

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- July 5: Industrial orders (May)
- July 6
  - Trade balance (May)
  - ISM non-manuf. (Jun)
  - Minutes of the June 14/15 FOMC meeting
- July 7
  - ADP employment report (June)
  - Initial jobless claims
- July 8: Non-farm payrolls (June)

#### EUROZONE

- July 7: ECB account on June 2<sup>nd</sup> monetary policy considerations

#### GREECE

- July 7: Labor Force Survey (April)
- July 8
  - Commercial transactions (May, provisional data)
  - Harmonized index of consumer prices & national consumer price index (June)

#### SEE

##### ROMANIA

- July 4: PPI (May)
- July 5: Retail sales (May)
- July 7: Wages Net (May)
- July 8: Q1 GDP (2<sup>nd</sup> est.)

##### SERBIA

- July 7:
  - PPI EU harmonized (Jun)
  - Executive Board meeting

##### BULGARIA

- July 8:
  - Retail sales (May)
  - Industrial production (May)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The minutes from the FOMC 14-15 June policy meeting failed to provide any new insights over the central bank's policy deliberations ahead. Against this background, the USD lost some ground while the GBP remained under pressure across the board amid lingering uncertainty on the domestic economic and political front following the Brexit referendum outcome. Looking at today's calendar, focus is on the US' ADP employment report ahead of the more crucial non-farm payrolls data for June due on Friday.

**GREECE:** The Eurogroup is scheduled to convene on Monday, June 11th and Greece's progress with regard to the implementation of the 3rd Economic Adjustment Programme will be included in the agenda. The institutions have advised the Greek government to proceed more swiftly with the implementation of the milestones attached to the next sub-tranche of €2.8bn scheduled for release after the September 9th Eurogroup. These, among others, include the legislation of the Medium Term Fiscal Strategy 2017 – 2020, a difficult task due to the fact that the Greek government is reportedly mulling to revise lower the primary surplus target beyond 2018 rather than maintain it at 3.5%-of-GDP, as has been agreed with official creditors.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The majority of Emerging Market assets rebounded earlier on Thursday after June's FOMC minutes released yesterday leaned on the dovish side. Bourses and currencies in the CESEE region were mixed, while sovereign debt markets mostly retreated ahead of several government bond auctions due later in the day.

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## Latest world economic & market developments

### GLOBAL MARKETS

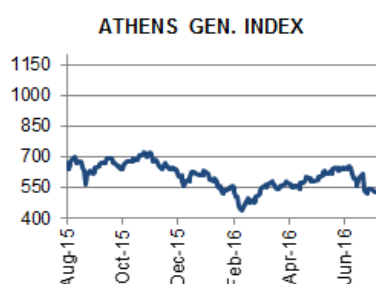
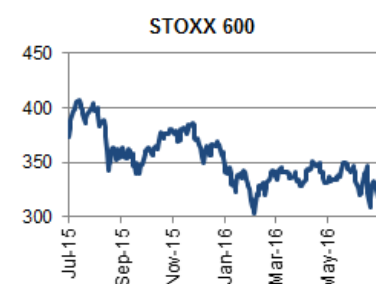
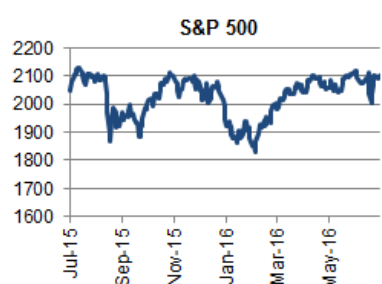
The minutes from the FOMC 14-15 June policy meeting failed to provide any new insights over the central bank's policy deliberations ahead. Almost all FOMC participants were of the view that the disappointing May non-farm payrolls report increased their uncertainty about the outlook of the labor market while they seemed less confident on the prospect of inflation embarking on a sustained rising path towards reaching the 2% target. Though many of FOMC participants "were reluctant to change their outlook materially based on one economic data release" they want more information, not only about the labor market, but also about downside risks to production and investment spending before deciding whether or not to support the case of another Fed rate hike. Against this background, the USD lost some ground with the DXY index hovering around 96.108 in European trade at the time of writing, having retreated from a multi-session peak of 96.496 marked on Wednesday albeit still above 95.336 low recorded earlier this week. Elsewhere, the GBP remained under pressure amid lingering uncertainty on the domestic economic and political front following the Brexit referendum outcome. The GBP/USD was standing close to 1.2979 at the time of writing, not far from a 31-year trough of 1.2796 hit in the prior session while the technical picture suggests that as long as the pair remains below the 1.3000-1.3200 area, short-term risks remain skewed to the downside. Meanwhile, major government bond markets retained a firm tone amid investors' anticipation of lower nominal growth expectations, uncertainty related to the future EU-UK trade relationships and loose monetary policy for longer from major central banks to address spillover effects from a UK exit. Looking at today's calendar, focus is on the US' ADP employment report ahead of the more crucial non-farm payrolls data for June due on Friday.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

