

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 08, 2016

KEY UPCOMING DATA
& EVENTS THIS WEEK

GLOBAL

US

- June 6: Fed Chair Yellen speaks
- June 9: Jobless claims (June 4)
- June 10: UoM consumer sentiment (Jun, p)

EUROZONE

- June 7: GDP (Q1 breakdown)
- June 9: ECB President Draghi speaks

GREECE

- June 6: Euroworking group
- June 9
 - HICP (May)
 - IP (Apr)
 - Labour Force Survey (Mar)
 - CPI (May)

SEE

BULGARIA

- June 7: GDP (Q1, f)
- June 8
 - Retail sales (Apr)
 - Industrial production (Apr)
- June 9: Trade balance (Apr)

ROMANIA

- June 6: 2.25% 2020 T-bonds auction
- June 7
 - GDP (Q1, f)
 - Net wages (Apr)
- June 9
 - 4.75% 2025 T-bonds auction
 - Trade balance (Apr)
- June 10
 - Industrial sales (Apr)
 - CPI (May)

SERBIA

- June 9
 - MPC meeting
 - 2018 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity markets traded mixed on Wednesday, as weaker than expected exports in China overshadowed the increase in oil prices and trimmed expectations of an imminent Fed interest rate hike. Elsewhere, the German 10yr bond yield tested a record low of 0.033% earlier today mirroring its safe-haven appeal ahead of the UK's referendum on EU membership on June 23rd. In FX markets, the USD remained under pressure against most of its currency peers following the disappointing US May's employment report at the end of the previous week and Fed Chair Janet Yellen's speech on Monday that wiped out expectations of a Fed rate hike in June.

GREECE: One of the open issues attached to the conclusion of the 1st programme review was fulfilled yesterday after the Hellenic Republic Asset Development Fund (HRADF) and the consortium represented by Lamda Development signed the MoU for the development of the previous Athens airport of Hellinikon. However, according to some press reports, two issues are still open: (i) establishment of legal immunity for the administration and the expert council of the new Privatization Fund; and (ii) the transfer of the State's 5% stake in Hellenic Telecommunications Organization S.A. (OTE) to the HRADF. The Eurogroup Working Group is expected to convene on Thursday, June 9th to give the green light for the release of the next sub-tranche of €7.5bn, assuming that the Greek side will have fulfilled by then all remaining open issues.

SOUTH EASTERN EUROPE

BULGARIA: The revised estimate of the NSI on the seasonally adjusted Q1-2016 GDP reading confirmed the flash estimate of +0.7% QoQ/+2.9% YoY. The strong reading of Q1 comes against +0.7% QoQ/+3.0% YoY in Q4-2015 vs. +0.7% QoQ/+3.1% YoY in Q3-2015 and +0.9% QoQ/+2.9% YoY in Q1-2015.

CESEE MARKETS: Emerging stock markets remained in the black earlier on Wednesday, following positive import data from China. A further rise in oil prices also provided support. Separately, most regional currencies retained a firm tone, while government bonds were mixed. **Focus today** in primarily on the MPC meetings in Poland where the Central Bank is broadly anticipated to stay put on its monetary policy and maintain the key policy rate at the current record low level of 1.50%.

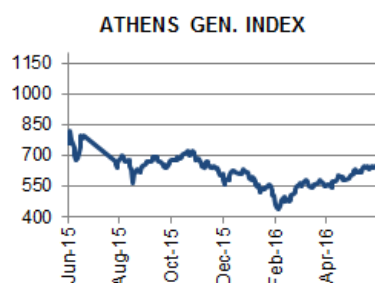
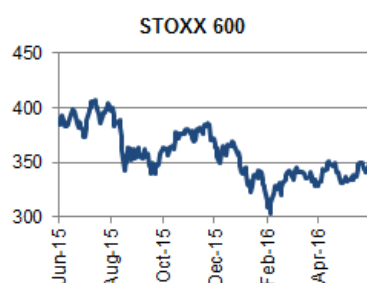
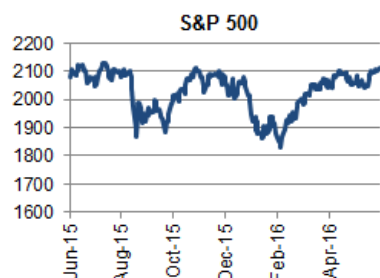
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June 8, 2016

