Commission Vice President Valdis Dombrovskis was quoted saying that the aim at the upcoming Eurogroup is for European creditors and the IMF to agree on a specified debt "road map" so as to ensure the Fund's financial participation in the program.

SOUTH EASTERN EUROPE

BULGARIA: Largely lacking direction, the domestic equity market closed lower last week. Meanwhile local and external government bonds were little changed on a weekly basis. All eyes now turn towards the next treasury auction, set for May 16th for BGN 100mn in 10-year benchmark bonds.

ROMANIA: The EUR/RON closed little changed at 4.5000 on a weekly basis on Friday, having pulled back from a weekly low of 4.3855 hit on Tuesday. Elsewhere, the RON money market remained very liquid, with short-term rates still stuck close to the deposit facility rate of 0.25%. RON government bonds maintained a better bid tone as the market received support from lower than expected inflation data and a large downward revision in the central bank's inflation forecasts.

SERBIA: In the absence of any major news/data, the EUR/RSD remained bound within a tight range of 122.55/75 - 122.75/95 last week.

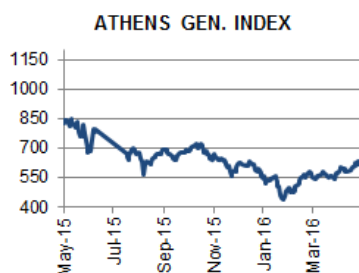
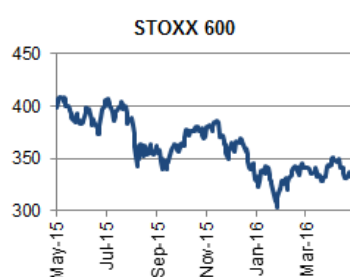
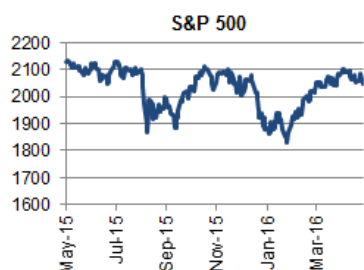
CESEE MARKETS: Vindicating our and market expectations, most Q1-2016 flash GDP estimates released last week in the CESEE region, confirmed a good start in the year and serve as a reminder that there are few winner economies in the EM space.

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.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields were modestly higher in European trade and the majority of Asian bourses kicked off the week on a positive one following a string of firmer than expected US data late last week. US inventories increased by 0.4%MoM in March, the highest in nine months adding to a flurry of data released over the last couple of weeks suggesting an upward revision to Q1 GDP from 0.5%QoQ annualized initially reported. Separately, retail sales rose by 1.3% in April, the largest gain since March 2015, while UM consumer sentiment index improved to a higher-than-expected 95.8 in May supporting market optimism for a rebound in US economic activity in Q2. Positive US data helped the USD/JPY to hit a two-week high of 109.48 last Friday before retreating to levels around 108.70/75 at the time of writing amid market uncertainty over whether the recent flurry of encouraging US data could persuade the Fed to move interest rates higher any time soon, especially in view of the lack of evidence suggesting a sustained upward trend for inflation. Technically, a daily close above recent highs could open the way for further USD/JPY gains in the coming sessions with investors eagerly awaiting Japan's Q1 GDP on Wednesday (May 18) along with US inflation data and the Fed minutes on Tuesday (May 17) and Thursday (May 19) respectively. In the euro area, the ECB will release on Thursday (May 19) the account of the monetary policy meeting held on 21 April.

GREECE

Conditional on the timely approval by the Hellenic parliament of a multi-bill containing the legislation for the implementation of the remaining prior actions attached to the 1st programme review, the May 24th Eurogroup is reportedly expected to give the green light for the release of the next loan tranche to Greece. As per the same sources, it will amount to €5.4bn for the coverage of debt interest and amortization payment plus another €3 - €5bn for the clearance of state arrears. The latter amount will be reportedly released in sub-tranches, subject to fulfillment of specific prior actions. With respect to debt relief, a final agreement on the issue is reportedly unlikely to be reached at next week's Eurogroup. According to the same sources, a divergence of views continues to exist between European creditors and the IMF with the latter calling for imminent and drastic debt relief to secure debt sustainability. In this context, European Commission Vice President Valdis Dombrovskis was quoted saying that the aim at the upcoming Eurogroup is for European creditors and the IMF to agree on a specified debt "road map" so as to ensure the Fund's financial participation in the program. In an interview to local press, Greece's Prime Minister Alexis Tsipras was quoted saying that a deal on debt relief at the May 24th Eurogroup would facilitate Greece's return to debt markets within next year, ahead of the expiration of the programme in August 2018. On his part, Bank of Greece Governor Yannis Stournaras reportedly said that debt talks should include a lower primary fiscal target after 2018 from 3.5%-of-GDP to 2.0%-of-GDP. He also noted that a successful conclusion of the review would lead to the gradual return of bank deposits and the re-introduction of Greek collateral waiver adding that the latter along with Greece's participation in the ECB's QE program would have a positive impact of €400 - €500mn on Greek bank results in 2017.

