



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 26, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- May 26-27: G7 Summit
- May 24: New home sales (Apr)
- May 26
  - Jobless claims (weekly)
  - Durable goods orders (Apr)
  - Pending home sales (Apr)
- May 20
  - GDP (2<sup>nd</sup> est, Q116)
  - UoM consumer sentiment (May)

#### EUROZONE

- May 23: PMI manufacturing /services (May)
- May 24: DE:
  - GDP (details, Q116)
  - ZEW index (May)
- May 25: DE:
  - Gfk consumer confidence (May)
  - Ifo business climate (May)

#### GREECE

- May 23: Euro Working Group
- May 24: Eurogroup

#### SEE

##### BULGARIA

- May 27: Gross external debt (Apr)
- May 18: CAD (Mar)

##### ROMANIA

- May 23: 3.25% 2021 T-bond auction
- May 26: 2.5% 2019 T-bond auction

##### SERBIA

- May 25
  - 3.5% 2026 T-bonds auction
  - Real gross wages (Apr)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major European bourses were standing in positive territory in early trade on Thursday supported by higher oil prices on the back of renewed supply jitters. In FX markets, the JPY moved higher on short-covering ahead of potential event risks including the two-day G7 Summit that commences today and a speech by FOMC Chairperson Janet Yellen on June 6. Looking at today's calendar, focus is on US initial jobless claims and durable goods orders while Fed's James Bullard and Jerome Powell are scheduled to speak.

**GREECE:** Following the conclusion of Greece's 1<sup>st</sup> programme review, the ECB is reportedly likely to include GGBs in its monthly purchases of assets under the QE programme as of July. In other news, the Asset Development Plan was published in the State Gazette yesterday following approval by the relevant domestic authorities, one of the pending items for the release of the next loan tranche to Greece.

### SOUTH EASTERN EUROPE

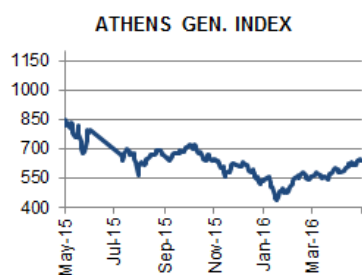
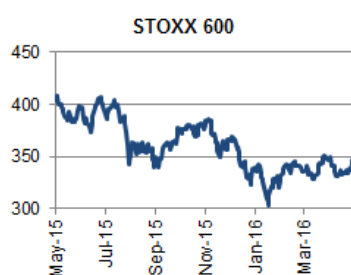
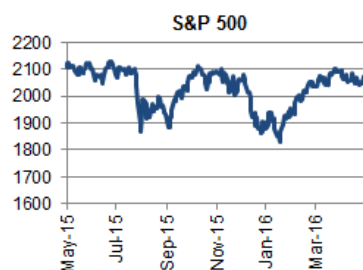
**SERBIA:** The average gross salaries and wages paid in Serbia in April 2016 amounted to RSD 67,464 (~€548.76). This marks a 6.6% MoM increase in real terms and an annual rise of 7.5%. In other news, the Ministry of Finance sold on Wednesday almost €120mn of 10-year EUR-denominated government bonds at an average accepted yield of 4.2%.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses were standing in positive territory in early trade on Thursday supported by higher oil prices on the back of renewed supply jitters after the US government reported a larger-than-expected drop in crude inventories. Brent crude oil price was hovering around \$49.93/barrel in European trade at the time of writing after rising above \$50/barrel earlier today for the first time in nearly seven months, recording 34% gains year-to-date. However, market sentiment towards risky assets remains cautious amid heightened expectations for higher Fed interest rates in the near future following a string of positive US data over the last few weeks and hawkish comments by a number of FOMC officials. Fed Fund futures currently assign a 34% probability for a 25bps Fed rate hike in June, compared to c. 20% a week earlier and c. 5.0% earlier this month. In FX markets, the JPY moved higher on short-covering ahead of potential event risks including the two-day G7 Summit that commences today and a speech by FOMC Chairperson Janet Yellen scheduled for June 6. After hitting a multi-session high of 110.45 on Wednesday, the USD/JPY gave back some ground hovering around 109.90/95 at the time of writing, approaching a key support level at 109.30. Looking at today's calendar, focus is on US initial jobless claims and durable goods orders for April while Fed's James Bullard and Jerome Powell are scheduled to speak.

