

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, April 27, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK GLOBAL US

- April 25: New home sales (Mar)
- April 26
 - Durable goods orders (Mar)
 - Case-Shiller index (Feb)
 - Consumer sentiment CB (Apr)
- April 27: FOMC meeting
- April 28
 - Q1 GDP
 - Initial jobless claims
- April 29
 - Personal income & spending (Mar)
 - Chicago PMI (Apr)

EUROZONE

- April 25: German IFO business climate (Apr)
- April 28: Economic sentiment indicator (Apr)
- April 29: Q1 GDP (prel.)

GREECE

- April 28
 - Extraordinary Eurogroup (likely)
 - Producer Price Index in Industry (Mar)
 - Turnover index in Retail Trade (Feb)

SEE

BULGARIA

- April 26: Gross external debt (Feb)
- April 29- May 1: Budget balance (Mar)

ROMANIA

- April 25: 3.25% 2021 T-bonds auction
- April 29: ILO U/E rate (Mar)

SERBIA

- April 25: Real gross wages (Mar)
- April 28
 - Trade balance (Mar)
 - Retail sales (Mar)
 - Industrial production (Mar)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity markets were standing in negative territory in early trade on Wednesday amid market uncertainty about the tone of the FOMC's monetary policy statement due for release soon after the conclusion of the two-day meeting later in the day. The Fed is widely expected to stay put on its monetary policy in view of persisting global jitters and a string of recent US data releases suggesting a slowdown in economic activity in Q1. In the accompanying statement, the Fed is expected to adopt a cautious approach with respect to its monetary policy deliberations ahead.

GREECE: An agreement between the government and its official creditors has reportedly been reached regarding the "basic" package of measures worth €5.4 that Greece needs to legislate in the context of the 1st programme review. Nevertheless, a complication in the negotiations has arisen due to the contingent measures worth €3.6bn that Greece is requested to legislate along with the "basic" package.

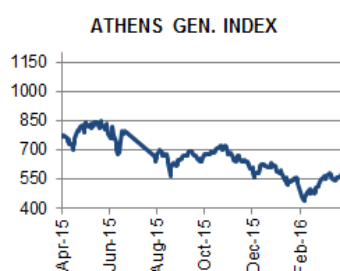
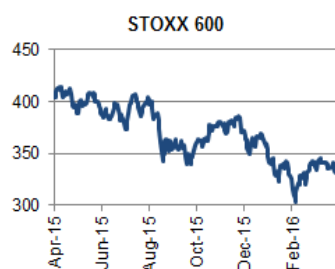
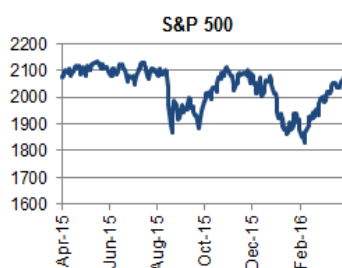
SOUTH EASTERN EUROPE

ROMANIA: Credit to the non-government sector dynamics remained relatively unchanged in March.

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BULGARIA



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Major European equity markets were standing in negative territory in early trade on Wednesday amid market uncertainty about the tone of the FOMC's monetary policy statement due for release soon after the conclusion of the two-day meeting later in the day. The Fed is widely expected to stay put on its monetary policy in view of persisting global jitters and a string of recent US data releases suggesting a slowdown in economic activity in Q1. In the accompanying statement, the Fed is expected to adopt a cautious approach with respect to its monetary policy deliberations ahead. Awaiting the outcome of the FOMC meeting, the USD remained under some pressure against most of its currency peers with the EUR/USD hovering around 1.1330/35 at the time of writing, not much changed compared to Tuesday's levels but above a multi-session trough near 1.1200 marked just a couple of sessions earlier. The prospect of the Fed adopting a prudent stance is likely to push the EUR/USD higher but a sustained move above the 1.1395 recent peak (April 21) seems unlikely unless the Fed adopts an explicitly move dovish than expected tone. Elsewhere, the USD/JPY was standing close to 111.13/15, little changed relative to Tuesday's levels but above a three-week high of 111.90 recorded earlier this week. The BoJ concludes its monetary policy meeting tonight and the prospect of further policy easing cannot be ruled out in view of persistently subdued inflation pressures. Meanwhile the AUD was among the main underperformers dropping to a near two-week low close to 0.7600 against the US dollar earlier today amid increased expectations for lower RBA interest rates later this year. Australia's Q1 CPI unexpectedly dropped by 0.2%, the first decline in seven years, while core inflation rose by just 0.15%, the lowest since the series began in 2002. Looking at today's calendar, besides the conclusion of the FOMC policy meeting, focus is on the UK Q1 GDP report, which is expected to reveal a slowdown to 0.4%qoq from 0.6%qoq in the prior quarter on the back of heightened uncertainty about the outcome of the June 23rd EU referendum.

