



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, June 09, 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:** German government bond yields hit fresh record lows on Thursday favored by global equity markets' lackluster performance and market anxiety ahead of the UK's EU referendum. In FX markets, the USD remained under pressure amid trimmed expectations of a short-term Fed rate hike. Market focus today centres on ECB President Mario Draghi's speech at the Economic Forum in Brussels, while on the US data front, initial and continuing jobless claims are due later in the day.

**GREECE:** The Euro Working Group convenes later today and is reportedly expected to acknowledge that the Greek government implemented all remaining issues attached to the completion of the 1<sup>st</sup> programme review and give the green light for the release of the next loan tranche of €7.5bn.

### SOUTH EASTERN EUROPE

**ROMANIA:** The trade of good deficit widened by 37.7% YoY in January-April 2016.

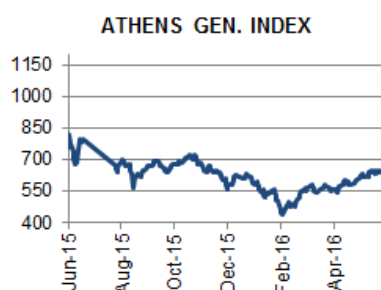
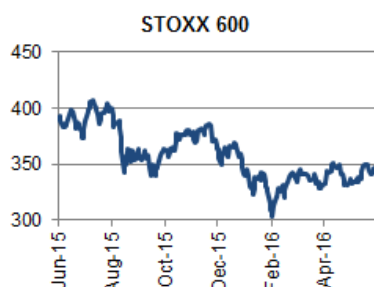
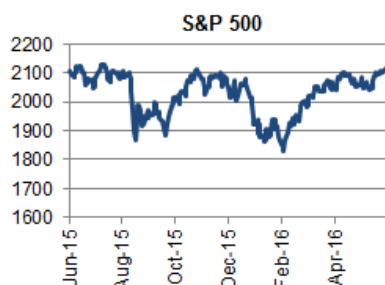
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Most Asian equity markets closed in the red on Thursday, with the Topix and the Nikkei Stock Average Indices leading the losses (both -1.00%), as the JPY's strength weighed on exporters and the Japanese machinery orders fell short of market expectations. In more detail, core orders in Japan decreased 11.0%MoM in May from +5.5%MoM in April, reporting the weakest monthly growth rate in roughly 2 years. Mirroring the negative tone in Asia, major European equity bourses continued their downtrend for a second consecutive day, underpinning demand for German Bunds whose yields tested fresh record lows earlier today. In FX markets, the US dollar hit a five-month low against the JPY at 106.26 pressured by trimmed expectations of a short-term Fed rate hike and the JPY's enhanced safe-haven appeal ahead of the UK's EU referendum on June 23<sup>rd</sup>. Elsewhere, the EUR/USD rose to a one-month high of 1.1415 as the ECB started buying corporate debt on June 8<sup>th</sup> under its bond purchase program, before falling to 1.1356/54 at the time of writing in European trade. Separately, the New Zealand's dollar NZD was among the main outperformers hitting its highest level in a year vs. the US dollar after the Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) unchanged at 2.25% confounding market expectations for lower interest rates. Although the RBNZ maintained its easing bias and the forecasted interest rate path implied further monetary policy easing ahead, the updated economic forecasts and the overall tone of the statement were perceived as more hawkish than expected. Market focus today centres on ECB President Mario Draghi's speech at the Economic Forum in Brussels, while, on the US data front, initial and continuing jobless claims are due later in the day.

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### GREECE

The Euro Working Group convenes later today and is reportedly expected to acknowledge that the Greek government implemented all remaining issues attached to the completion of the 1<sup>st</sup> programme review and give the green light for the release of the next loan tranche of €7.5bn. Should this be the case, the necessary procedures in several euro area parliaments – including that of Germany and the Netherlands – for the clearance of said tranche will commence thereafter while the final approval for the loan disbursement will be reached by the ESM Board of Directors which next meets on June 16<sup>th</sup>. According to the local press, the said amount is expected to arrive in State coffers ahead of the UK's EU referendum that will be held on June 23<sup>rd</sup>. Out of that amount, €1.8bn will be directed for covering state arrears and the remaining €5.7bn for debt servicing needs. The completion of the 1<sup>st</sup> review is expected to open the way for the reintroduction of the Greek collateral waiver, a decision which will likely be reached on June 22<sup>nd</sup> when the ECB holds a non-monetary policy meeting. Yet, the reinstatement of the Greek collateral waiver does not automatically render Greek government bonds eligible for the ECB's Public Sector Purchase Programme (PSPP). As was explicitly cited by ECB President Mario Draghi at the press conference following the September 2015 policy meeting, for the ECB to start purchasing GGBs, not only does Greece need to satisfy the standard criteria set for programme countries but there also needs to be a debt sustainability analysis by the Governing Council. According to Greece's Minister of Finance Euclid Tsakalotos, Greece is expected to be included in the ECB's QE programme this fall, after meeting bond repayments of €2.3bn cumulatively to the ECB/European banks in July.

