

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, June 13, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 14: Retail sales (May)
- June 15
 - Empire State Index (May)
 - Industrial production (Apr)
 - FOMC decision
- June 16:
 - CPI (May)
 - Jobless claims (June 11)
 - Philly Fed (Jun)
 - NAHB house index (May)
- June 17: Housing starts/permits (May)

EUROZONE

- June 16: HICP (May, f)
- June 16/17: Eurogroup/Ecofin

GREECE

- June 13: Building activity (Mar)
- Labor Force Survey (Q1 2016)

SEE

BULGARIA

- June 13: CPI (May)
- June 15-19: U/E rate (May)
- June 17: Current account (Apr)

ROMANIA

- June 13
 - Current account (Apr)
 - 3.50% 2022 T-bonds auction
- June 14: IP (Apr)
- June 16: 3.25% 2021 T-bonds auction

SERBIA

- June 13
 - HICP (May)
 - 6% 2019 T-Bonds auction
- June 16: 3Y T-bonds auction
- June 17: Fitch credit rating review

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Market jitters over the UK's EU referendum scheduled for June 23rd remain at the forefront after a number of opinion polls released over the weekend suggested that the outcome remains too close to call. Major European equity markets kicked off the week on a negative note, major global sovereign bond markets retained a firm tone and both the JPY and the CHF were among the main outperformers in FX markets favored by their safe-haven appeal.

GREECE: The Board of Directors of the ESM, which is scheduled to convene on June 16th, is expected to give the final approval for the disbursement of the 1st ESM loan sub-tranche to Greece. The sub-tranche will amount to €7.5bn, of which €5.1bn will cover short-term debt servicing needs and €2.4bn state arrears.

SOUTH EASTERN EUROPE

ROMANIA: The EUR/RON remained last week within the recent 4.5000/250 trading range held since mid-May. Separately, there is still no significant change in money market rates, as the market remains very liquid in RON, with the short term rates still stuck close to the deposit facility rate of 0.25%. Meanwhile, RON government bonds benefitted amid expectations of no Fed hike for now, which added to persistent low inflation in Romania.

SERBIA: The EUR/RSD was little changed last week remaining bound within a 123.15/35 – 123.40/60 trading range. Looking into the summer, the dinar is likely to recover some ground due to seasonal factors.

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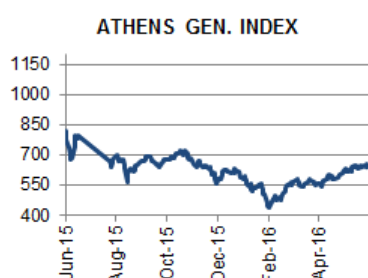
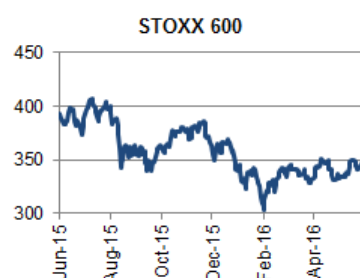
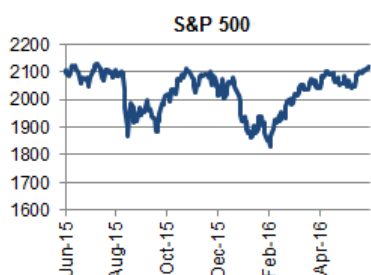
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Latest world economic & market developments