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GREECE

A complication has arisen in the negotiations between Greece and its official creditors in the context of the 1st programme review due to the contingent measures worth €3.6bn that Greece is requested to legislate along with the "basic" package of measures worth €5.4bn. Yesterday, the Greek government presented to the institutions a mechanism that would automatically trigger automatic adjustments (expenditure cuts/tax increases) in case the economy deviated from the fiscal targets of the programme, which foresee primary surpluses of 0.50%, 1.75% and 3.5% of GDP for 2016, 2017 and 2018 respectively. More specifically, according to the Greek proposal, in April of 2017 and 2018 when the official data about the country's primary balance are released by Eurostat, the Greek government would automatically implement automatic adjustments and the Finance Minister himself would be liable for severe penalties in case of non-compliance. Nevertheless, based on press reports, this proposal was rejected by the institutions on the grounds that, firstly, it doesn't specify the nature of the corrective measures, and secondly, the argument that the Greek Constitution does not provide for conditional legislation is not valid. As a result, the extraordinary Eurogroup that would have convened tomorrow if an agreement had been reached, has now been canceled. In the wake of these developments, according to local press, the Prime Minister plans to seek a Euro Summit to discuss with European leaders the terms of the programme as he believes that the requested measures go beyond last summer's deal. Meanwhile, the "basic" package of measures has reportedly been agreed with the bridging of differences in all open issues, including the level of the tax-free threshold and the resolution of NPLs.

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Latest world economic & market developments in the CESEE region

ROMANIA

Driven by the robust local currency dynamics, non-government credit edged up to +0.5% MoM/+2.8% YoY in March up from -0.4% MoM/+2.4% YoY in February compared to -0.7% MoM/+2.8% YoY in January. RON denominated credit remained close to the new post-crisis high at +2.3% MoM/+20.2% YoY in March compared to +1.2% MoM/+20.7% YoY in February up from -0.3% MoM/+20.1% YoY in January. Lending to households expanded briskly by +3.2% MoM/+34.3% YoY compared to lending to the corporates lagging behind at +1.4% MoM/+9.1% YoY in March. FX denominated lending continued shrinking by -1.4% MoM/-11.5% YoY in March down from -2.1% MoM/-11.9% YoY in February compared -1.1% MoM/-10.6% YoY in January, which reflects the lack of new FX-lending as a result of the macro-prudential regulations in place but also the disposal of NPLs by the domestic banking sector at the end of last year. Summing up, lax monetary and credit conditions together with strong households' appetite for the state guaranteed mortgages scheme have supported the dynamic recovery in domestic credit expansion. On the other hand, deposits of the non-government sector expanded by -1.0% MoM/+9.5% YoY in March unchanged to +0.1% MoM/+9.5% YoY in February vs. -1.2% MoM/+8.8% YoY in January supported by the RON-denominated segment of corporate and household deposits.

