



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 14, 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:** Following the negative tone in Wall Street overnight, major Asian equity indices closed in the red on Tuesday ahead of the Fed's two day monetary policy meeting on June 14-15 and amid growing concerns on the UK's referendum on EU membership on June 23<sup>rd</sup>. Major global bond markets retained their positive tone, with the 10-yr Bund yield falling below zero for the first time on record earlier today. In FX markets, the JPY was among the main outperformers favored by its safe-haven appeal.

**GREECE:** With regard to the ESM loan €7.5bn sub-tranche that Greece expects to receive in the coming days, Klaus Regling, the Managing Director of the ESM stated that the cooperation with the Greek government is again productive and that there is a good chance that the ESM BoD will approve the disbursement when it convenes on June 16<sup>th</sup>.

### SOUTH EASTERN EUROPE

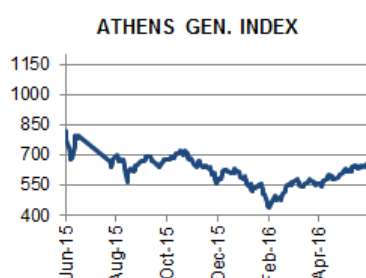
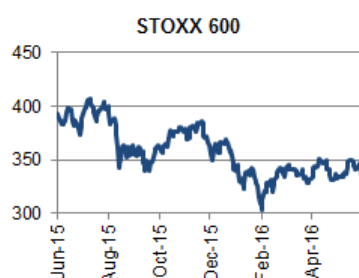
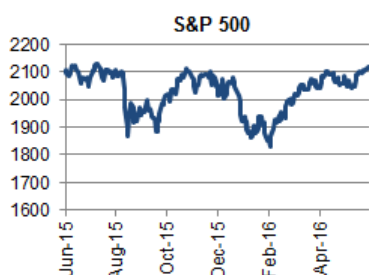
**SERBIA:** The consumer price index rose by 0.1% on a monthly basis in May, bringing the annual rate of increase to 0.7%. The latter follows a 14-month low of 0.4%YoY recorded in April and remains well below the Central Bank tolerance target band of 4.0±1.5%.

**CESEE MARKETS:** The majority of **emerging stock markets** lost further ground on Tuesday, trailing losses in major global bourses as caution prevailed ahead of the FOMC meeting which concludes tomorrow and amid mounting Brexit worries in the way to the June 23<sup>rd</sup> referendum in the UK.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Following the negative tone in Wall Street overnight, major Asian equity indices closed in the red on Tuesday and European bourses broadly fell in morning trade ahead of the Fed's two day monetary policy meeting on June 14-15 and amid growing concerns on the UK's referendum on EU membership on June 23<sup>rd</sup>. Major global bond markets retained their positive tone, with the 10-yr Bund yield falling below zero for the first time on record earlier today, while the 10-yr US Treasury was yielding levels around 1.594% at the time of writing in European trade, not far from a four-year trough of 1.529% marked on February 11, 2016. In FX markets, the JPY was among the main outperformers favored by its safe-haven appeal, with the USD/JPY hovering around levels of 105.63 earlier today, within distance from 1 ½ year low of 105.55 marked in early May. On the data front, US retail sales for May will probably lure investors' attention.

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### GREECE

With regard to the ESM loan €7.5bn sub-tranche that Greece expects to receive in the coming days, Klaus Regling, the Managing Director of the ESM stated that the cooperation with the Greek government is again productive and that there is a good chance that the ESM BoD will approve the disbursement when it convenes on June 16<sup>th</sup>. In the context of the milestones that the Greek government needs to fulfil in order to receive the next sub-tranche of €2.8bn after the summer, the Hellenic Republic Asset Development Fund (HRADF) is proceeding with the preparation for the transfer of the remaining regional airports and ports to the new Privatisation Fund. More specifically, according to the Supplemental MoU, by September 2016, HRADF should assess its regional airport and port assets and transfer to the new Privatisation Fund those it does not plan to develop. HRADF will continue to manage all these assets and to prepare with the contribution of the relevant ministries their potential privatization/development by the new Fund, until the latter becomes operational. According to press reports several of the airports that will be privatized have significant potential and may bring revenues of around €1,25bn in the short-term and around €10bn in the next 40 years. On the data front, according to data published yesterday by the Hellenic Statistical Authority, total building activity in March 2016 based on the number of issued building permits, decreased by 11.5%YoY. For Q1 2016 the respective figure declined by 13.7%YoY.

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June 14, 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

### SERBIA

The consumer price index rose by 0.1% on a monthly basis in May, bringing the annual rate of increase to 0.7%. The latter follows a 14-month low of 0.4%YoY recorded in April and remains well below the Central Bank tolerance target band of 4.0±1.5. The breakdown of the data showed that a 5.2%YoY advance in *alcoholic beverages & tobacco* was among the main culprits of last month's acceleration in consumer prices, while *housing, water, electricity, gas and other fuels* (+3.0%YoY), *healthcare* (+3.7%YoY) and *recreation & culture* (+4.7%YoY) also added to the CPI's up-move in May. On the flipside, *food and non-alcoholic beverages* prices fell by 0.8%YoY and the *transport* sub-component declined by 2.7%YoY.

