

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 29: Pending home sales (May)
- June 30
 - Chicago PMI (Jun)
 - CB Cons. Sent. (Jun)
- July 1
 - ADP employment (Jun)
 - ISM manuf. (Jun)
- July 2
 - Non-farm payrolls (Jun)
 - U/E (Jun)
 - Initial jobless claims (June 28)
 - Industrial orders (May)
- July 3: Market holiday

EUROZONE

- June 29: Economic sentiment (Jun)
- June 30: HICP (Jun, flash)
- July 1: PMI manuf. (Jun, f)
- July 2: ECB June minutes
- July 3: PMI services (Jun, f)

GREECE

- June 30
 - Retail trade (Apr)
 - IMF loan repayment of three June tranches totaling €1.58bn
 - 4-month programme extension expires
- July 5: Referendum

CYPRUS

- July 2: CPI (Jun)

SEE

BULGARIA

- June 30: Budget (May)
- July 1: BNB reserves (Jun)

ROMANIA

- June 30: ILO U/E (May)
- July 1
 - CB reserves (Jun)
 - MPC meeting
- July 3: Retail sales (May)

SERBIA

- June 30
 - IP (May)
 - Trade Balance (May)
 - Retail sales (May)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European bourses were significantly lower in early trade on Monday, following the Greek government's announcement for imposition of capital controls in the wake of the ECB's decision yesterday to maintain ELA to Greek banks at its current levels (ca €90bn). This follows the Eurogroup's announcement on Saturday that it rejects the Greek government's request to extend current program and the government's decision a day earlier to hold a referendum on July 5th on whether citizens accept the draft staff level agreement which was submitted by the Institutions to the Eurogroup of 25 June 2015. In FX markets, investors' Greece-related worries drove the EUR lower against most currencies, with the JPY being among the main outperformers on their perceived safe-haven appeal.

GREECE: In an extraordinary session on Saturday, the Hellenic Parliament endorsed the government's motion to hold a referendum on Sunday 5 July regarding the acceptance or rejection of the draft staff level agreement which was submitted by the European Commission, the European Central Bank and the International Monetary Fund to the Eurogroup of the 25 June 2015.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian National Bank said in a statement issued at its website on Monday that the measures applied on the Greek financial system "have no legal effect in Bulgaria and can in no way whatsoever affect the normal functioning and the stability of the Bulgarian banking system".

ROMANIA: In a statement issued upon the conclusion of a staff mission to Romania, the European Commission said on Friday that "important steps have been taken in some areas and the macroeconomic situation is strong. However, the overall progress in implementing the jointly agreed policy measures has not been sufficient, predominantly in relation to fiscal policy, to allow for a staff-level agreement with the Romanian authorities."

SERBIA: According to a statement released at the IMF's website on Friday, the Executive Board completed the first review of Serbia's economic performance under the 3-year €1.2bn Stand-By Arrangement (SBA).

CESEE MARKETS: Most emerging market assets kicked off the week on a negative footing amid heightened concerns on the Greek issue.

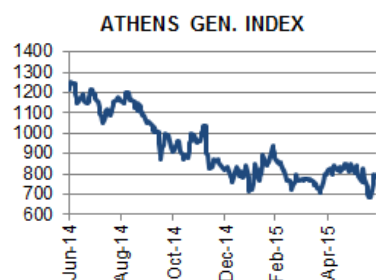
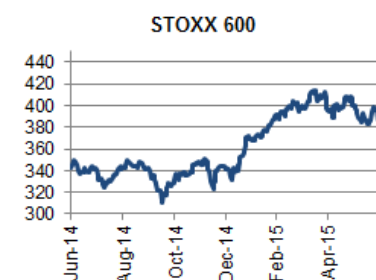
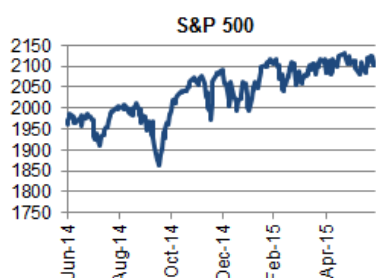
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Latest world economic & market developments

GLOBAL MARKETS

European bourses were significantly lower in early trade on Monday, following the Greek government's announcement for imposition of capital controls in the wake of the ECB's decision yesterday to maintain ELA to Greek banks at its current levels (ca €90bn). This follows the Eurogroup's announcement on Saturday that it rejects the Greek government's request to extend current program and the government's decision a day earlier to hold a referendum on July 5th on whether citizens accept the draft staff level agreement which was submitted by the Institutions to the Eurogroup of 25 June 2015. Indicatively, the Stoxx600 traded ca. 2.5% lower at the time of writing. Market pressure was also evident on yield premiums of EMU periphery sovereign bonds vs. their German counterparts, which moved sharply higher. In FX markets, investors' Greece-related worries drove the EUR lower against most currencies, with the JPY being among the main outperformers on its perceived safe-haven appeal. Along these lines, the EUR/JPY was hovering around 136.30/40 in European trade at the time of writing, after hitting a one-month low ca. 133.80 intraday. Meanwhile, the EUR/USD was hovering around levels of 1.1100 earlier in European trade today, having hit a one-month low of 1.0955 in Asia. Elsewhere, the USD also firmed with the DXY index standing around levels of 95.70/80 at the time of writing, not far from a three-week high of 96.39 earlier in the session.



