



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, May 12, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- May 12: Initial jobless claims
- May 13:
  - Retail sales (Apr)
  - Consumer confidence, University of Michigan (May, prel.)

##### EUROZONE

- May 9: Industrial order intake (Mar)
- May 10: Germany's industrial production (Mar)
- May 12: Industrial production (Mar)
- May 13: Q1 GDP

##### GREECE

- May 9: Eurogroup meeting
- May 10:
  - Industrial production index (Mar.)
  - Harmonized index of Consumer prices (Apr)
  - National Consumer price index (Apr)
- May 12:
  - Building Activity (Feb)
  - Labor Force Survey (Feb)
- May 13: Q1 GDP (estimates)

##### SEE

##### ROMANIA

- May 9: Wages Net (Mar)
- May 10: Trade balance (Mar)
- May 11: Industrial sales (Mar)
- May 12:
  - CPI (Apr)
  - Industrial output (Mar)
- May 13:
  - GDP (SA, Q1)
  - Current account (Mar)

##### SERBIA

- May 12: CPI EU Harmonized (Apr)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market worries over the global growth outlook prevailed in European trade on Thursday with major European equity markets standing in negative territory in early trade and major government bonds retaining a firm tone. Looking at the calendar, the BoE meets today and is expected to stay put on its monetary policy. Market focus will be on the BoE Governor's press conference and the updated BoE Inflation Report which is likely to show growth forecasts revised downward.

**GREECE:** The EuroWorking Group will convene later today to work on the technicalities of the contingency mechanism, one of core prior actions for the completion of the 1<sup>st</sup> programme review, as well as the modalities of debt relief before reporting back to the Eurogroup which is scheduled to meet on May 24<sup>th</sup>. In other news, according to local newswires the ECB is likely to consider the reintroduction of Greek waiver at the June 2<sup>nd</sup> meeting conditional on the completion of the 1<sup>st</sup> programme review.

### SOUTH EASTERN EUROPE

**ROMANIA:** Inflation edged lower to -0.15% MoM/-3.3% YoY in April vs. +0.1% MoM/-3.0% in March - a new historic low for the standards of Romania

**CESEE MARKETS:** The majority of **emerging stock markets** lost ground in early European trade on Thursday, trailing major global bourses lower amid weak corporate earning reports. **Regional currencies** were mixed. Today's focus also lies on the upcoming April inflation data releases from Serbia and Poland.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Market worries over the global growth outlook prevailed in European trade on Thursday with major European equity markets standing in negative territory in early trade and major government bonds retaining a firm tone. Adding to a string of weaker-than-expected data from the US and China over the last few sessions, UK factory output recorded in March its biggest annual fall in nearly three years, adding to recent evidence suggesting that the economy is slowing mainly due to market uncertainty about the outcome of the EU referendum. In FX markets, the JPY remained under pressure amid increased expectations for further BoJ policy easing ahead following comments by a prominent academic with close ties to BoJ Governor Haruhiko Kuroda that the Bank is likely to expand its monetary stimulus either in June or July. Heightened BoJ/MoF intervention fears also had an impact following a series of warnings from Japanese Finance Minister Taro Aso that the government would intervene in FX markets to curb any excessive one-sided gains. The USD/JPY was hovering around 108.90/95 at the time of writing, having recovered from levels near 107.00 marked earlier this week. Technically, immediate resistance lies at 109.00 today's peak in the way to 111.80/112.00. Looking at today's calendar, the BoE meets today and is expected to stay put on its monetary policy. Market focus will be on the BoE Governor's press conference and the updated BoE Inflation Report which is likely to show growth forecasts revised downward.

### GREECE

The EuroWorking Group will convene later today to work on the technicalities of the contingency mechanism, one of core prior actions for the completion of the 1<sup>st</sup> programme review, as well as modalities of debt relief before reporting back to the Eurogroup which is scheduled to meet on May 24<sup>th</sup>. The remaining prior actions attached to the review including the NPL resolution framework, a package of additional parametric measures worth €1.8bn in the period 2016-2018 and the set-up of the Greek Privatization and Investment Fund are also expected to be included in the agenda. Should further technical work be needed, another Euro Working Group will likely be held one day ahead of the next Eurogroup. According to the local press, the Greek government is planning to submit to Parliament next week a multi-bill containing the legislation for the implementation of all remaining prior actions with an intention to secure its parliamentary approval ahead of the next Eurogroup. In other news, according to local newswires the ECB is likely to consider the reintroduction of Greek waiver at the June 2<sup>nd</sup> meeting conditional on the completion of the 1<sup>st</sup> programme review. Such a development implies, inter alia, cheaper funding for Greek banks and improved some banks' access to interbank market.

