



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, June 16, 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:** Tracking the negative tone in Wall Street overnight, major Asian equity indices closed in the red on Thursday and European bourses broadly fell in morning trade while oil prices headed for the 6<sup>th</sup> consecutive session of negative performance. The FOMC left its fed funds rate unchanged at its two-day monetary policy meeting which concluded yesterday, adopting a rather cautious tone in the accompanying statement and the summary of economic projections. In FX markets, the US dollar came under pressure yesterday against its major currency peers after the Fed lowered its economic growth forecasts, but exacerbated its losses against the JPY earlier on Thursday following the Bank of Japan's decision to keep its monetary policy unchanged and refrain from adopting further stimulus measures.

**GREECE:** The official conclusion of the 1<sup>st</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme is expected later today at the Eurogroup in Luxemburg on the basis of the Euro Working Group's (June 9-10) decisions. This will pave the way for the disbursement of the first sub-tranche of €7.5 bn by the ESM board that convenes tomorrow.

### SOUTH EASTERN EUROPE

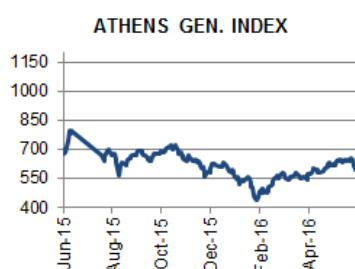
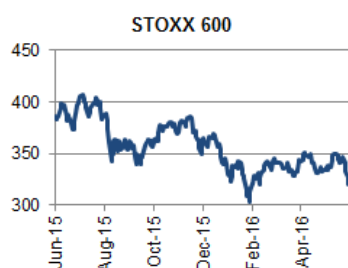
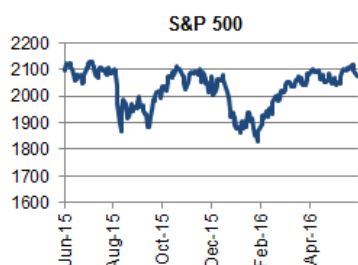
**CESEE MARKETS:** Most **emerging market assets** resumed their downtrend earlier on Thursday with the prior session's respite proving short-lived.

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## Latest world economic & market developments

### GLOBAL MARKETS



Tracking the negative tone in Wall Street overnight, major Asian equity indices closed in the red on Thursday and European bourses broadly fell in morning trade while oil prices headed for the 6<sup>th</sup> consecutive session of negative performance. The FOMC left its fed funds rate unchanged at its two-day monetary policy meeting which concluded yesterday, adopting a rather cautious tone in the accompanying statement and the summary of economic projections. The committee highlighted the rebound in economic activity led by household spending while calling attention to a slower pace of payroll growth, with Fed Chair Janet Yellen noting that labor market data are subject to large revisions and, therefore, time is needed to conclude if the recent weakness in labor markets is permanent or not. Meanwhile, the number of FOMC participants waiting only one interest rate hike in 2016 increased to six (out of 17) from one previously, although the median remained at two interest rate hikes. Furthermore, the number of anticipated interest rate hikes for 2017 and 2018 were also lowered to just three per year. In FX markets, the US dollar came under pressure yesterday against its major currency peers after the Fed lowered its economic growth forecasts for 2016 and 2017 (2016: 1.9-2.0% from 2.1-2.3% in December and 2017: 1.9-2.2% from 2.0-2.3% previously), but exacerbated its losses against the JPY earlier on Thursday following the Bank of Japan's decision to keep its monetary policy unchanged and refrain from adopting further stimulus measures. Along these lines, the USD/JPY hit a 22-month low of 104.39 in late Asian trade. Fading expectations for fed rate hikes in 2016 favored major global sovereign bond markets, with the 10-yr Bund yield hitting a new record low of -0.035% earlier on Thursday. On the US data front today, May CPI, jobless claims and the NAHB house index for June are expected to lure market attention, while, in the Euro area, the May HICP final estimate also takes centre stage. Elsewhere, the Bank of England's monetary policy decision and the associated minutes will be published later in the day.

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### GREECE

The official conclusion of the 1<sup>st</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme is expected later today at the Eurogroup in Luxemburg on the basis of the Euro Working Group's (June 9-10) decisions. This will pave the way for the disbursement of the first sub-tranche of €7.5 bn by the ESM board that convenes tomorrow. Both the Eurogroup's Chief Jeroen Dijsselbloem and the ESM's President Klaus Regling pointed towards a successful outcome in today's Eurogroup. Bank of Greece's Governor Yannis Stournaras submitted to the Greek parliament yesterday the bank's Monetary Policy Report for 2015-2016. The BoG Governor underlined the need for the implementation of structural reforms in order to boost growth as well as the need for debt relief measures. On the former, the BoG Governor mentioned that the delays in the conclusion of the 1<sup>st</sup> review (initially expected to conclude in the 4<sup>th</sup> quarter of 2015), the tight liquidity conditions that came as a consequence of the delay, the creation of arrears to the private sector and the capital controls implemented at the end of June 2015 led real growth to negative territory for three consecutive quarters (real growth contracted by -1.4% in the 1<sup>st</sup> quarter of 2016 and by -0.9% and -1.7% in the 4<sup>th</sup> and 3<sup>rd</sup> quarters of 2015 respectively). The annual BoG real GDP forecast for 2016 is at -0.3% and it is based on a return to positive growth rates in the 2<sup>nd</sup> semester of 2016 conditional on the improved liquidity and investment sentiment conditions. At the same time, the high burden of the fiscal measures agreed recently and the further delay in the implementation of the reform agenda both constitute risks for the return to positive growth rates. Finally, according to Eurostat's survey on food, beverage and tobacco prices carried out in 2015 and published yesterday, Greece still ranks higher than the EU in terms of food consumer prices (3% higher in food and non-alcoholic beverages, 17% higher in alcoholic beverages).