Source: Reuters, Bloomberg, Eurobank Research

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GREECE

In an extraordinary session on Saturday, the Hellenic Parliament endorsed the government's motion to hold a referendum on Sunday 5 July regarding the acceptance or rejection of the draft staff level agreement which was submitted by the European Commission, the European Central Bank and the International Monetary Fund to the Eurogroup of the 25 June 2015 and consists of two documents: the first titled "Reforms for the completion of the Current Program and beyond" and the second "Preliminary debt sustainability analysis". Following this decision, the Greek government requested that the country's current programme, which expires on Tuesday 30 June, be extended by a month to allow for the referendum to take place, but the Eurogroup that convened on Saturday decided to reject this request. Meanwhile, the ECB decided to maintain ELA funding at its current level. Following this development, the Financial Stability Council recommended to the Cabinet that capital controls be imposed. The Cabinet endorsed the recommendation and the President of the Hellenic Republic issued the relevant legislative act in the early hours of Monday. According to this act, published in the Government's Gazette, Greece's banks will remain closed from the 28 June until 6 July, although the Finance Minister may, in the meantime, decide to either shorten or extend this period. The said legislative act provides, among others, that cash withdrawals from Automated Teller Machines (ATMs) are limited to 60 euros a day while a number of other restrictions are imposed on transfers and payments.

Meanwhile, the European Commission issued a statement earlier today, according to which Greece unilaterally left the negotiations in the evening of the 26th of June, before the final version of the institutions proposal had been finished. This has given ground to the argument that it is not clear which proposal the referendum is about. According to press reports, EC President Jean-Claude Juncker will hold a press conference on the Greek issue at 14:45 Greek time.

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June 29, 2015

Latest world economic & market developments in the CESEE region

BULGARIA

The domestic stock market closed little changed on a weekly basis on Friday in thin trade volumes, as investors remained cautious amid concerns over the Greek issue. On the flipside, the Eurobond market recovered ground following the previous week's sell-off, with yields falling between 15 and 25bps across the board. In today's news, the Bulgarian National Bank said in a statement issued at its website on Monday that the measures applied on the Greek financial system "have no legal effect in Bulgaria and can in no way whatsoever affect the normal functioning and the stability of the Bulgarian banking system". The BNB also noted that banks that operate in Bulgaria have no exposure to Greek government bonds and have no claims from Greek credit institutions. It added that Bulgaria's banking system "operates at very high levels of capital adequacy and liquidity which guarantees its stability, normal functioning and independence from negative developments in neighbouring countries", while banks with Greek shareholding "maintain a level of liquidity and capital adequacy, which are above the average for the banking system in Bulgaria".

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ROMANIA

In a statement issued upon the conclusion of a staff mission to Romania, the European Commission said on Friday that "important steps have been taken in some areas and the macroeconomic situation is strong. However, the overall progress in implementing the jointly agreed policy measures has not been sufficient, predominantly in relation to fiscal policy, to allow for a staff-level agreement with the Romanian authorities." The news comes on the heels of media reports quoting Finance Minister Eugen Teodorovici as saying that the government failed to reach an agreement with the European Commission on the country's programme review due to disagreement over the new fiscal code.

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SERBIA

According to a statement released at the IMF's website on Friday, the Executive Board completed the first review of Serbia's economic performance under the 3-year €1.2bn Stand-By Arrangement (SBA). The completion of the review releases about €380mn of funds for disbursement. That said, the government has signaled that it opts to treat the programme as precautionary and does not plan to utilize any of the funds offered. In last week's market developments, the Central Bank intervened anew in the FX markets purchasing euros at 120.30/EUR on Friday to stem the dinar's recent gains. Although we anticipate EUR/RSD range-trading around 120-121 to continue in the coming days, a potential increase in demand for hard currency, mounting risk aversion amid Greek-related concerns and a thin T-bond auction calendar may pave the way for some dinar depreciation in the coming days.

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CESEE MARKETS

Most emerging market assets kicked off the week on a negative footing amid heightened concerns on the Greek issue. Looking into this week, we anticipate any developments in Greece to set the tone for CESEE markets. In Romania, the Central Bank meets on Wednesday and the MPC is broadly expected to stay put on its monetary policy maintaining the key policy rate at the current record low level of 1.75%.

