



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, May 17, 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 1<sup>st</sup> 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:** Hawkish comments by Richmond Fed President Jeffrey Lacker following a firmer than expected US retail sales report last week counterbalanced any positive impact in sovereign bond markets yesterday's disappointing US data. That said, US Treasury yields moved higher helping the USD to gain some ground against the majority of its currency peers. Looking at today's calendar, focus is on US inflation data for April.

**GREECE:** According to the local press, the Greek government is expected to submit to the Hellenic Parliament by tomorrow morning (Wednesday, May 18) a multi-bill containing the legislation for the implementation of the remaining 17 prior actions attached to the 1<sup>st</sup> programme review. The said multi-bill is reportedly expected to come for vote on Sunday afternoon (May 22). Assuming that it secures parliamentary approval, the Euroworking Group which is scheduled to convene on Monday, May 23 is expected to confirm the successful completion of the review at a technical level.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Trailing gains in major global bourses earlier today, the majority of **emerging stock markets** recovered further ground in early European trade primarily led by a rally in technology shares and rising commodity prices. A similar picture was evidenced in FX and government bond markets. Looking into the **remainder of the week**, Serbia's Central Bank monetary policy meeting on Tuesday and the election of a new AKP leader in Turkey on Sunday take centre stage on a regional level.

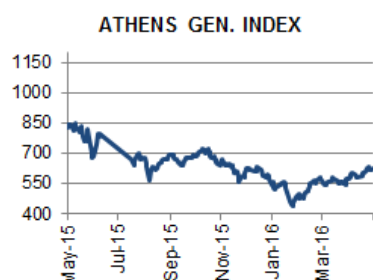
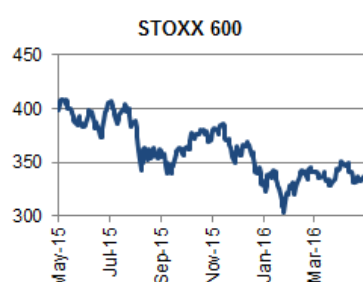
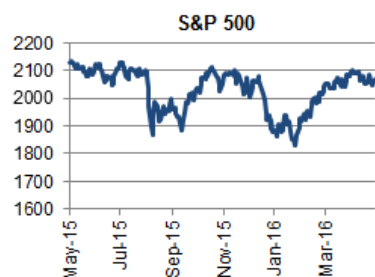
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to the US data released on Monday, the New York Fed's Empire State general business conditions index for May surprised to the downside slumping to -9.0 from 9.6 in the prior month. Adding to the gloomy note of the report, new orders fell sharply and shipments slipped back into negative territory at -1.9 from +10.2 in April. Separately, the NAHB Housing Market Index came in at 58 for the fourth consecutive month in May, confounding expectations for a modest improvement at 59. However, hawkish comments by Richmond Fed President Jeffrey Lacker following a firmer than expected US retail sales report last week counterbalanced any positive impact in sovereign bond markets from yesterday's disappointing US data. That said, US Treasuries moved lower with the 2-yr yield hitting a multi-session high of 0.8030% e after moving above the 0.8000% level earlier today for the first time in more than two weeks. Higher US Treasury yields helped the USD to gain some ground against the majority of its currency peers. The USD/JPY was standing close to 109.40/45 in early European trade after marking a session trough near 109.00 in the prior session with the next target for USD-bulls standing at 110.50/60 in the way to 111.90 (April 25 high). Elsewhere, the AUD firmed supported by the less dovish than expected tone of the RBA minutes from the May policy meeting. The AUD/USD bounced to 0.7366 earlier today after recording a 2 ½ month closing low of 0.7233 in the prior session. Yet, amid lingering concerns about the growth prospects of the Chinese economy and the outlook of the iron ore, there is nothing to suggest so far that the AUD is poised for further significant and sustained gains in the short-term. Looking at today's calendar, focus is on US inflation data for April for clues over whether the core Q1 bounce was temporary.