Inflation has remained below target for two years now in view of low global commodity prices, a restrictive fiscal policy and a negative output gap. Looking ahead, in line with the Central Bank's (NBS) view we anticipate CPI to gradually move towards the said target tolerance band in early 2017 thanks to low-base effects, the recovery in primary commodity prices and rising domestic demand. In this context, the room, if any, for further monetary easing appears to be rather limited following 750bps of rate cuts since May 2013.

### CESEE MARKETS

The majority of **emerging stock markets** lost further ground on Tuesday, trailing losses in major global bourses as caution prevailed ahead of the FOMC meeting which concludes tomorrow and amid mounting Brexit worries in the way to the June 23<sup>rd</sup> referendum in the UK. Against this backdrop, the MSCI Emerging Markets Index fell for the fourth session running earlier today, having lost more than 4% cumulatively over this period. In a similar vein, **CESEE financial market assets** recoiled.

In the **local rates market**, Polish government bonds led the losses with the benchmark 2- and 10-year yields jumping by 9.5 and 18 bps respectively to 1.836% and 3.253%. In view of deteriorating global risk sentiment, the Romanian Ministry of Finance sold yesterday RON 294mn (~€65.5mn) worth of December 2022 T-bonds, less than the RON 400mn (~€88.5mn) amount initially planned. The average accepted yield came in at 3.09%, slightly below 3.20% achieved at a prior auction of same maturity paper held in May.

Looking into the remainder of the week, the **CESEE calendar** is relatively light from major data and events this week. On a global scale, the FOMC monetary policy meeting announcement takes centre stage on Wednesday.

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June 14, 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	2096.26	0.0%	2.6%	EUR/USD	1.13	0.4%	4.1%	UST - 10yr	1.63	-1	-64	GOLD	1284	0.8%	20.9%
Nikkei 225	16019.18	-3.5%	-15.8%	GBP/USD	1.4286	0.2%	-3.1%	Bund-10yr	0.03	1	-60	BRENT CRUDE	51	0.2%	35.8%
STOXX 600	328.45	-1.3%	-10.2%	USD/JPY	106.33	0.6%	12.9%	JGB - 10yr	-0.16	-2	-42	LME X	2245	0.0%	1.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	292	1	-11
1-week	3.02	2	-17
1-month	3.20	1	-31
3-month	3.42	1	-41
6-month	3.64	1	-39

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.32	3	-27
5Y RSD	5.34	#N/A N/A	22
7Y RSD	5.77	0	-193

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.43	-1	-74
USD Nov-24	6.20	0	-22

**CDS**

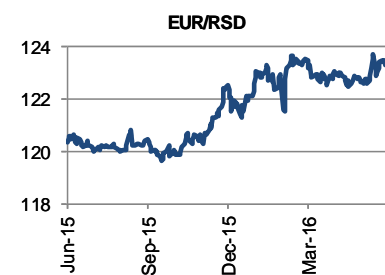
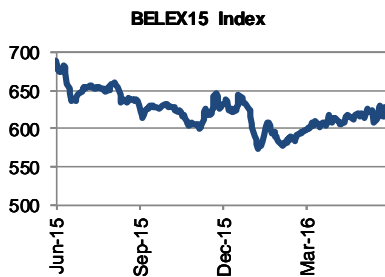
	Last	ΔDbps	ΔYTD bps
5-year	249	0	-25
10-year	293	2	-47

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	625.7	0.21%	-2.86%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.36	-0.11%	-1.44%



**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	1.75	2	-18
5Y RON	2.61	3	-19
10Y RON	3.52	2	-26

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.38	2	-18
USD Jan-24	3.39	2	-39

**CDS**

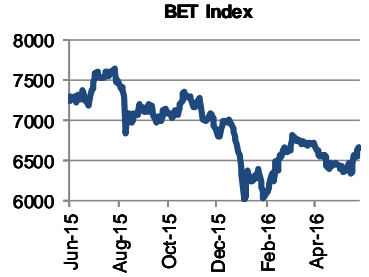
	Last	ΔDbps	ΔYTD bps
5-year	120	3	-13
10-year	161	1	-10

**STOCKS**

	Last	ΔD	ΔYTD
BET	6410.3	0.00%	-8.48%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5142	0.06%	0.00%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.14	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	1.11	0	-16
10Y BGN	2.42	0	-24

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.12	24	5
EUR Sep-24	2.26	1	-16

**CDS**

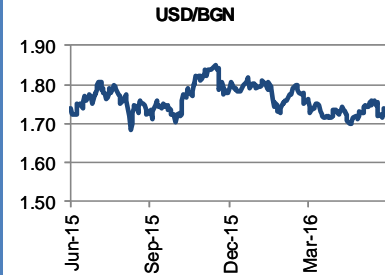
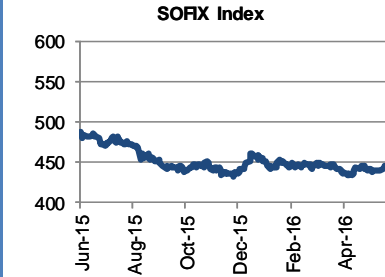
	Last	ΔDbps	ΔYTD bps
5-year	155	2	-16
10-year	203	3	-13

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	448.3	0.67%	-2.74%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7309	0.38%	4.01%



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

Data updated as of 18:00 EEST of previous session

June 14, 2016

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