### GREECE

Following the conclusion of Greece's 1<sup>st</sup> programme review, the ECB is reportedly likely to include GGBs in its monthly purchases of assets under the QE programme as of July. Furthermore, according to some press reports, the ECB is expected to consider the re-introduction of Greek collateral waiver at its next monetary policy meeting scheduled for June 2<sup>nd</sup>. In a report released yesterday, Fitch Ratings acknowledged that the agreement reached at the May 24<sup>th</sup> Eurogroup reduces the risk of another Greek liquidity crisis and provides incentives to the country to complete the current programme. However, the rating agency warned that implementation risk remains high noting that "with little debt relief offered upfront the Greek government may find it progressively more difficult to continue with politically controversial measures required to meet ambitious programme commitments". Along similar lines, Moody's Vice President Alpona Banerji was quoted saying yesterday that the May 24<sup>th</sup> Eurogroup agreement for the release –upon fulfillment of certain pending issues– of the next ESM loan tranche is viewed as "credit positive". However, it warned that implementation risks remain high "given the small governing majority, weak institutions and the backdrop of political and social discontent". In other news, the Asset Development Plan was published in the State Gazette yesterday following approval by the relevant domestic authorities, one of the pending items for the release of the next loan tranche to Greece. The said plan reportedly includes a total of 19 assets; 14 regional airports; Hellenikon; Astir Vouliagmeni; the Afantou area in the island of Rhodes; gas transport operator (DESFA); Piraeus Port Authority (OLP); Thessaloniki Port Authority (OLTH); National train operator TRAINOSE & train maintenance company Rosco; Athens International Airport; certain properties via e-auctions; marinas; Egnatia Odos Motorway; Hellenic Petroleum S.A ELPA (35%); Hellenic Telecommunications Organisation S.A. OTE (5%); Public Power Cooperation DEH (17%); Thessaloniki water company EYATH (23%), Athens Water Company EYDAP (11%), Natural gas firm DEPA; and Hellenic Post (ELTA).

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

May 26, 2016

## Latest world economic & market developments in the CESEE region

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

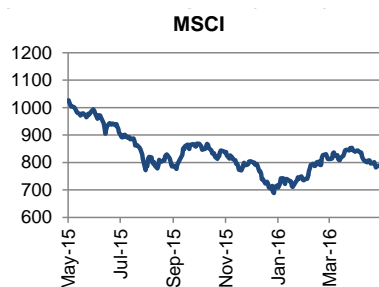
ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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	4.00

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

### SERBIA

The average gross salaries and wages paid in Serbia in April 2016 amounted to RSD 67,464 (~€548.76). This marks a 6.6%MoM increase in real terms and an annual rise of 7.5%. The latter, picked up pace from the prior month's 6.0%YoY advance and marked the highest rate of annual increase since May 2012. For the first four months of the year the average gross salaries and wages paid in Serbia registered an increase of 4.2%YoY in real terms. All in all, the data adds to a recent string of macroeconomic indicators which continue to point to an ongoing economic recovery in Serbia. In support of the aforementioned, recent data releases have confirmed that industrial production remains robust, having registered an average annual rate of increase of ca 10% over Q1 2016 vs. a contraction of ca 2% in Q1 2015. The latest consumption indicators have also been encouraging with a similar annual increase revealed in retail sales over the same period which compares with a 0.8%YoY decline in the first quarter of last year. Additionally, reflecting improving net exports, the current account deficit has declined by more than 50% in Q1 2016, to €294mn. Importantly, budget execution continues to exceed expectations, poised to outperform the full-year target once again. In this context, the NBS revised upwards its real GDP growth forecast for 2016 from 1.8% to 2.25-2.5%, while for 2017 it pencils growth of 3%.0.