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May 12, 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

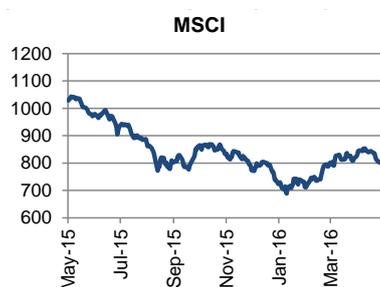
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	4.25

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

L-T ccy	Credit Ratings		
	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

Another downside surprise occurred on the inflation front in the fourth month of the year. Inflation edged even lower to -0.15% MoM/-3.3% YoY in April down from +0.1% MoM/-3.0% in March-a new historic low. As a result, the average annual inflation eased to -1.7% YoY in April down from -1.4% YoY in March. The print was below market expectations of +0.2% MoM/-2.9% YoY. The implementation of a 4ppts headline VAT rate cut-from 24% to 20%-effective from January 1<sup>st</sup>, compounded by the food staff VAT rate cut-from 24% to 9% effective from last June- has pushed headline inflation further into negative territory. On a monthly basis, softer developments in the food and energy components of the consumer basket-the usual suspects behind inflation developments in recent months- were the main culprits behind headline inflation decline. The volatile food component of CPI declined to -0.4%MoM/-7.4%YoY down from 0.01% MoM/-6.7% YoY in March vs. +0.3% MoM/-6.5% YoY in February. Non-food items edged down to -0.1% MoM/-1.0% YoY in April compared to +0.2% MoM/-0.9%YoY in March down from -0.3% MoM/-0.5% YoY in February. Services inched up to +0.1% MoM/-0.4% YoY in April compared to -0.01% MoM/-0.5%YoY in March down from -1.1% MoM/-0.3% YoY in February. Overall, given the downbeat readings in the first months of the year, the inflation trajectory so far has been softer than envisaged before. In the NBR's view, inflation is going to stay in negative territory until July and then gradually move up. According to the updated NBR report, the baseline scenario envisages the inflation rate gradually returning inside the variation target band (2.5% +/-1%) and standing in the upper half of the band at the end of the forecast horizon in Q4-2017. As a result, NBR slashed its year end inflation forecast in 2016 to +0.6% YoY vs. +1.4% YoY in February compared to +1.0% YoY before. In any case, despite the energy prices slump and the negative base effects from fiscal easing, underlying inflationary pressures are rising in Romania faster than its peers. HICP at constant taxes came at +2.4% YoY in March vs +2.7%YoY in February significantly higher than its regional peers.

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### CESEE MARKETS

The majority of **emerging stock markets** lost ground in early European trade on Thursday, trailing major global bourses lower amid weak corporate earning reports. Against this backdrop, the MSCI Emerging Markets index retreated from yesterday's closing levels, snapping a 2-session rising streak, broadly shrugging a further up-move in global oil prices. Bucking the negative trend most CESEE bourses stood in a modestly positive territory at the time of writing. **Regional currencies** were mixed. The Romanian leu stood modestly weaker after April's CPI data came in weaker than anticipated. In this context the EUR/RON hovered around levels of 4.4970 at the time of writing, having hit a 1-week high just above 4.5000 in late Asian trade. Elsewhere, the Polish zloty traded near a 3-month trough of 4.4358/EUR hit a few sessions earlier, ahead of Moody's review due on Friday. A downward revision on Poland's outlook this week is on the cards in view of mounting concerns about the government's strategies, following a broadly unexpected downgrade by S&P in January. Separately, the Hungarian forint stood modestly weaker at 315.65 against the euro on a daily basis despite comments by Central Bank Deputy Governor Marton Nagy on Wednesday signaling that the current easing cycle was close to bottoming out with one more cut possible. On the flipside, the Turkish lira, the Serbian dinar and the Ukrainian hryvnia were all firmer compared to Wednesday's settlement. Today's focus also lies on the upcoming April inflation data releases from Serbia and Poland.

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May 12, 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	286	-2	-17
1-week	2.97	-1	-22
1-month	3.10	-2	-41
3-month	3.28	0	-55
6-month	3.54	0	-49

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.23	-12	-24
5Y RSD	5.29	0	16
7Y RSD	6.66	0	-104

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.76	-2	-40
USD Nov-24	6.24	1	-18

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	248	-2	-26
10-year	291	0	-48

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	618.8	0.45%	-3.92%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	122.74	0.05%	-0.94%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	1	-8
1-month	0.59	-1	-10
3-month	0.76	0	-26
6-month	1.03	0	-31
12-month	1.18	0	-34

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.84	0	-9
5Y RON	2.66	0	-14
10Y RON	3.57	2	-21

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.39	0	-18
USD Jan-24	3.39	-1	-39

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	119	4	-14
10-year	159	4	-12

**STOCKS**

	Last	ΔD	ΔYTD
BET	6478.3	0.30%	-7.51%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4966	-0.07%	0.39%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	0	-31
3-month	-0.05	0	-31
6-month	0.12	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	0	-19
5Y BGN	1.15	0	-12
10Y BGN	2.52	0	-13

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.14	24	-21
EUR Sep-24	2.26	26	-16

**CDS**

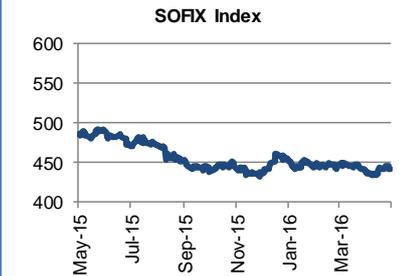
	Last	ΔDbps	ΔYTD bps
5-year	158	0	-14
10-year	203	0	-13

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	440.7	-0.28%	-4.38%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7139	-0.13%	5.04%



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

Data updated as of 11:30 EEST

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