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BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	1.8
CPI (pa, yoy %)	0.9	-1.4	-0.5
Budget Balance/GDP*	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.9	0.5
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.00	5.50

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	B3	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

June 29, 2015

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	2101.49	0.0%	2.1%	EUR/USD	1.1106	-0.6%	-8.2%	UST - 10yr	2.34	-14	16	GOLD	1179	0.3%	-0.5%
Nikkei 225	20109.95	-2.9%	15.2%	GBP/USD	1.5684	-0.4%	0.7%	Bund-10yr	0.77	-15	23	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	387.07	-2.5%	13.0%	USD/JPY	122.88	0.8%	-2.6%	JGB - 10yr	0.45	-2	12	LMEX	2623	-0.6%	-10.0%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	462	7	-529
1-week	4.83	1	-518
1-month	5.23	-3	-482
3-month	5.65	-15	-420
6-month	5.88	-22	-391

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.04	-1	-300
5Y RSD	8.33	1	-186
7Y RSD	8.74	-2	-334

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.69	21	-57
USD Nov-24	6.47	3	-12

CDS

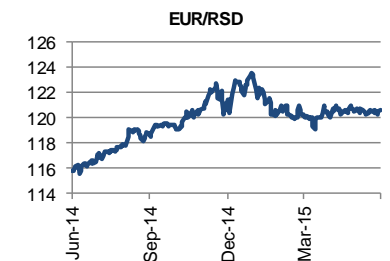
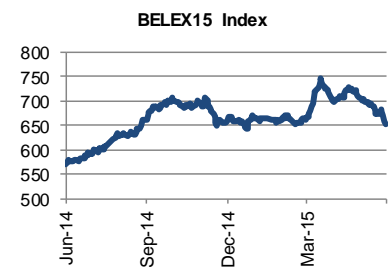
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-82
10-year	259	0	-97

STOCKS

	Last	ΔD	ΔYTD
BELEX15	651.4	-1.20%	-2.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.61	-0.24%	0.61%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.92	15	35
1-month	1.14	3	23
3-month	1.33	5	-37
6-month	1.56	3	-45
12-month	1.65	3	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.12	13	-19
5Y RON	2.73	14	2
10Y RON	4.25	31	59

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.98	18	25
USD Aug-23	4.07	20	46

CDS

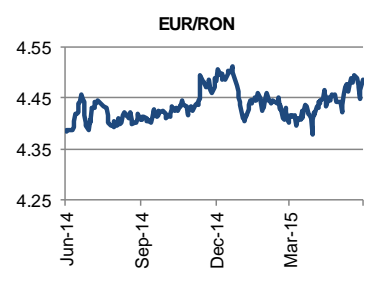
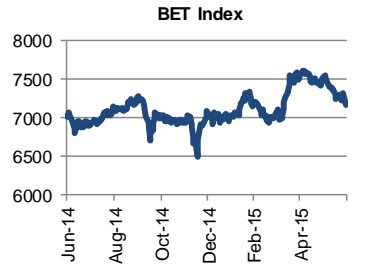
	Last	ΔDbps	ΔYTD bps
5-year	123	0	-20
10-year	166	0	-21

STOCKS

	Last	ΔD	ΔYTD
BET	7167.4	-2.10%	1.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4865	-0.52%	-0.07%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.34	-1	-9
6-month	0.67	-2	-12
12-month	1.24	-2	-26

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.46	-5	-58
5Y BGN	0.93	-13	-52
10Y BGN	2.57	0	-18

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.89	-19	-27
EUR Sep-24	3.27	-250	40

CDS

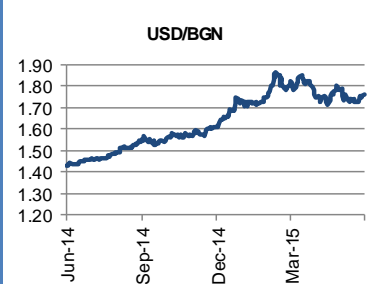
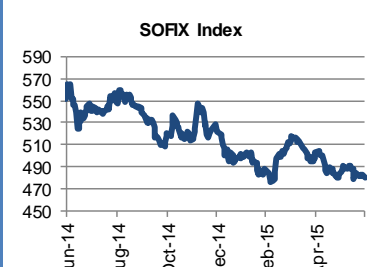
	Last	ΔDbps	ΔYTD bps
5-year	175	0	-16
10-year	227	0	-13

STOCKS

	Last	ΔD	ΔYTD
SOFIX	480.8	-0.36%	-7.90%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.761	-0.55%	-8.21%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 14:15 EET

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