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June 16, 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

### CESEE MARKETS

Most emerging markets assets resumed their downtrend earlier on Thursday with the prior session's respite proving short-lived. Although yesterday's FOMC meeting announcement seemed rather dovish on balance, downside pressures on risky assets returned anew amid mounting investor caution ahead of the next key risk event in the coming days, the UK's EU referendum on June 23<sup>rd</sup>. Along these lines, the MSCI Emerging Markets index fully erased yesterday's 0.6% advance, standing in the red for the fifth session over the last six.

Being more closely (directly or indirectly) related to the EU, in terms of financial, economic and political links, **CESEE financial market assets** broadly recoiled earlier today in view of mounting Brexit-jitters. As a consequence, Polish assets, considered amongst the most liquid in the region led the losses, with the zloty sliding as far as a 3 ½ week trough near 4.4505/EUR and the yield of the 10-year government bond spiking by approximately 10bps to 3.273%. Elsewhere, the Romanian leu eased to new 4 ½ month lows of 4.5410 vs. the euro amid concerns that the upper house of parliament may vote to cut social security contributions in 2017 adding to worries about deteriorating government finances.

As long as investor caution prevails ahead of the UK referendum next week, there is little to suggest a meaningful change in the current risky assets trend in the coming days. In the aftermath of the poll, should the "remain" campaign win, a relief rally in risky assets is likely to follow. The opposite result is likely to lead to more acute downside pressures, especially on European developing economies, as it does not seem to have been adequately priced in by financial markets.

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June 16, 2016

## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	292	1	-11
1-week	3.01	1	-18
1-month	3.20	1	-31
3-month	3.42	1	-41
6-month	3.63	-1	-40

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.28	#N/A N/A	-31
5Y RSD	5.29	0	16
7Y RSD	5.77	0	-193

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.67	8	-49
USD Nov-24	6.24	2	-18

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	250	-3	-25
10-year	292	-1	-47

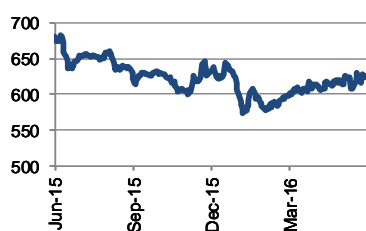
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	623.8	-0.14%	-3.15%

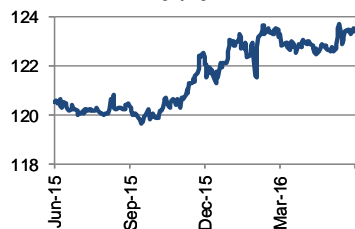
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.43	0.00%	-1.50%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

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

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.81	2	-12
5Y RON	2.69	2	-11
10Y RON	3.58	3	-20

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.48	9	-9
USD Jan-24	3.48	11	-31

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	121	4	-12
10-year	162	4	-10

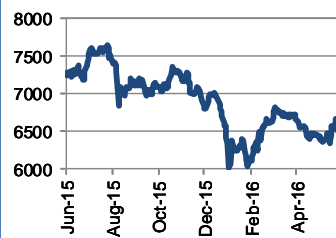
#### STOCKS

	Last	ΔD	ΔYTD
BET	6496.9	1.16%	-7.24%

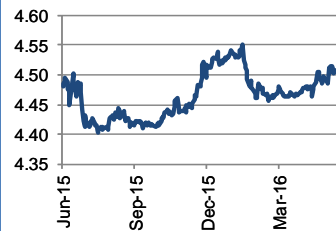
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5319	-0.16%	-0.40%

BET Index



EUR/RON



### 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	1.12	2	-16
10Y BGN	2.41	0	-25

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.32	-29	25
EUR Sep-24	2.27	10	-15

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	165	5	-7
10-year	214	5	-3

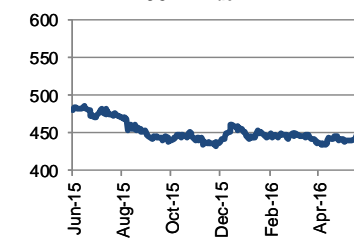
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	454.0	1.82%	-1.49%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7416	0.50%	3.37%

SOFIX Index



USD/BGN



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

Data updated as of 18:00 EEST of previous session

June 16, 2016

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