ppetropoulou@eurobank.gr

May 16, 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

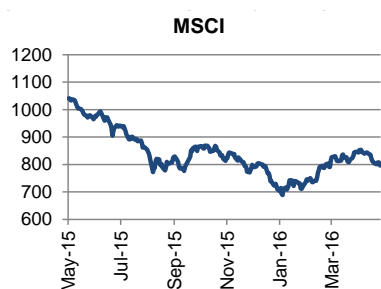
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

BULGARIA

Largely lacking direction, the domestic equity market closed lower last week. The main SOFIX index slid by 0.8% to 440.86 points. Despite weekly volume surging to 1-month high of BGN1.3mn, trading remained subdued. Meanwhile on the bond market, the BGN-denominated yield curve was little changed with some mild increase in yields for paper of 7 and 10-year maturity. All eyes now turn towards the next treasury auction, set for May 16th for BGN 100mn in 10-year benchmark bonds. Similarly, Eurobonds were little changed last week.

VBoteva@postbank.bg

ROMANIA

The EUR/RON closed little changed at 4.5000 on a weekly basis on Friday, having pulled back from a weekly low of 4.3855 hit on Tuesday. Elsewhere, the RON money market remained very liquid, with short-term rates still stuck close to the deposit facility rate of 0.25%. The implied RON rate from swaps for the 1M maturity remained unchanged from the previous week at 0.45%, while the 12M rate decreased 10 bps to 0.80%. RON government bonds maintained a better bid tone, with long-end yields moving some 5 bps lower compared to the prior Friday settlement, as the market received support from lower than expected inflation data and a large downward revision in the central bank's inflation forecasts.

Bogdan.Radulescu@bancpost.ro

SERBIA

In the absence of any major news/data, the EUR/RSD remained bound within a tight range of 122.55/75 - 122.75/95 last week. Considering the Central Bank's consistency in intervening on both sides of the recent 122.50-123.00 trading range and also the fact that we are still in a post-election lull, the EUR/RSD is very likely to remain bound within that range in the coming days (even in case of very possible 25 bps KPR cut by Central bank on Tuesday).

Djordje.Lucic@eurobank.rs

CESEE MARKETS

Vindicating our and market expectations, most Q1-2016 flash GDP estimates released last week in the CESEE region, confirmed a good start in the year and serve as a reminder that there are few winner economies in the EM space. Indicatively, economic activity came in at +0.7%/+2.9% QoQ/YoY in Bulgaria, +0.9%/+2.7% QoQ/YoY in Cyprus and 1.6/4.3% QoQ/YoY in Romania. Additionally, Serbia's reading, released earlier in the month, revealed a 3.5% annual rate of increase following growth of 0.7% in 2015. Albeit remaining robust at 3.0%YoY, Poland's real GDP data disappointed expectations for a smaller slowdown to 3.5%YoY from 4.3%YoY in the prior quarter, while Hungary's economic activity slowed to 0.9%YoY from 3.2%YoY and 2.4%YoY expected. Lax monetary policies together with lower-on an annual basis- world energy prices continue to provide a positive boost on the region's growth momentum. Although this boost is destined to eventually fade away as energy prices normalize, it is poised to carry throughout 2016 as well; low energy costs keep inflation pressures subdued, supporting real disposable incomes and providing more flexibility to household, corporate, and sovereign balance sheets. The economic sentiment data published in April were on average better for the region compared to March. Although the indicator has retrenched to lower levels compared to 2H-2015 in some cases, consumer sentiment, services and retail trade are on an improving trend as consumers continue to benefit from rising real wages, firmer labor markets and low inflation.