In other news, the Ministry of Finance sold on Wednesday almost €120mn of 10-year EUR-denominated government bonds at an average accepted yield of 4.2%. The issue matures on May 27, 2026 and bears a coupon of 3.5%. The tender's bid to cover ratio came in at 1.0.

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

May 26, 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	286	-1	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
3-month	3.29	0	-54
6-month	3.54	0	-49

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.28	-4	-27
5Y RSD	5.29	0	16
7Y RSD	6.20	-42	-149

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.70	-1	-46
USD Nov-24	6.22	0	-19

#### CDS

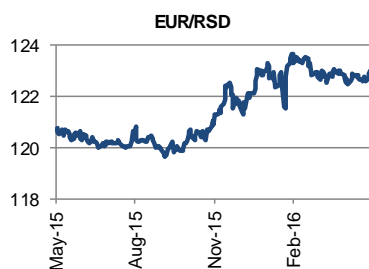
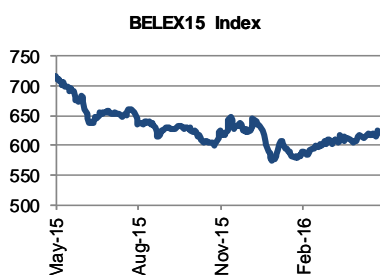
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-24
10-year	291	0	-48

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.1	0.20%	-3.11%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.98	-0.04%	-1.13%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	2	-6
1-month	0.58	0	-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	1.81	1	-12
5Y RON	2.68	1	-12
10Y RON	3.59	2	-19

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.47	0	-10
USD Jan-24	3.52	-1	-27

#### CDS

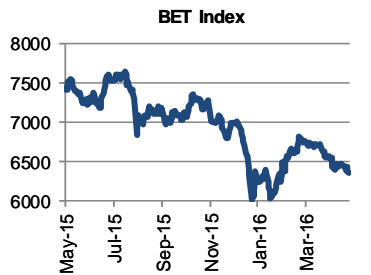
	Last	ΔDbps	ΔYTD bps
5-year	115	0	-18
10-year	155	0	-16

#### STOCKS

	Last	ΔD	ΔYTD
BET	6417.8	0.19%	-8.37%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5069	0.04%	0.16%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	0	-30
3-month	-0.03	0	-29
6-month	0.11	-1	-42
12-month	0.45	0	-52

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	-1	-21
5Y BGN	1.14	0	-14
10Y BGN	2.46	0	-20

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	0	-2
EUR Sep-24	2.35	12	-7

#### CDS

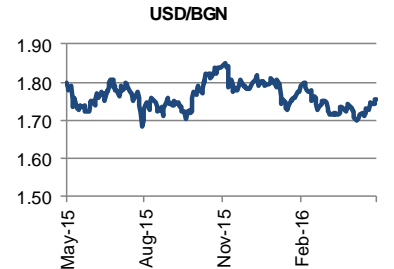
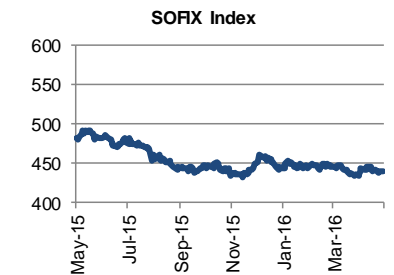
	Last	ΔDbps	ΔYTD bps
5-year	153	0	-19
10-year	198	0	-18

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.4	0.05%	-4.67%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7544	0.10%	2.62%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 16:30 EEST of previous session

May 26, 2016

## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@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**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@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**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@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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