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity markets traded mixed on Wednesday, as weaker than expected exports in China overshadowed the increase in oil prices and trimmed expectations of an imminent Fed interest rate hike. In more detail, the contraction in Chinese exports widened to -4.1%YoY in dollar terms in May from -1.8%YoY in April, while the import contraction narrowed to -0.4%YoY from -10.9% in the prior month. In commodity markets, oil traded near its highest level in nearly eight months amid declining US crude stockpiles, with Brent crude oil price hovering around \$51.5/bbl and WTI crude oil price around \$50.5/bbl at the time of writing. Elsewhere, the German 10yr bond yield tested a record low of 0.033% earlier today mirroring its safe-haven appeal ahead of the UK's referendum on EU membership on June 23rd. In FX markets, the USD remained under pressure against most of its currency peers following the disappointing US May's employment report at the end of the previous week and Fed Chair Janet Yellen's speech on Monday that wiped out expectations of a Fed rate hike in June. The EUR/USD was hovering in early European trade close to a four-week high of 1.1393 marked on Monday, while the USD/JPY was standing close to 107.03/04 at the time of writing. Japan's upwardly revised Q1 GDP to 0.5%QoQ from an initial 0.4%QoQ estimate also had an impact.

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GREECE

One of the open issues attached to the conclusion of the 1st programme review was fulfilled yesterday, after the Hellenic Republic Asset Development Fund (HRADF) and the consortium represented by Lamda Development signed the MoU for the development of the previous Athens airport of Hellinikon. The MoU includes amended terms compared to those incorporated in the initial agreement which was signed in November 2014 while, as was revealed by government spokesperson Olga Gerovasili, the final agreement will be signed on November 16th, 2016. The initial deal called for the consortium to pay for the acquisition of the share capital of Hellinikon €915mn in several installments by 2022 and spend about €6bn to turn the 620-hectare seafront complex into a seaside town of hotels, residence and shops. According to the HRADF, under the new deal, almost half of the said amount will now be paid by 2018, while the total investment will reach €8bn, with most of it expected to be concluded in 12 years rather than 15 years under the initial deal. However, according to some press reports, two issues are still open: (i) establishment of legal immunity for the administration and the expert council of the new Privatization Fund; and (ii) the transfer of the State's 5% stake in Hellenic Telecommunications Organization S.A. (OTE) to the HRADF. According to the government spokesperson, for the transfer of the OTE stake to HRADF there should be some legal actions on behalf of Deutsche Telekom as the latter owns a 40% stake in OTE and has a right to "first refusal" of any sale of State stake. Meanwhile, the Eurogroup Working Group (EGW) is expected to convene on Thursday, June 9th to give the green light for the release of the next sub-tranche of €7.5bn, assuming that the Greek side will have fulfilled by then all remaining open issues. In other news, with regard to commercial transactions of Greece, the trade balance for the 4-month period from January to April 2016 (including the value of ships) recorded a deficit of €6,517bn, up by 1.4% compared to the corresponding period of 2015. The total value of exports-dispatches came in at €7.831bn and the total value of imports-arrivals stood at €14.348bn, recording a 7.5% and 3.7% drop, respectively, relative to the corresponding period a year earlier.