GLOBAL MARKETS

Market jitters over the UK's EU referendum scheduled for June 23rd remain at the forefront after a number of opinion polls released over the weekend suggested that the outcome remains too close to call. Concerns about further US social and geopolitical tensions after Sunday's worst mass shooting in the country's modern history also dented investors' appetite for risk taking. Against this background, major European equity markets kicked off the week on a negative note while major global sovereign bond markets retained a firm tone with the 10-yr Bund yield trading close to 0.028% in European trade at the time of writing, within distance from a fresh all-time trough of 0.01% marked on Friday. In FX markets, both the JPY and the CHF were among the main outperformers favored by their safe-haven appeal. Amid market anxiety ahead of this week's FOMC two-day policy meeting (Tuesday - Wednesday, June 14th - 15th June), the USD/JPY dropped to a near six-week trough of 105.72 earlier today before recovering modestly to levels slightly above 106.00 in European trade at the time of writing. In the wake of the disappointing US May's non-farm payrolls report, the prospect of a Fed rate hike this week seems highly unlikely and market focus is expected to turn to Fed Chair Janet Yellen's press conference, the updated summary of economic projections and the Fed's "dot plot". The BoJ also convenes this week (Thursday, June 16th) and is likely to wait until after Upper House election set for July 10th before delivering additional policy easing measures. Yet, the prospect of further BoJ stimulus as soon as this week cannot be ruled out entirely in case the JPY appreciates further in the sessions ahead of this week's BoJ meeting pushing the USD/JPY below its 18-month low of 105.55 tested on May 3rd. Meanwhile, the GBP weakened sharply hitting an eight-week low against the USD at 1.4156 and a three-year trough against both the JPY and the EUR amid heightened Brexit worries.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

The Board of Directors of the ESM, which is scheduled to convene on June 16th, is expected to give the final approval for the disbursement of the 1st ESM loan sub-tranche to Greece. The sub-tranche, which is expected to arrive in state coffers before the June 23rd EU referendum in the UK, will amount to €7.5bn, of which €5.1bn will cover short-term debt servicing needs and €2.4bn state arrears. The 2nd sub-tranche of €2.8bn euros is expected to be disbursed after the summer – according to the May 24th Eurogroup – and will be attached to another set of milestones that includes, among others, the reform of the governance of the four systemic banks, the privatisation of the Independent Power Transmission Operator (ADMIE), the reform of HV tariffs by the Public Power Corporation (PPC) and amendments to the legal framework governing the Hellenic Civil Aviation Authority (HCAA). Two pending items that were not closed during the 1st review will also be included in the list of prior actions for the 2nd review. These are the transfer of the 5% State's stake in OTE to HRADF (Hellenic Republic Asset Development Fund) and the legal protection of the members of the BoD and experts of the new Privatisations Fund. Of the 2nd sub-tranche of €2.8bn, which may be released in further sub-tranches, €1.1bn will go to debt servicing and €1.7bn to state arrears. Meanwhile, the 2nd review is expected to commence in October 2016 with the aim to be completed by end-November 2016. The key items of that review will be labour reform, privatisations and the opening up of certain closed professions based on OECD recommendations.

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June 13, 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

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 EUR/RON again failed to break higher through its four month high of 4.5250 last week, staying within the recent 4.5000/250 trading range held since mid-May. The pair dropped from a 4.5230 close the previous Friday to 4.5140 at the end of the week, touching an intraday low of 4.5045 on Tuesday. Separately, there is still no significant change in money market rates, as the market remains very liquid in RON, with the short term rates still stuck close to the deposit facility rate of 0.25%. The implied RON rate from swaps for the 1M maturity remained unchanged from the previous week at 0.50%, while the 12M rate is stable at 0.80%. RON government bonds benefitted as global financial markets swung back due to expectations of no Fed hike in the imminent future, which added to persistent low inflation in Romania (latest print for May is at -3.50%YoY). As a result the long end rallied, with 10Y yields moving some 7 bps lower to 3.50% over the week.

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SERBIA

In line with the market's prevailing expectations, the National Bank of Serbia stayed put on its monetary policy last week, maintaining the key policy rate at the current record low level of 4.25%. The NBS justified its decision citing uncertainties in the international commodity and financial markets as well as projections that inflation would return within the target tolerance band of 4.0±1.5% approximately within the next six months. In this context, the EUR/RSD was little changed last week remaining bound within a 123.15/35 – 123.40/60 trading range. Looking into the summer, the dinar is likely to recover some ground due to seasonal factors. EUR/RSD support lies at 122.50, a level where the Central Bank has intervened in the recent past to halt the pair's downward momentum, while a reversal of this trend is likely from September.

