

Friday, June 19, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

- June 15: G20 Finance and Central Bank deputies meet in Turkey

#### US

- June 15
  - Empire State Index (Jun)
  - Industrial production (May)
  - NAHB Index (Jun)
- June 16
  - Housing starts (May)
  - Housing permits (May)
- June 17: FOMC announcement
- June 18
  - Initial jobless claims (June 13)
  - CPI (May)
  - Philly Fed (Jun)

#### EUROZONE

- June 15: ECB's Draghi testifies before the EU Parliament's Committee on Economic and Monetary Affairs
- June 17: HICP (May, final)
- June 18: Eurogroup meeting
- June 19: Ecofin meeting

#### SEE

##### BULGARIA

- June 15
  - CPI (May)
  - U/E rate (May)
- June 17: Current account (Apr)

##### ROMANIA

- June 15
  - Current account (Apr)
  - 4.75% 2019 T-bonds auction
- June 18: 4.75% 2025 T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their lead from the positive tone in the majority of Asian bourses earlier today, **major European equity markets** were firmer in early trade on Friday mainly supported by the prevailing view that, once the Fed embarks on a rate tightening cycle, the pace of rate hikes will likely be more gradual than previously expected. The USD remained under pressure with the **DXY index** hovering in early European trade not far from a one-month trough of 93.563 hit in the prior session.

**GREECE:** The **Eurogroup y-day failed to reach a breakthrough agreement** on the Greek issue. In the press conference that followed, Eurogroup President Jeroen Dijsselbloem said that too little progress has been made in official talks and urged the Greek authorities "to submit new, additional proposals in the coming days". Following euro area finance ministers' failure to make progress towards breaking the current impasse between the Greek government and the institutions, **European Council President Donald Tusk called an emergency Euro Summit on Monday** at 17:00GMT to discuss the situation of Greece "at highest political level". /Local press reports suggested earlier today that the **ECB is expected to hold an emergency session at 12:00 CEST today** to consider a request made by the Bank of Greece for an increase of around €3bn in ELA.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging stock markets and government bonds recouped some of their recent losses on Thursday, in the wake of the FOMC, though **CESEE currencies** broadly recoiled.

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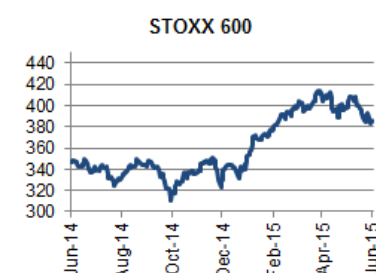
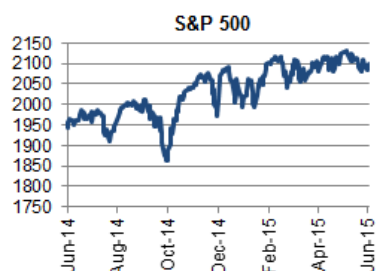
## Latest world economic & market developments

### GLOBAL MARKETS

Taking their lead from the positive tone in the majority of Asian bourses earlier today, **major European equity markets** were firmer in early trade on Friday mainly supported by the prevailing view that, once the Fed embarks on a rate tightening cycle, the pace of rate hikes will likely be more gradual than previously expected. Against this background, US Treasuries retained a firm tone today while the USD remained under pressure across the board with the **DXY index** hovering around 94.338 at the time of writing, not far from a one-month trough of 93.563 hit in the prior session. In spite of lingering concerns about the Greek issue, the EUR/USD was standing close to 1.1320/25 in early European trade, close to a multi-session peak of 1.1430 hit on Thursday and above levels near 1.1200 marked earlier this week ahead of the FOMC monetary policy meeting. In the absence of major data releases today and with investors awaiting the outcome of Monday's emergency summit of euro area leaders, consolidation around current levels will likely prevail.