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June 8, 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

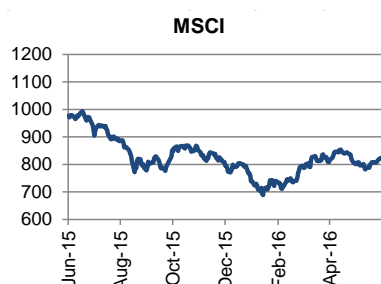
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	4.00

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

The revised estimate of the NSI on the seasonally adjusted Q1-2016 GDP reading confirmed the flash estimate of +0.7% QoQ/+2.9% YoY. The strong reading of Q1 comes against +0.7% QoQ/+3.0% YoY in Q4-2015 vs. +0.7% QoQ/+3.1% YoY in Q3-2015 and +0.9% QoQ/+2.9% YoY in Q1-2015. From a demand point of view, final consumption made a strong positive contribution (+1.7pps in Q1-2016 vs. +1.4pps in Q4-2015). Final consumption expanded by +0.4% QoQ/+2.1% YoY in Q1-2016 up from +0.5% QoQ/+1.8% YoY in Q4-2015 vs. 0.0% QoQ/-0.7% YoY in Q1-2015. Rising real wages, the improving consumer and business sentiment trend, lower on annual basis energy prices - Bulgaria has the highest energy consumption intensity in EU-28 - and further gains in employment were among the principal drivers of the spending recovery. The improvement of labor market conditions in 2015 and further in Q1-2016 has set the foundations for consumption to have a bigger weight on this year's growth in Bulgaria. Unemployment has declined to 7.3% in March and further to 7.1% in April, from 10.0% a year ago, as the economy adds more jobs in the labor-intensive areas of specialized services. From a sectorial point of view, professional (+6.2% YoY) and financial services (+6.9% YoY) were among the most dynamic in Q1-2016.

On the negative side, investments entered negative territory after three consecutive positive readings. Gross fixed capital formation contracted by -3.6% QoQ/-3.9% YoY in Q1-2016 down from -0.9% QoQ/+1.1% YoY in Q4-2015 vs. -0.3% QoQ/+1.4% YoY in Q3-2015. To some extent, the latter mirrors the negative base effects as a result of the increased EU funds absorption in the past year ahead of the closing of the programming period 2007-2013, but also the fact that public investment spending is traditionally skewed to the last quarter of the year. Exports decelerated sharply to +0.0% QoQ/+0.3% YoY in Q1-2016 vs. +5.4% QoQ/+6.1% YoY in Q4-2015 despite the good performance of Euroarea, the main trade partner of Bulgaria. Yet, the contribution of net exports turned out less positive than previous quarters (+1pps in Q1 vs. +1.2pps in Q4) but still not a drag on growth as a result of imports' faster deceleration: -1.2% QoQ/-1.3% YoY in Q1-2016 vs. +3.8% QoQ/+4.1% YoY in Q4. Overall, the strong growth momentum was sustained in Q1. Yet, our GDP forecast still stands at 2.6% in 2016, as we see downside risks for growth stemming primarily from lower EU funds absorption mirroring the beginning of the new multi-annual EU budgeting program period, a lower than last year's fiscal policy impulse and rising external environment headwinds for exporters.

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CESEE MARKETS

Emerging stock markets remained in the black earlier on Wednesday, following positive import data from China. A further rise in oil prices, which hit a new multi-month high above \$50 bbl, also provided support. Riskier assets are also bolstered by scaled back expectations for a Fed rate hike in the coming months after disappointing US labour data released last Friday and Fed Yellen's relatively dovish comments earlier in the week. In this context, the MSCI Emerging Markets index rose for the fifth consecutive session reaching a new one-month peak. Separately, most **regional currencies** retained a firm tone, while **government bonds** were mixed. **Focus today** in primarily on the MPC meetings in Poland. The Central Bank is broadly anticipated to stay put on its monetary policy and maintain the key policy rate at the current record low level of 1.50%.