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June 13, 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	2096.07	-0.9%	2.6%	EUR/USD	1.1264	0.1%	3.8%	UST - 10yr	1.63	-1	-64	GOLD	1283	0.7%	20.8%
Nikkei 225	16019.18	-3.5%	-15.8%	GBP/USD	1.4134	-0.8%	-4.1%	Bund-10yr	0.02	0	-61	BRENT CRUDE	50	-0.8%	34.5%
STOXX 600	329.22	-1.1%	-10.0%	USD/JPY	106.02	0.9%	13.2%	JGB - 10yr	-0.16	-2	-42	LMEX	2245	0.0%	1.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	291	0	-12
1-week	3.00	-1	-19
1-month	3.19	0	-32
3-month	3.41	-1	-42
6-month	3.63	0	-40

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.26	-2	-33
5Y RSD	5.29	0	16
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.42	-1	-74
USD Nov-24	6.20	0	-22

CDS

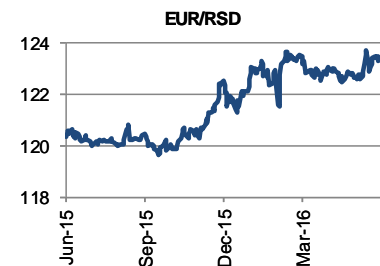
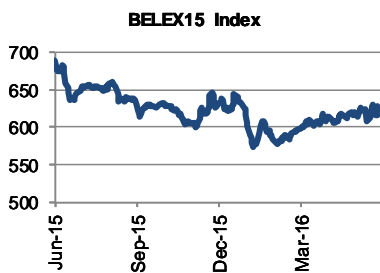
	Last	ΔDbps	ΔYTD bps
5-year	249	0	-25
10-year	293	2	-47

STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.7	0.05%	-3.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.41	-0.15%	-1.48%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.38	-2	-15
1-month	0.56	-2	-13
3-month	0.73	-2	-29
6-month	1	-1	-34
12-month	1.16	-2	-36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.73	0	-20
5Y RON	2.59	1	-21
10Y RON	3.51	1	-27

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.37	0	-20
USD Jan-24	3.34	-3	-44

CDS

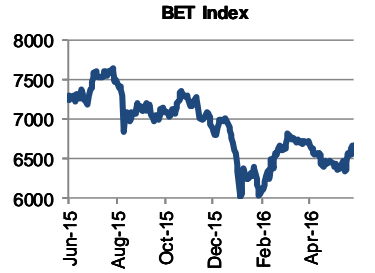
	Last	ΔDbps	ΔYTD bps
5-year	120	3	-13
10-year	161	1	-10

STOCKS

	Last	ΔD	ΔYTD
BET	6361.3	-0.76%	-9.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5161	0.01%	-0.05%



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	0.39	0	-21
5Y BGN	1.11	0	-16
10Y BGN	2.42	0	-24

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.34	0	27
EUR Sep-24	2.30	-23	-12

CDS

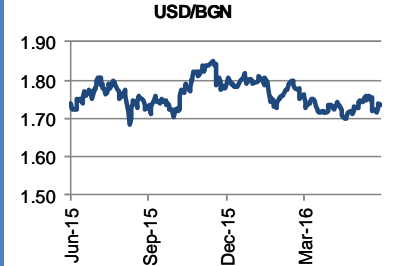
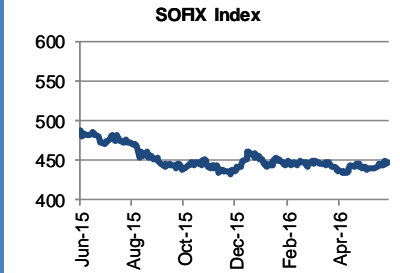
	Last	ΔDbps	ΔYTD bps
5-year	155	2	-16
10-year	203	3	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.3	0.22%	-3.18%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7366	0.05%	3.67%



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

Data updated as of 11:35 EEST

June 13, 2016

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