### GREECE

According to the local press, the Greek government is expected to submit to the Hellenic Parliament by tomorrow morning (Wednesday, May 18) a multi-bill containing the legislation for the implementation of the remaining 17 prior actions attached to the 1<sup>st</sup> programme review. This reportedly includes, inter alia: (i) a package of additional parametric measures expected to secure €1.8bn in the period 2016-2018 incorporating among others an increase in the top VAT rate to 24% from 23% currently and an increase in the special consumption tax on gasoline, diesel and natural gas; (ii) the establishment of the Privatization and Investment Fund; (iii) the NPL resolution framework; and (iv) a contingency mechanism aiming to ensure that when Greece deviates from the annual primary surplus targets in the programme, based on annual general government accounts released by Eurostat every April, a package of measures, including non-discretionary ones, would be automatically activated following the issuance of a relevant Greek Presidential Decree. As per the same sources, the said multi-bill is expected to come for vote on Sunday afternoon (May 22). Assuming that it secures parliamentary approval, the Euroworking Group which is scheduled to convene the following day (Monday, May 23) is anticipated to confirm the successful completion of the review at a technical level. Should this be the case, the Eurogroup which is due to meet on Tuesday, May 24 is expected to politically approve the completion of the review, paving the way for the release of the next loan tranche to Greece reportedly amounting to €9 - €11bn.

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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

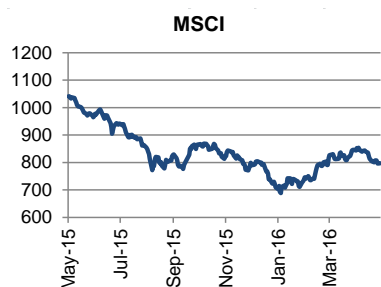
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CESEE MARKETS

Trailing gains in major global bourses earlier today, the majority of **emerging stock markets** recovered further ground in early European trade primarily led by a rally in technology shares and rising commodity prices. In this context, the MSCI Emerging Markets index rose modestly earlier today, pulling back from a 2-month low of 793.16 points hit intraday on Monday amid mounting global growth concerns.

A similar picture was evidenced in FX markets, with most **regional currencies** firming earlier on Tuesday. The Polish zloty retained a firm tone following yesterday's relief rally after Moody's announced on Friday that it revised lower the country's sovereign credit outlook to negative from stable citing fiscal risks and unpredictable government policies and legislations which weigh on investor climate. The agency's decision was broadly in line with market expectations and soothed worries over a potential downgrade which seemed also on the cards. Along these lines, the EUR/PLN slid to a 3 ½-week high near 4.3540 in European trade today, retreating further below a 3-month peak of 4.4358 hit in early May amid escalating concerns over a potential sovereign credit rating downgrade following an unexpected such move from S&P in January.

In the **local rates markets**, most government bonds firmed in view of improving risk sentiment. In other news, the Romanian finance ministry sold on Monday the planned RON 300mn (~€ 66.9mn) of July 26, 2017 T-Bonds. The average accepted yield came in at 0.75% a tad above 0.70% achieved at a prior auction of 2017 paper issued on May 5. Reflecting strong investor demand the bid to cover ratio stood at 5.41. The issue bears a coupon of 5.9%.

Looking into the **remainder of the week**, Serbia's Central Bank monetary policy meeting on Tuesday and the election of a new AKP leader and Prime Minister in Turkey on Sunday following incumbent Davutoglu's recent decision to step down take centre stage on a regional level. With regards to the former, a 25bps rate cut to a new record low of 4.00% tomorrow is the most likely scenario in our view, as the most recent inflation data release for April showed a deceleration of headline CPI to a 1-½ year trough of 0.4%YoY. CPI remains 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. That said, 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 cumulatively 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.

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May 17, 2016

## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2066.66	1.0%	1.1%	EUR/USD	1.1325	0.0%	4.3%	UST - 10yr	1.76	0	-51	GOLD	1271	-0.2%	19.8%
Nikkei 225	16652.80	1.1%	-12.5%	GBP/USD	1.4472	0.5%	-1.8%	Bund-10yr	0.16	1	-47	BRENT CRUDE	49	-0.6%	30.6%
STOXX 600	337.56	0.8%	-7.7%	USD/JPY	109.52	-0.5%	9.6%	JGB - 10yr	-0.10	0	-37	LMEX	2246	0.6%	1.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔD	ΔYTD bps
T/N	287	1	-16
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	ΔD	ΔYTD bps
3Y RSD	3.30	-4	-24
5Y RSD	5.29	0	16
7Y RSD	6.57	0	-113