The Eurogroup is scheduled to convene on Monday, June 11<sup>th</sup> and Greece's progress with regard to the implementation of the 3<sup>rd</sup> Economic Adjustment Programme will be included in the agenda. The institutions have reportedly advised the Greek government to proceed more swiftly with the implementation of the milestones attached to the next sub-tranche of €2.8bn scheduled for release after the September 9<sup>th</sup> Eurogroup. These, among others, include the legislation of the Medium Term Fiscal Strategy 2017 – 2020, a difficult task due to the fact that the Greek government is reportedly mulling to revise lower the primary surplus target beyond 2018 rather than maintain it at 3.5%-of-GDP, as has been agreed with official creditors. In other news, the members of the Hellenic Financial Stability Mechanism (HFSF) reportedly submitted their resignation on Wednesday, effective as of July 18. According to the updated MoU, aiming to strengthen the governance of the HFSF, a Selection Panel – a team composed of six independent expert members out of whom three are selected by the EU institutions – has been assigned to appoint the new members of the Executive Board and General Council and to review their performance annually. With respect to the privatization programme, Italy's state railway Ferrovie Dello Stato Italiane S.p.A was the sole bidder for the sale of 100% stake in Greece's sole provider of retail services railway operator TRAINOSE S.A. Two other potential investors, Russian Railways and Greek construction group GEK-Terna, which expressed non-binding interest in April, did not finally make an offer. Meanwhile, there were no binding offers for the sale of the 100% stake of Hellenic Company for Rolling Stock Maintenance SA ROSCO. The HRADF reportedly projects to raise €50mn from the sale of TRAINOSE and ROSCO together while, according to the updated MoU, c. €2.5bn in privatization process are expected in 2016 compared to some €0.4bn in 2015.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

July 7, 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

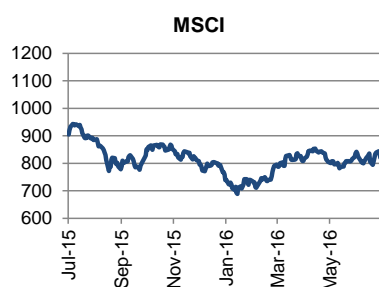
CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

\* 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

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

The majority of Emerging Market assets rebounded earlier on Thursday after June's FOMC minutes released yesterday leaned on the dovish side. Along these lines, the MSCI Emerging Markets index stood in a positive territory in Asian trade, having snapped a 2-session losing streak. Bourses in the CESEE region were mixed, with Hungary's BUX leading the gains with a 1.25% rise and Poland's WIG following suit with a concomitant advance of 1.10%. On the flipside, Serbia's, Bulgaria's and Ukraine's main indices stood in the red, while Turkey's BIST 100 was closed for Ramadan.

A mixed picture was also witnessed in CESEE currencies, while sovereign debt markets mostly retreated ahead of several government bond auctions in the region due later in the day. In the FX markets, the Polish zloty was little changed in early European trade having recovered ground yesterday after the National Bank of Poland held fire at its MPC meeting keeping the key policy rate at a lifetime trough of 1.50%, in line with market expectations. But, new Governor Adam Glapinski adopted a relatively hawkish tone at the first meeting he chaired, expressing belief that Brexit would not impact significantly the Polish economy and suggesting that interest rates are unlikely to be further reduced for now. Against this backdrop, the EUR/PLN hovered around levels of 4.4340 earlier on Thursday, little changed from Wednesday's settlement, though having recoiled from a 1-week intraday high of 4.4561 hit in the prior session.

