



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, May 20, 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:** The accounts of the 21 April 2016 ECB Governing Council Meeting, which were released yesterday, were largely shrugged off. Global equity indices traded firmer on Friday capitalizing on higher oil prices, with the Japanese Nikkei 225 index rising for a second consecutive week on expectations that an interest rate hike in June would result in a weaker yen. In FX markets, the DXY dollar index was hovering around 95.300 at the time of writing, within distance from a seven-week high of 95.502 hit intraday yesterday. On the data front, US existing home sales for April take centre stage.

**GREECE:** Deliberations continue in the Greek Parliament on the omnibus bill that contains the legislation for the implementation of the remaining prior actions for the successful conclusion of the 1<sup>st</sup> programme review. The vote will take place on Sunday evening and all governing coalition MPs are expected to vote in favour of the bill.

### SOUTH EASTERN EUROPE

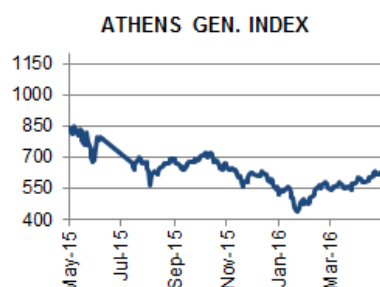
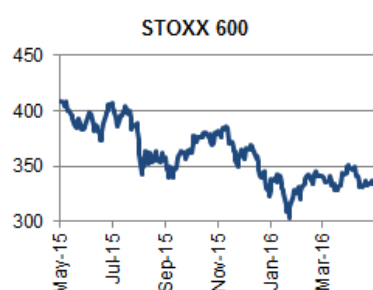
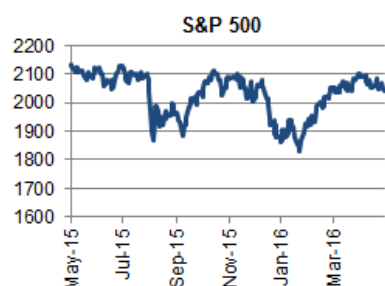
**ROMANIA:** The finance ministry sold on Thursday €1bn of a 12-year Eurobond in international markets, as the government seeks to boost its coffers in view of increased spending ahead of elections later in the year. The issue was priced at 225bps above mid-swaps, 10bps below an initial price target. Additionally, the Ministry of Finance sold at a separate auction on Thursday the planned RON 300m amount of December 2020 T-bonds at an average accepted yield of 3.20%.

**SERBIA:** President of the Republic of Serbia Tomislav Nikolic began yesterday discussions with the leaders of parliamentary parties for the creation of a new government following the April 24 general snap elections.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The accounts of the 21 April 2016 ECB Governing Council Meeting, which were released yesterday, were largely shrugged off with ECB governors broadly in agreement on March further monetary policy easing. Concerns were expressed about low inflation and its potential repercussions on wage and price-setting. On the flipside, the minutes reflected cautious optimism on the effectiveness of the ECB's current policy stance. Global equity indices firmer on Friday capitalizing on higher oil prices, with the Japanese Nikkei 225 index rising for a second consecutive week on expectations that an interest rate hike in June would result in a weaker yen. Following the hawkish minutes from the April 26-27 FOMC policy meeting, market expectations for a June rate hike increased with fed fund futures currently assigning a 30% probability for a 25bps rate hike next month compared to around 20% ahead of the release of the FOMC minutes and c. 4% earlier this month. New York Fed President William Dudley's comments that the US economy could be strong enough to warrant a rate hike in June or July also had an impact. He also added that investors had actually underestimated the probability of policy tightening over the next couple of months, adding that he was "quite pleased" they apparently increased their expectations for an imminent interest rate hike. In FX markets, the DXY dollar index was hovering around 95.300 at the time of writing, within distance from a seven-week high of 95.502 hit intraday yesterday. The USD/JPY was hovering slightly above 110.00 in European trade, not far from a three-week high of 110.38 recorded yesterday, while the EUR/USD was trading around 1.1220/21, close to a five-week low near 1.1200. On the data front, US existing home sales for April take centre stage.

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

### GREECE

Deliberations continue in the Greek Parliament on the omnibus bill that contains the legislation for the implementation of the remaining prior actions for the successful conclusion of the 1<sup>st</sup> programme review. The vote will take place on Sunday evening and all governing coalition MPs are expected to vote in favour of the bill. Meanwhile, regarding the issue of debt relief, press reports speak of various possible scenarios with the prevailing one being the repayment of IMF loans to Greece with ESM funds that were initially targeted for the recapitalisation of banks but have now remained unused. The issue will be reportedly further discussed in the sidelines of the G7 Finance Ministers' meeting in Japan where the IMF Head Mrs. Lagarde will also participate. Speaking to a newswire from Japan, Eurogroup President Jeroen Dijsselbloem reportedly stated that an agreement between Greece and its official creditors that will unlock the disbursement of the next loan tranche could be reached at the May 24th Eurogroup.