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June 8, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD					
S&P 500	2114.95	0.3%	3.5%	EUR/USD	1.1352	0.0%	4.6%	(yields)	UST - 10yr	1.71	-3	-56	GOLD	1241	-0.3%	16.9%
Nikkei 225	16675.45	0.6%	-12.4%	GBP/USD	1.4566	0.9%	-1.2%	Bund-10yr	0.05	-4	-58	BRENT CRUDE	51	0.8%	36.6%	
STOXX 600	345.98	1.0%	-5.4%	USD/JPY	107.27	0.3%	11.9%	JGB - 10yr	-0.12	-1	-38	LMEX	2272	0.5%	3.1%	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	290	0	-13
1-week	3.01	0	-18
1-month	3.19	0	-32
3-month	3.38	0	-45
6-month	3.61	0	-42

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.30	#N/A	N/A
5Y RSD	5.29	0	16
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.48	1	-68
USD Nov-24	6.19	0	-22

CDS

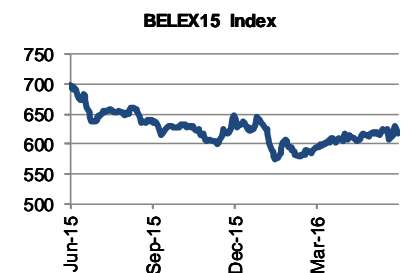
	Last	ΔDbps	ΔYTD bps
5-year	250	1	-24
10-year	292	1	-47

STOCKS

	Last	ΔD	ΔYTD
BELEX15	615.7	-0.18%	-4.40%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.38	-0.11%	-1.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.58	1	-11
3-month	0.75	0	-27
6-month	1.01	1	-33
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	-1	-15
5Y RON	2.67	0	-13
10Y RON	3.57	0	-21

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.44	#N/A	N/A
USD Jan-24	3.40	-1	-38

CDS

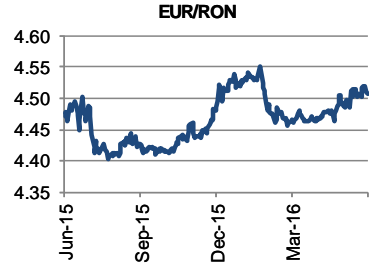
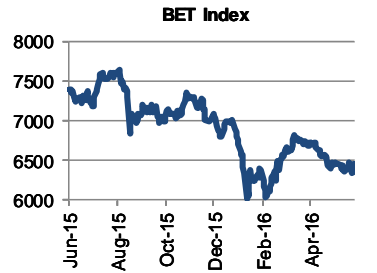
	Last	ΔDbps	ΔYTD bps
5-year	109	-1	-24
10-year	151	-1	-21

STOCKS

	Last	ΔD	ΔYTD
BET	6628.5	1.03%	-5.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.506	0.17%	0.18%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	0	-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	0.40	0	-20
5Y BGN	1.12	-1	-15
10Y BGN	2.43	0	-23

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.00	43	-7
EUR Sep-24	2.30	-9	-12

CDS

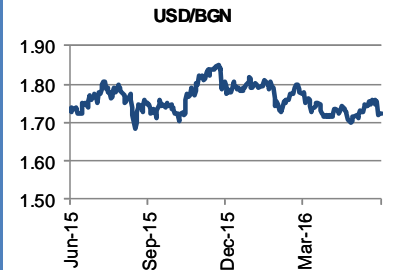
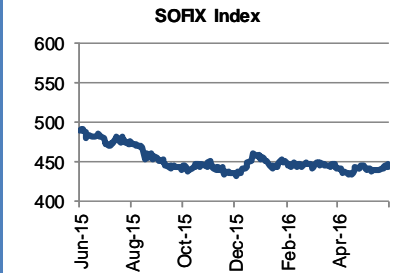
	Last	ΔDbps	ΔYTD bps
5-year	147	-1	-24
10-year	190	-2	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.8	0.61%	-3.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.723	-0.03%	4.49%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 1820 EEST of the prior session

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