igkionis@eurobank.gr
gphoka@eurobank.gr

May 16, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>S&P 500</td> <td>2046.61</td> <td>-0.8%</td> <td>0.1%</td> </tr> <tr> <td>Nikkei 225</td> <td>16466.40</td> <td>0.3%</td> <td>-13.5%</td> </tr> <tr> <td>STOXX 600</td> <td>332.98</td> <td>-0.5%</td> <td>-9.0%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	S&P 500	2046.61	-0.8%	0.1%	Nikkei 225	16466.40	0.3%	-13.5%	STOXX 600	332.98	-0.5%	-9.0%	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>EUR/USD</td> <td>1.1322</td> <td>0.1%</td> <td>4.3%</td> </tr> <tr> <td>GBP/USD</td> <td>1.437</td> <td>0.0%</td> <td>-2.5%</td> </tr> <tr> <td>USD/JPY</td> <td>108.74</td> <td>-0.1%</td> <td>10.4%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	EUR/USD	1.1322	0.1%	4.3%	GBP/USD	1.437	0.0%	-2.5%	USD/JPY	108.74	-0.1%	10.4%	<table border="1"> <thead> <tr> <th>(yields)</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tbody> <tr> <td>UST - 10yr</td> <td>1.71</td> <td>1</td> <td>-56</td> </tr> <tr> <td>Bund-10yr</td> <td>0.12</td> <td>0</td> <td>-51</td> </tr> <tr> <td>JGB - 10yr</td> <td>-0.10</td> <td>1</td> <td>-37</td> </tr> </tbody> </table>	(yields)	Last	ΔDbps	ΔYTD bps	UST - 10yr	1.71	1	-56	Bund-10yr	0.12	0	-51	JGB - 10yr	-0.10	1	-37	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>GOLD</td> <td>1281</td> <td>0.7%</td> <td>20.7%</td> </tr> <tr> <td>BRENT CRUDE</td> <td>49</td> <td>1.7%</td> <td>30.5%</td> </tr> <tr> <td>LMEX</td> <td>2232</td> <td>0.1%</td> <td>1.3%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	GOLD	1281	0.7%	20.7%	BRENT CRUDE	49	1.7%	30.5%	LMEX	2232	0.1%	1.3%
	Last	ΔD	ΔYTD																																																																
S&P 500	2046.61	-0.8%	0.1%																																																																
Nikkei 225	16466.40	0.3%	-13.5%																																																																
STOXX 600	332.98	-0.5%	-9.0%																																																																
	Last	ΔD	ΔYTD																																																																
EUR/USD	1.1322	0.1%	4.3%																																																																
GBP/USD	1.437	0.0%	-2.5%																																																																
USD/JPY	108.74	-0.1%	10.4%																																																																
(yields)	Last	ΔDbps	ΔYTD bps																																																																
UST - 10yr	1.71	1	-56																																																																
Bund-10yr	0.12	0	-51																																																																
JGB - 10yr	-0.10	1	-37																																																																
	Last	ΔD	ΔYTD																																																																
GOLD	1281	0.7%	20.7%																																																																
BRENT CRUDE	49	1.7%	30.5%																																																																
LMEX	2232	0.1%	1.3%																																																																

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	3.34	0	-24
5Y RSD	5.29	0	16
7Y RSD	6.57	1	-113

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.76	-1	-41
USD Nov-24	6.22	0	-19

CDS

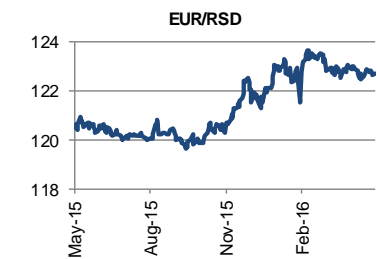
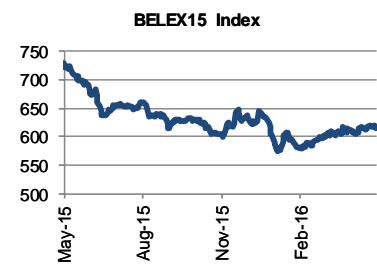
	Last	ΔDbps	ΔYTD bps
5-year	250	3	-24
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	613.8	-0.89%	-4.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.67	-0.01%	-0.88%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	-4	-12
1-month	0.58	-2	-11
3-month	0.74	-2	-28
6-month	1.02	-1	-32
12-month	1.17	-1	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.82	-2	-11
5Y RON	2.65	0	-15
10Y RON	3.55	-1	-23

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.41	2	-37

CDS

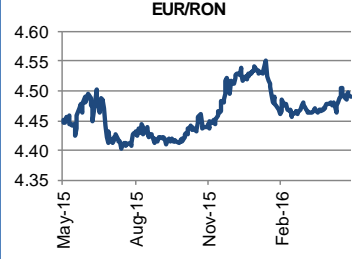
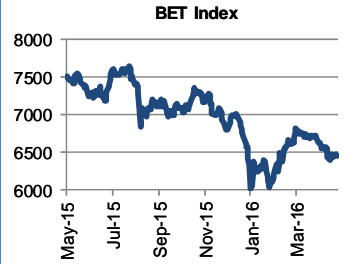
	Last	ΔDbps	ΔYTD bps
5-year	115	1	-18
10-year	156	1	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6467.3	0.07%	-7.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4894	0.06%	0.55%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	1	-30
3-month	-0.04	1	-30
6-month	0.11	0	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-19
5Y BGN	1.16	0	-12
10Y BGN	2.51	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.16	0	-23
EUR Sep-24	2.26	44	-16

CDS

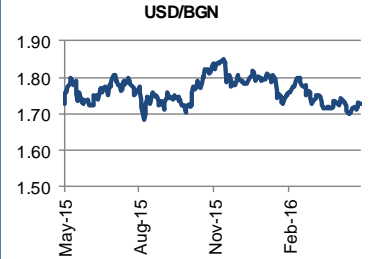
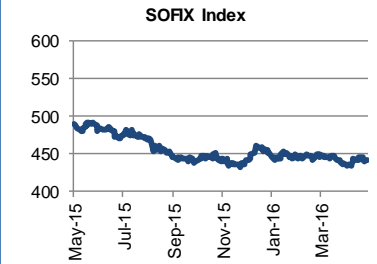
	Last	ΔDbps	ΔYTD bps
5-year	155	-1	-17
10-year	200	-2	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	440.9	0.00%	-4.35%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7275	0.14%	4.21%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:35 EEST

May 16, 2016

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
pmpetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

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

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

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

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

Regional Contributors

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

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
pmpetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
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

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>