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

May 20, 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

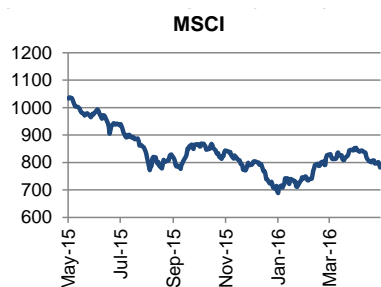
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 finance ministry sold on Thursday €1bn of a 12-year Eurobond in international markets, as the government seeks to boost its coffers in view of increased spending ahead of elections later in the year. The issue was priced at 225bps above mid-swaps, 10bps below an initial price target. This is the second time Romania taps international markets this year. In February, the finance ministry had sold €1.25bn of 2025 and 2035 EUR-denominated bonds in a reopened tender, with the spread at 190bps on the 10-year paper. Additionally, the Ministry of Finance sold at a separate auction on Thursday the planned RON 300m amount of December 2020 T-bonds at an average accepted yield of 3.20%, 20bps higher compared to that achieved at a prior tender of the same maturity paper held on April 18. Total bids came in at RON 600m, thus pushing the bid to cover ratio at 2.0.

### SERBIA

President of the Republic of Serbia Tomislav Nikolic began yesterday discussions with the leaders of parliamentary parties for the creation of a new government following the April 24 general snap elections. Upon conclusion of all these meetings, the President is expected to give the new Prime Minister a mandate to form a new government. Incumbent Premier Aleksandar Vucic is broadly considered a done deal for the position of the new Prime Minister. At their meeting, Mr. Vucic outlined a 10-point strategic plan of the incoming government, without however indicating potential coalition partners. He also indicated that he will choose a coalition partner by early June. According to recent media reports, the Prime Minister and leader of the SNS party that won April's general elections, plans to renew the tenure of at least six of the prior cabinet's ministers. Among those are Minister of Finance Dusan Vujovic, Kori Udovicki at Public Administration, Rasim Ljajic, Minister of Trade, Telecoms and Tourism, Nikola Selakovic Minister of Justice and Aleksandar Vulin, Minister of Labour and Employment. In other news, the Ministry of Finance reportedly plans to hold a €125mn auction of 10Y EUR-denominated bonds on May 25.

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

May 20, 2016

## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	288	1	-15
1-week	2.98	1	-21
1-month	3.12	0	-39
3-month	3.29	-2	-54
6-month	3.54	0	-49

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	-4	-22
5Y RSD	5.29	0	16
7Y RSD	6.63	6	-107

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.75	-1	-41
USD Nov-24	6.23	0	-19

## CDS

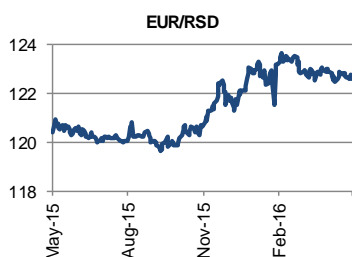
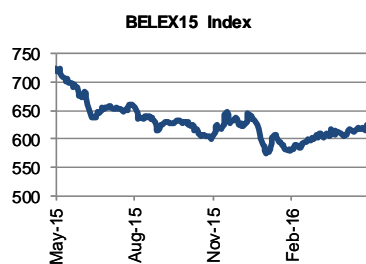
	Last	ΔDbps	ΔYTD bps
5-year	255	6	-19
10-year	291	0	-48

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	622.4	-0.51%	-3.37%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.55	0.12%	-0.79%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	1	-11
1-month	0.58	1	-11
3-month	0.75	0	-27
6-month	1.02	1	-32
12-month	1.17	0	-35

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.79	-1	-14
5Y RON	2.66	0	-14
10Y RON	3.58	-1	-20

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.46	-1	-10
USD Jan-24	3.53	-1	-25

## CDS

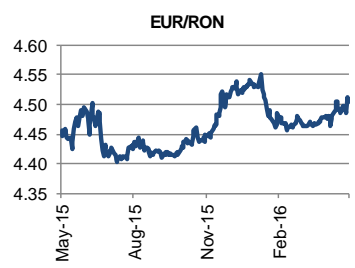
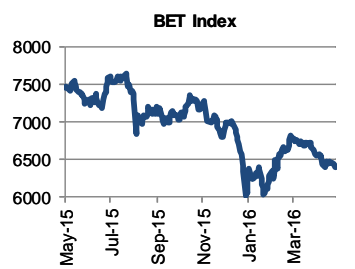
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

## STOCKS

	Last	ΔD	ΔYTD
BET	6397.9	0.25%	-8.66%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5075	-0.07%	0.14%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	0	-30
3-month	-0.03	0	-29
6-month	0.11	0	-42
12-month	0.45	0	-52

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-21
5Y BGN	1.12	-1	-15
10Y BGN	2.45	0	-21

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.07	-33	0
EUR Sep-24	2.30	-4	-12

## CDS

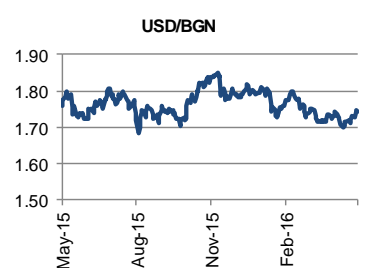
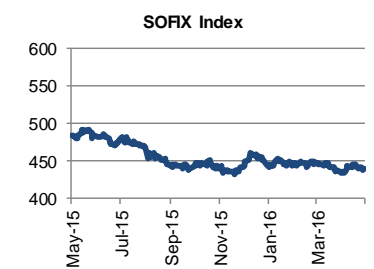
	Last	ΔDbps	ΔYTD bps
5-year	155	-1	-17
10-year	200	-1	-16

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	438.6	-0.02%	-4.84%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7442	0.11%	3.22%



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

Data updated as of 13:30 EEST

May 20, 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)**  
Research Economist, 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: Research Economist**  
[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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