The CESEE calendar is relatively light today, with focus primarily lying on Serbia's MPC meeting. The market's consensus and our view are that the Central Bank will stand pat on its monetary policy maintaining the key policy rate at the current record low level of 4.25%. Government bond auctions in Poland (2018, 2026, 2028) and Romania (2025) also lure market attention today.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

July 7, 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	2099.73	0.5%	2.7%	EUR/USD	1.1083	-0.2%	2.1%	UST - 10yr	1.38	1	-89	GOLD	1367	0.3%	28.8%
Nikkei 225	15276.24	-0.7%	-19.7%	GBP/USD	1.2985	0.4%	-11.9%	Bund-10yr	-0.17	1	-80	BRENT CRUDE	49	1.3%	32.6%
STOXX 600	323.25	1.4%	-11.6%	USD/JPY	100.92	0.4%	19.0%	JGB - 10yr	-0.27	-1	-54	LMEX	2362	-0.5%	7.2%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	0	4
1-week	3.17	-1	-2
1-month	3.33	-1	-18
3-month	3.63	-1	-20
6-month	3.87	0	-16

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.03	xs	-37
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.65	-2	-51
USD Nov-24	6.25	1	-17

**CDS**

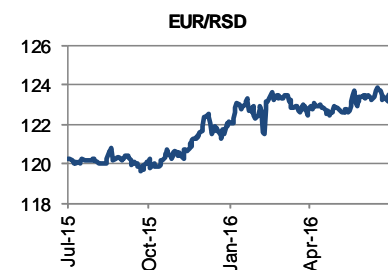
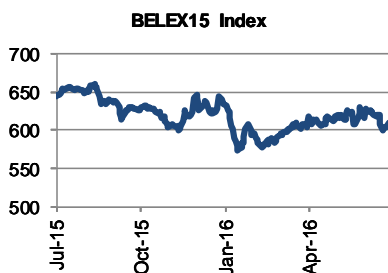
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

**STOCKS**

	Last	ΔD	ΔYTD
BELX15	604.4	-0.28%	-6.17%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.42	0.07%	-1.49%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	1	-8
1-month	0.59	-1	-10
3-month	0.78	0	-24
6-month	1.04	0	-30
12-month	1.2	0	-32

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	0	-21
5Y RON	2.47	-1	-33
10Y RON	3.25	0	-53

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.25	-3	-31
USD Jan-24	3.13	3	-66

**CDS**

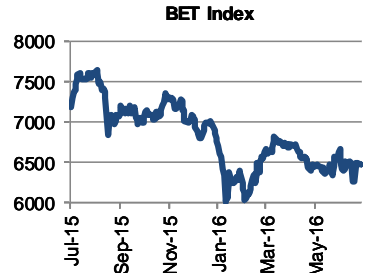
	Last	ΔDbps	ΔYTD bps
5-year	134	4	0
10-year	168	4	-4

**STOCKS**

	Last	ΔD	ΔYTD
BET	6474.0	0.62%	-7.57%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5215	-0.05%	-0.17%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.17	0	-33
3-month	-0.05	1	-31
6-month	0.09	0	-43
12-month	0.44	0	-53

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	4	-20
5Y BGN	1.17	4	-10
10Y BGN	2.37	0	-29

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-12	-4
EUR Sep-24	2.08	24	-34

**CDS**

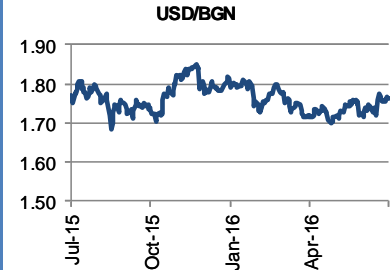
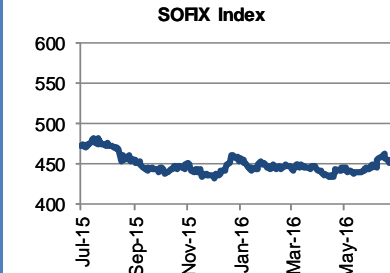
	Last	ΔDbps	ΔYTD bps
5-year	162	3	-10
10-year	208	3	-8

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	450.9	-0.38%	-2.17%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7646	-0.15%	2.02%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:30 EEST

July 7, 2016

## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[pmpetropoulou@eurobank.gr](mailto:pmpetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
+30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[pmpetropoulou@eurobank.gr](mailto:pmpetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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