



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, June 10, 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: Tracking the negative tone in most Asian bourses, major European bourses were lower in early trade on Friday pressured by heightened market worries over the outcome of the UK's EU referendum on June 23rd as recent opinion polls suggest that the outcome is too close to call. EU referendum jitters helped major global bond markets retain a positive tone while in FX markets, the CHF was among the main outperformers.

GREECE: The Euroworking Group (EWG) that convened yesterday issued a positive compliance report for Greece giving the green light for the disbursement of the next ESM loan sub-tranche of €7.5bn, which is expected to arrive in State coffers before June 23rd and will be primarily used to cover debt servicing needs and, secondarily, state arrears.

SOUTH EASTERN EUROPE

SERBIA: In line with our and market expectations, the National Bank of Serbia (NBS) stayed put on its monetary policy yesterday for the fourth month running after a 25bps rate cut in February, maintaining the key benchmark rate at the record low level of 4.25%.

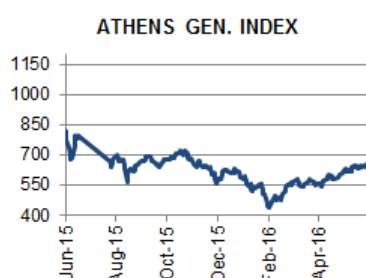
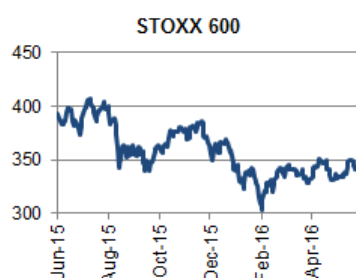
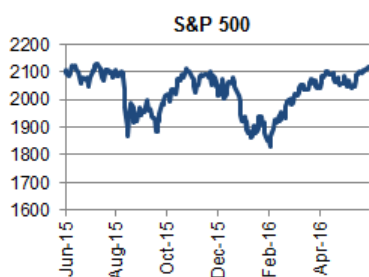
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June 10, 2016

Latest world economic & market developments

GLOBAL MARKETS



Tracking the negative tone in most Asian bourses, major European equity markets were lower in early trade on Friday pressured by heightened market worries over the outcome of the UK's EU referendum on June 23rd as recent opinion polls suggest that the outcome is too close to call. EU referendum jitters helped major global bond markets retain a positive tone with the 10-yr Bund yield hitting a fresh record low of 0.021% earlier today while the 10-yr US Treasury was yielding levels around 1.675% at the time of writing in European trade, within distance from a three-month intraday trough of 1.659% marked in the prior session. The ECB's corporate sector purchase programme (CSPP) that commenced a couple of sessions earlier (June 8th), also favored German government bonds. In FX markets, the CHF was among the main outperformers favored by its safe-haven appeal with the EUR/CHF testing levels earlier today near Thursday's two-month intraday trough of 1.0883. Elsewhere, the USD moved modestly higher against the JPY trading close to 106.80/85, modestly recovered from Thursday's five-week low of 106.24 on the back of a string of positive US data. US initial jobless claims declined unexpectedly by 4k in the week ended June 4 standing at a seasonally adjusted level of 264k, remaining below the psychologically important level of 300k for the 66th straight week, the longest streak since 1973. Furthermore, job openings hit a nine-month high in April and layoffs fell to their lowest level since September 2014 supporting the view that, in spite of last week's disappointing non-farm payrolls report, the labor market remains strong. Adding to yesterday's string of encouraging US data, wholesale inventories grew by 0.6%MoM in April, their biggest increase in 10 months with the Atlanta Federal Reserve's GDPNow forecast model showing a 2.5% annualized rate of increase in Q2 2016. Today's UM consumer sentiment index for June is likely to be shrugged off ahead of next week's FOMC monetary policy meeting.

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GREECE

The Euroworking Group (EWG) that convened yesterday issued a positive compliance report for Greece giving the green light for the disbursement of the next ESM loan sub-tranche of €7.5bn. The disbursement, already approved by Germany's Bundestag will now have to be endorsed by a few more euro area national parliaments and then by the BoD of the ESM, which is scheduled to convene on June 16th. If all goes as planned, the sub-tranche should reportedly arrive in State coffers before the UK referendum on June 23rd and will be primarily used to cover debt servicing needs and, secondarily, state arrears. The second sub-tranche of €2.8bn is expected to be disbursed after the summer, subject to a number of milestones that the Greek government has yet to meet. Among others, these reportedly include the reform of the governance in the four systemic banks, certain pending actions pertaining to the New Privatisations Fund, the privatisation of the Independent Power Transmission Operator (ADMIE), the reform of tariffs by the Public Power Corporation (PPC) and amendments to the legal framework of the Civil Aviation Authority (HCAA). The list of prior actions for the release of the €2.8bn sub-tranche was reportedly discussed at yesterday's EWG and is expected to be finalised in the following days. On the economic data front, according to the Hellenic Statistical Authority, headline consumer price index in Greece in May 2016 fell -0.9%YoY against -2.1%YoY in May 2015 and -1.3%YoY in April. The decline was led primarily by decreases in housing, transport and durable goods costs. The seasonally adjusted unemployment rate in March 2016 eased slightly to 24.1% compared to 25.7% in March 2015 and 24.2% in February 2016. The production index in industry improved in April 2016 recording an increase of 2.8%YoY, whereas the seasonally adjusted IPI in April 2016 recorded an increase of 4.0%MoM.