#### RS Eurobonds

	Last	ΔD	ΔYTD bps
USD Nov-17	2.68	-3	-49
USD Nov-24	6.22	0	-19

#### CDS

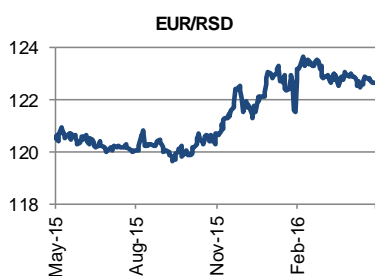
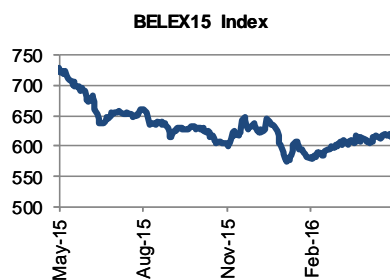
	Last	ΔD	ΔYTD bps
5-year	248	-2	-26
10-year	291	0	-48

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	613.1	-0.14%	-4.81%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.65	0.00%	-0.87%



### ROMANIA

#### Money Market

ROBOR	Last	ΔD	ΔYTD bps
O/N	0.41	0	-12
1-month	0.58	0	-11
3-month	0.76	2	-26
6-month	1.01	-1	-33
12-month	1.17	0	-35

#### RO Local Bonds

	Last	ΔD	ΔYTD bps
3Y RON	1.79	-1	-14
5Y RON	2.62	-1	-18
10Y RON	3.52	-1	-26

#### RO Eurobonds

	Last	ΔD	ΔYTD bps
EUR Oct-25	2.39	#N/A	N/A
USD Jan-24	3.41	0	-37

#### CDS

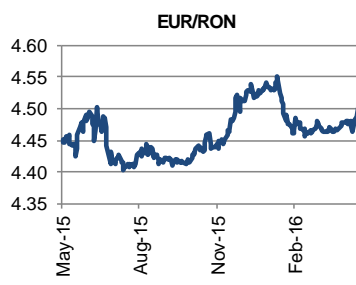
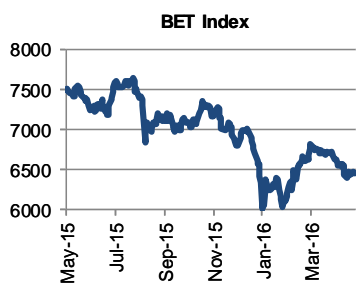
	Last	ΔD	ΔYTD bps
5-year	118	3	-15
10-year	159	3	-13

#### STOCKS

	Last	ΔD	ΔYTD
BET	6445.0	0.00%	-7.99%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4875	-0.01%	0.59%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔD	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	1	-29
3-month	-0.02	2	-28
6-month	0.12	1	-41
12-month	0.45	1	-52

#### BG Local Bonds

(yields)	Last	ΔD	ΔYTD bps
3Y BGN	0.41	0	-20
5Y BGN	1.15	1	-12
10Y BGN	2.49	0	-17

#### BG Eurobonds

	Last	ΔD	ΔYTD bps
EUR Jul-17	-0.17	0	-24
EUR Sep-24	2.30	0	-12

#### CDS

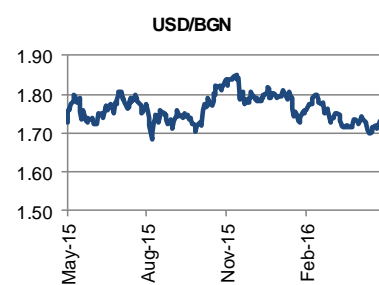
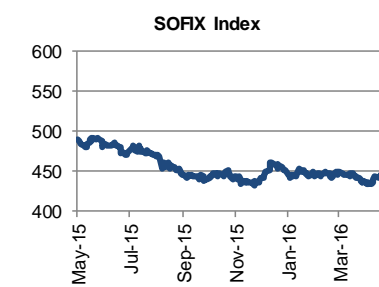
	Last	ΔD	ΔYTD bps
5-year	155	0	-17
10-year	200	0	-16

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	440.4	0.01%	-4.44%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7272	0.01%	4.23%



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

Data updated as of 12:10 EEST

May 17, 2016

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