### GREECE

As expected, y-day's **Eurogroup failed to reach a breakthrough agreement** on the Greek issue. In the press conference that followed, Eurogroup President Jeroen Dijsselbloem acknowledged that too little progress has been made in official talks and urged the Greek authorities "to submit new, additional proposals in the coming days" adding that "as of today, it is still possible to find an agreement and extend the current programme before the end of this month". Following euro area finance ministers' failure to make progress towards breaking the current impasse between the Greek government and the institutions, **European Council President Donald Tusk called an emergency Euro Summit on Monday** at 17:00GMT to discuss the situation of Greece "at highest political level". Y-day's press reports suggesting that Greece's creditors plan to offer to Greece an extension of its current lending arrangement until the end of this year without the participation of the IMF, were reportedly rejected by unnamed EU officials. Meanwhile, local press reports suggested earlier today that the **ECB is expected to hold an emergency session at 12:00 CEST today** to consider a request made by the Bank of Greece for an increase of around €3bn in ELA, as deposit outflows from Greek banks have intensified over the last few sessions. The request came just a day after the ECB decided in its weekly non-monetary policy meeting on Wednesday to renew its approval to the provision of the ELA facility to Greek banks and increased the funding ceiling by €1.1bn to €84.1bn. In other news, **IMF Managing Director Christine Lagarde** said y-day that Greece will be in default with the Fund if it fails to make a payment of €1.5bn due on June 30, as there is no grace period or possibility of delay. As a reminder, Greece decided in early June to bundle all four principal payments due to the Fund over the course of the month into one lump-sum payment of c. €1.5bn on June 30 (June 5 c. €300mn, June 12 c. €340mn, June 16 c. €565mn & June 19 c. €340mn). Under an IMF Executive Board decision adopted in the late 1970s debtor countries are entitled to bundle together multiple principal payments falling due in a given calendar month into an aggregate amortisation at the end of the same month in order to address the administrative difficulty making multiple payments in a short period of time. Separately, Greece's finance ministry released y-day **preliminary data on the State Budget execution in the first five months of 2015**. The year-to-May Central Government budget recorded a €1,399mn deficit, which compares with a targeted shortfall of €3,481mn. In a similar vein, the primary balance (which excludes interest payments) recorded a surplus of €1,506mn compared to Budget target for a €556mn shortfall and a surplus of €707mn generated in the same period a year earlier. Ordinary Budget net revenue (mainly from taxation and excluding tax returns) amounted to €17,048mn, lower compared to €17,300mn recorded in the same period a year earlier and underperforming the Budget target by €964mn. [ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

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## Latest world economic & market developments in the CESEE region

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		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

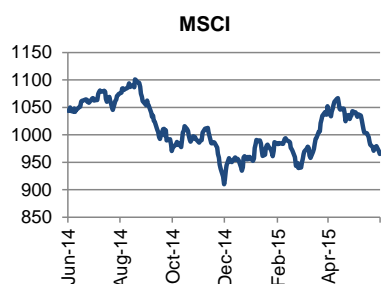
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* 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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	6.00	5.50

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	B3	B+	B-

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

### CESEE MARKETS

**Emerging stock markets** recouped some of their recent losses on Thursday, a session after the conclusion of the FOMC's 2-day meeting. A more-dovish-than-expected outcome provided support to risky assets. As a result, the broad MSCI Emerging Markets index rose for the second session in a row yesterday bouncing further away from a 2-½-month low hit earlier in the week. Bourses in the CESEE region also staged a timid recovery, with gains capped amid concerns over the Greek issue. Indices in Poland, Romania, Serbia and Bulgaria ended ca 0.20-0.4% higher, while Hungary's BUX slid by 0.9%. Turkey's BIST 100 led the winners' pack, posting daily gains in excess of 1.5%. The index rallied despite heightened domestic political uncertainty after the June 7 general elections, where the ruling AKP party lost its parliamentary majority for the first time in 13 years, in a development that paves the way for potentially lengthy coalition negotiations. Meanwhile, the prospect of snap polls cannot be ruled out entirely. Note that ratings agency S&P said on Thursday that uncertainty will likely persist in Turkey over the next few months after the inconclusive election, adding that, in the event of early elections, it will probably intensify by year-end and potentially weigh on domestic economic activity.

Elsewhere, **CESEE currencies** broadly recoiled on Thursday as negotiations between Greek authorities and the Institutions continue. The Polish zloty weakened after a streak of weaker than anticipated macroeconomic data was released earlier in the session, while lingering domestic political noise also appeared to continue to weigh on the currency. Recall that, the Prime Minister recently proceeded to a reshuffle of the cabinet in an effort to boost the government's popularity. The move comes on the heels of May's presidential election outcome, where the ruling PO party's nominee and incumbent president was defeated by the candidate backed by the main opposition party PiS. This development stirred concerns over the PO's performance in the upcoming general elections in autumn and has weighed on the zloty of late. Along these lines, the EUR/PLN closed ca 0.5% higher around 4.1695 on Thursday, having hit a 1-week peak of 4.1735 earlier in the session. The Hungarian forint trailed behind with daily losses to the tune of ca 0.4% against the euro to stand near 312.50 at the session's settlement, while the Romanian leu closed little changed at 4.4838/EUR.