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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

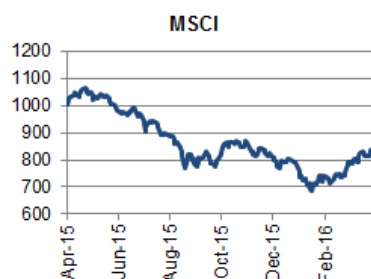
ROMANIA: Indicator	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* 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	4.25

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

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	2087.79	-0.2%	2.1%	EUR/USD	1.1264	0.0%	3.8%	UST - 10yr	1.89	-2	-38	GOLD	1234	-0.3%	16.3%
Nikkei 225	17353.28	-0.5%	-8.8%	GBP/USD	1.4531	0.3%	-1.4%	Bund-10yr	0.26	-1	-37	BRENT CRUDE	45	0.8%	20.3%
STOXX 600	348.50	0.5%	-4.7%	USD/JPY	110.87	0.3%	8.3%	JGB - 10yr	-0.11	-5	-38	LME X	2380	-0.5%	8.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	287	0	-16
1-week	2.97	-1	-22
1-month	3.12	0	-39
3-month	3.31	3	-52
6-month	3.55	0	-48

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	-3	-21
5Y RSD	5.28	0	15
7Y RSD	7.08	0	-62

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.96	-1	-20
USD Nov-24	6.26	1	-16

CDS

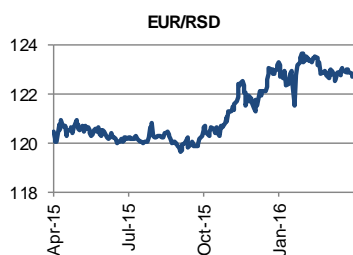
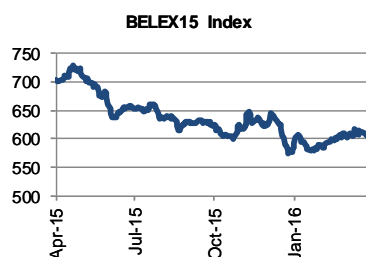
	Last	ΔDbps	ΔYTD bps
5-year	263	3	-11
10-year	306	0	-33

STOCKS

	Last	ΔD	ΔYTD
BELEX15	615.0	1.27%	-4.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	122.73	0.04%	-0.93%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	0	-6
1-month	0.61	0	-8
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.86	1	-7
5Y RON	2.71	1	-9
10Y RON	3.66	0	-12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.37	1	-20
USD Jan-24	3.48	6	-31

CDS

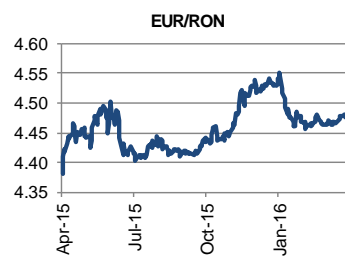
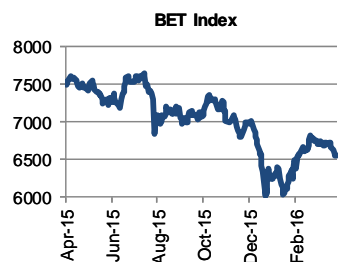
	Last	ΔDbps	ΔYTD bps
5-year	114	-2	-19
10-year	156	-3	-15

STOCKS

	Last	ΔD	ΔYTD
BET	6592.8	0.40%	-5.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4798	0.00%	0.76%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.18	0	-33
3-month	-0.06	0	-32
6-month	0.09	0	-44
12-month	0.42	0	-55

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	1	-22
5Y BGN	1.13	1	-15
10Y BGN	2.47	1	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.07	-5	0
EUR Sep-24	2.28	12	-14

CDS

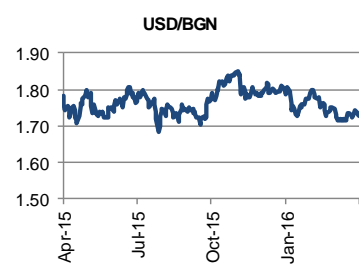
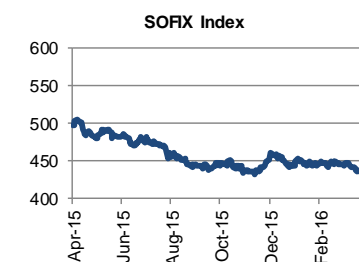
	Last	ΔDbps	ΔYTD bps
5-year	161	162	-11
10-year	207	-2	-10

STOCKS

	Last	ΔD	ΔYTD
SOFIX	433.4	-0.12%	-5.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7363	-0.02%	3.69%



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

Data updated as of 12:00 EEST, April 22, 2016

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