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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

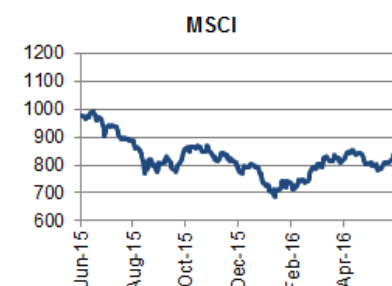
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	4.00

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

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

### ROMANIA

According to the latest INSEE data, the trade of goods deficit widened to €836.2mn in April, up by 29.1% YoY bringing the cumulative deterioration at 37.7% YoY in January-April. Strong import growth (+9.8% YoY in April/+7.8% YoY in Jan-April2016) outpacing that of exports (+6.9% YoY in April/+4.4% YoY in Jan-April2016) as a result of the underperformance of exports to extra-EU28 destinations (24% of total exports/-3.6% YoY in January-April2016) are the main drivers behind the trade deficit dynamics. The trade deficit deterioration is one of the warning signs that macroeconomic imbalances could reemerge as a result of the overly expansionary fiscal policy mix this year. So far, the robust performance in services and current transfers as a result of the improved EU funds absorption maintain the current account deficit at relatively low levels. In other news, the government approved the new public sector wage bill which aims to eliminate disparities between different groups of public sector employees. According to the official Ministry of Finance data, the new legislation will have a negligible net impact of 0.1% of GDP on the fiscal deficit of 2016 and 0.3% of GDP in 2017. Yet, the new legislation highlights the risk of fiscal slippage in an election year. The unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections this year, induced by the amended Fiscal Code tax-cuts and the wide-spread public sector wage rises threaten to push the fiscal deficit in cash terms above the 2.8% of GDP target (2.95% in ESA2010) in 2016 and further above the 3% threshold in 2017.

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**GLOBAL MARKETS**

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2119.12	0.3%	3.7%	EUR/USD	1.1395	0.0%	5.0%	UST - 10yr	1.67	-3	-59	GOLD	1260	-0.3%	18.7%
Nikkei 225	16668.41	-1.0%	-12.4%	GBP/USD	1.4473	-0.2%	-1.8%	Bund-10yr	0.04	-2	-59	BRENT CRUDE	53	0.3%	41.3%
STOXX 600	342.74	-0.5%	-6.3%	USD/JPY	106.53	0.4%	12.7%	JGB - 10yr	-0.13	-3	-39	LMEX	2271	1.4%	3.1%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	289	-1	-14
1-week	2.99	-2	-20
1-month	3.16	-3	-35
3-month	3.40	2	-43
6-month	3.62	1	-41

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-9	-21
5Y RSD	5.28	-1	15
7Y RSD	5.77	0	-193

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.44	-2	-72
USD Nov-24	6.20	0	-22

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	249	0	-25
10-year	291	1	-48

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	627.8	1.97%	-2.53%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.45	-0.05%	-1.51%

**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.57	0	-12
3-month	0.75	0	-27
6-month	1	0	-34
12-month	1.18	0	-34

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.74	-1	-19
5Y RON	2.63	-1	-17
10Y RON	3.54	-1	-24

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	-1	-18
USD Jan-24	3.35	1	-43

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	116	8	-18
10-year	158	9	-14

**STOCKS**

	Last	ΔD	ΔYTD
BET	6652.3	-0.15%	-5.03%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5073	-0.03%	0.15%

**BULGARIA**

**Money Market**

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

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	0	-21
5Y BGN	1.13	0	-15
10Y BGN	2.43	0	-23

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.36	0	29
EUR Sep-24	2.30	-13	-12

**CDS**

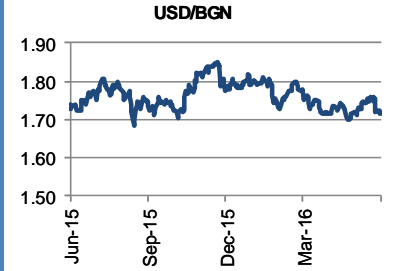
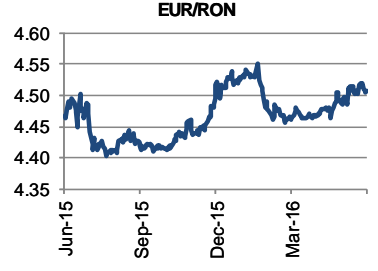
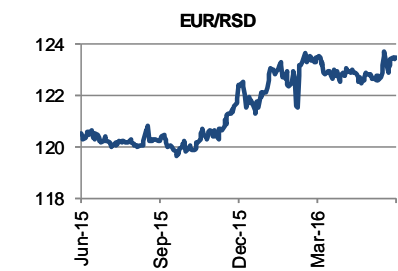
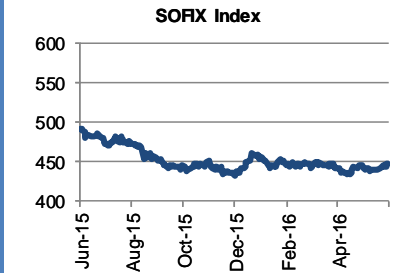
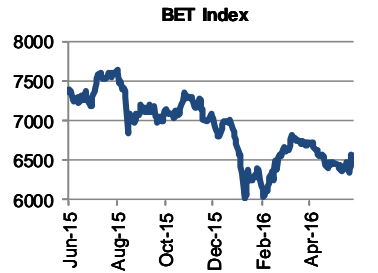
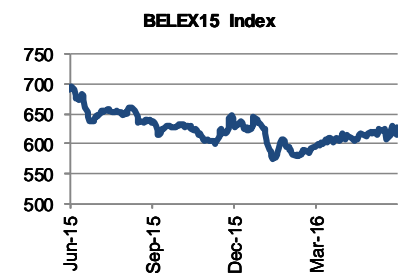
	Last	ΔDbps	ΔYTD bps
5-year	152	0	-20
10-year	199	1	-17

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	446.6	0.00%	-3.10%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7165	0.01%	4.88%



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

Data updated as of 10:30 EEST

June 9, 2016

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