Source: Reuters, Bloomberg, Eurobank Research

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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

SERBIA

In line with our and market expectations, the National Bank of Serbia (NBS) stayed put on its monetary policy yesterday for the fourth month running after a 25bps rate cut in February, maintaining the key benchmark rate at the record low level of 4.25%. In support of its decision the NBS Executive Board cited expectations that "the present degree of monetary accommodation will help inflation return and stabilise within the target tolerance band early next year". Additionally, the accompanying statement mentioned that the MPC also took into account the current uncertainty in the international commodity and financial markets as well as an anticipated weakening of the disinflationary impact stemming from global commodity prices in the period ahead. Although CPI has remained well below the tolerance target band of 4.0 ± 1.5 over the last two years, standing at 0.4% in April, as noted in the latest MPC statement, it is anticipated to gradually rise within the target band early next year. In this context, the room, if any, for further monetary easing appears to be rather limited.

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June 10, 2016

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	2115.48	-0.2%	3.5%	EUR/USD	1.1318	0.0%	4.3%	UST - 10yr	1.67	-1	-60	GOLD	1269	-0.1%	19.5%
Nikkei 225	16601.36	-0.4%	-12.8%	GBP/USD	1.4452	0.0%	-1.9%	Bund-10yr	0.03	0	-60	BRENT CRUDE	51	-1.1%	37.8%
STOXX 600	337.48	-1.1%	-7.7%	USD/JPY	106.78	0.3%	12.4%	JGB - 10yr	-0.14	-2	-41	LMEX	2246	-1.1%	1.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	291	2	-12
1-week	3.01	2	-18
1-month	3.19	3	-32
3-month	3.42	2	-41
6-month	3.63	1	-40

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	-2	-13
5Y RSD	5.29	0	16
7Y RSD	5.76	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.42	-2	-74
USD Nov-24	6.20	0	-22

CDS

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

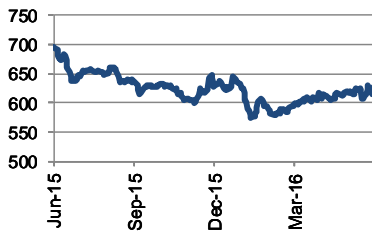
STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.3	0.10%	-3.08%

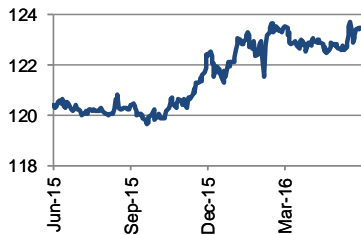
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.44	0.01%	-1.50%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.4	1	-13
1-month	0.58	0	-11
3-month	0.75	0	-27
6-month	1.01	1	-33
12-month	1.18	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.73	-1	-20
5Y RON	2.58	-2	-22
10Y RON	3.50	-1	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.37	-1	-20
USD Jan-24	3.36	1	-42

CDS

	Last	ΔDbps	ΔYTD bps
5-year	118	-998	-15
10-year	160	2	-12

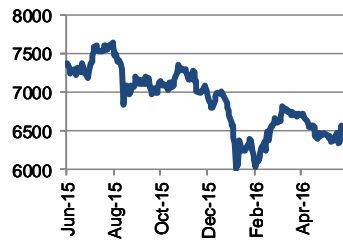
STOCKS

	Last	ΔD	ΔYTD
BET	6500.5	-0.22%	-7.19%

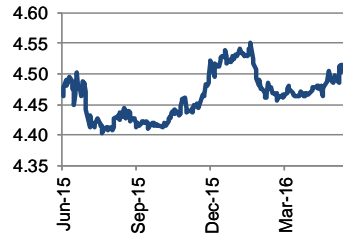
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5108	-0.03%	0.07%

BET Index



EUR/RON



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-21
5Y BGN	1.11	0	-16
10Y BGN	2.40	0	-26

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.35	-29	28
EUR Sep-24	2.27	-17	-15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	153	1	-18
10-year	201	2	-15

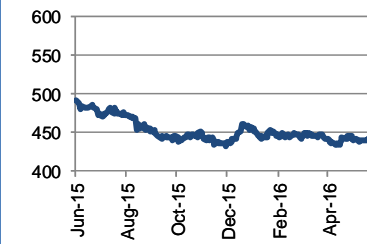
STOCKS

	Last	ΔD	ΔYTD
SOFIX	448.6	-0.24%	-2.66%

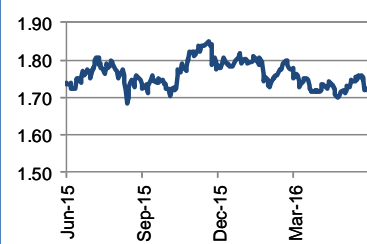
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7282	0.02%	4.17%

SOFIX Index



USD/BGN



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

Data updated as of 10:20 EEST

June 10, 2016

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