Separately, in the **local rates markets**, government bonds moved broadly higher yesterday, erasing part of their recent losses in the wake of the FOMC meeting. Indicatively, the corresponding Turkish 2- and 10-year benchmark bond yield eased by ca 11bps and 2bps respectively to close around levels of 9.90% and 9.55%.

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## 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	2121.78	1.0%	3.1%	EUR/USD	1.1406	0.6%	-5.7%	UST - 10yr	2.35	4	18	GOLD	1201	1.3%	1.4%
Nikkei 225	19990.82	-1.1%	14.6%	GBP/USD	1.5883	0.3%	2.0%	Bund-10yr	0.81	0	27	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	384.20	0.1%	12.2%	USD/JPY	122.88	0.4%	-2.6%	JGB - 10yr	0.45	-3	12	LMEX	2634	-0.1%	-9.6%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	451	0	-540
1-week	4.80	6	-521
1-month	5.27	3	-478
3-month	5.81	5	-404
6-month	6.11	8	-368

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.16	0	-292
5Y RSD	8.32	0	-187
7Y RSD	8.76	0	-332

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.68	-6	-58
USD Nov-24	6.47	0	-12

#### CDS

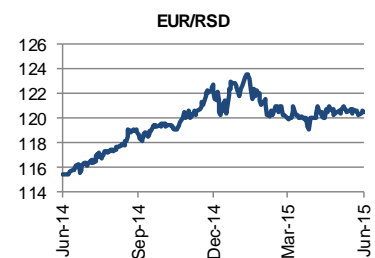
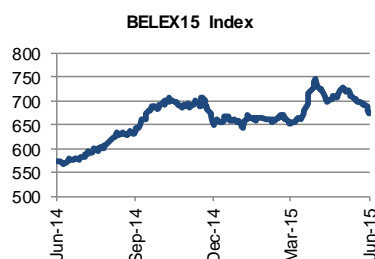
	Last	ΔDbps	ΔYTD bps
5-year	210	12	-80
10-year	260	13	-96

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	677.5	0.39%	1.57%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.55	0.09%	0.66%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.59	0	2
1-month	1.07	7	16
3-month	1.25	1	-45
6-month	1.54	5	-47
12-month	1.61	5	-41

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.14	0	-17
5Y RON	2.83	-1	12
10Y RON	4.21	-1	55

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.87	4	14
USD Aug-23	4.00	-3	39

#### CDS

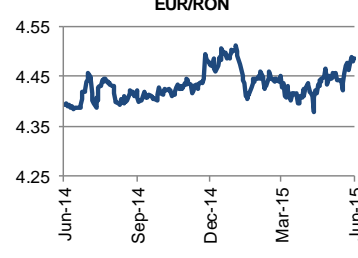
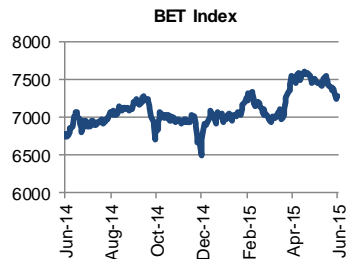
	Last	ΔDbps	ΔYTD bps
5-year	130	2	-13
10-year	172	1	-14

#### STOCKS

	Last	ΔD	ΔYTD
BET	7279.7	0.06%	2.78%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4873	0.00%	-0.08%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.35	0	-8
6-month	0.69	0	-11
12-month	1.26	0	-25

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	-2	-51
5Y BGN	1.04	-2	-40
10Y BGN	2.59	0	-16

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.98	-5	-18
EUR Sep-24	3.11	0	24

#### CDS

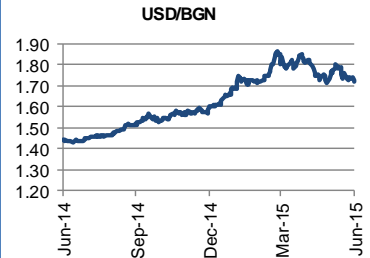
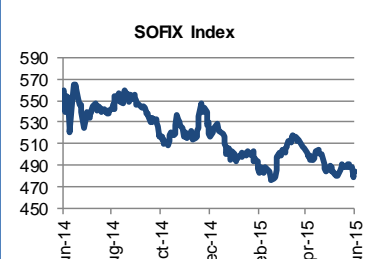
	Last	ΔDbps	ΔYTD bps
5-year	184	2	-7
10-year	235	1	-6

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	483.9	0.26%	-7.32%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7149	0.60%	-5.74%



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

Data updated as of 18:45 EET of previous session

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