

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 30, 2015

### 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:** The majority of global equity markets retained a negative tone on Tuesday amid heightened concerns about the Greek issue. Elsewhere, EMU peripheral sovereign spreads undertook some further widening while, in FX markets, the JPY was among the main outperformers as market uncertainty favors its safe-haven appeal.

**GREECE:** In a live interview to a local TV station late y-day, **Greece's Prime Minister Alexis Tsipras** said that a "No" referendum outcome would reinforce the government's negotiating power while, in case of a "Yes" outcome, he "would act in line with the Hellenic Constitution", reportedly hinting that he would be willing to resign or undertake the necessary steps required for the formation of a national unity government. Meanwhile, local press reports suggested that **EU Commission President Jean-Claude Juncker** made a last-minute offer in an effort to facilitate an agreement being reached between to the Greek government and its official creditors before the expiration of the country's current financial assistance arrangement at midnight today. Local newswires quoted an unnamed Greek government official saying that the government is listening with interest what has been proposed but "Alexis Tsipras will vote No on Sunday" giving the impression that the EU Commission President's proposal has effectively been rejected. Meanwhile, a number of EU officials, including EU Commission President Jean-Claude Juncker, Chancellor Angela Merkel and EU Parliament President Martin Schulz, insisted that Greece's upcoming referendum is essentially a question regarding whether Greece wants to remain or not in the euro area.

### SOUTH EASTERN EUROPE

**BULGARIA:** The Central Bank of Bulgaria issued a statement with respect to the bank holiday and the introduction of capital controls in Greece. According to BNB, the domestic banking system, including the subsidiaries of the Greek banks, is operationally and financially independent.

**SERBIA:** In a statement issued at its website on Monday, the National Bank of Serbia highlighted that that the subsidiaries of Greek banks in Serbia will continue to operate as normal within regular working hours.

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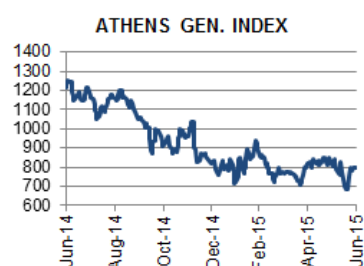
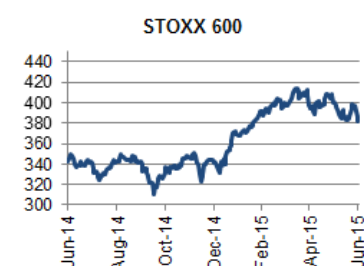
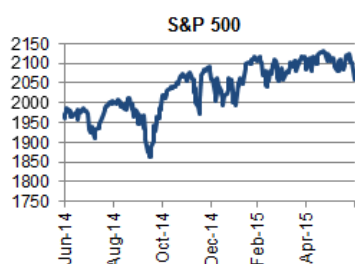
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June 30, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

The majority of global equity markets retained a negative tone on Tuesday amid heightened concerns about the Greek issue. Elsewhere, EMU peripheral sovereign spreads undertook some further widening while in FX markets, the JPY was among the main outperformers as market uncertainty favors its safe-haven appeal. The latest developments keep market focus on Greece.



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

In a live interview to a local TV station late y-day, **Greece's Prime Minister Alexis Tsipras** indicated that the government is still open to an agreement with official creditors "even at the 11th hour" and suggested that the country would only pay the c. €1.6bn bundle payment due to the IMF today only in case of a deal being reached y-day night. The Greek Premier also said that a "No" referendum outcome would reinforce the government's negotiating power while, in case of a "Yes" outcome, he "would act in line with the Hellenic Constitution", reportedly hinting that he would be willing to resign or undertake the necessary steps required for the formation of a national unity government. As regards Greek banks, Mr. Tsipras said that they would reopen "when the ECB restores liquidity". As a reminder, IMF Managing Director Christine Lagarde suggested recently Greece would not have grace period and will be in default vis-à-vis the Fund on July 1st should it fail to meet the payment due on the last day of June. Meanwhile, local press reports suggested that **EU Commission President Jean-Claude Juncker** made a last-minute offer in an effort to facilitate an agreement being reached between Greece and its official creditors before the expiration of the country's current financial assistance arrangement at midnight today. As per the same sources, Mr. Juncker proposed the Greek government to: (i) approve official lenders' amended proposal –as that was published in the local press earlier this week incorporating some amendments regarding, among others, VAT reform; (ii) send a written acceptance of official creditors' latest version of proposal today, in time for an emergency Eurogroup to take place before the expiration of the country's current financial assistance arrangement; and (iii) campaign in favor of a "Yes" vote in the upcoming referendum. Local newswires quoted an unnamed Greek government official saying that the government is listening with interest what has been proposed but "Alexis Tsipras will vote No on Sunday" giving the impression that the EU Commission President's proposal has effectively been rejected. Meanwhile, a number of EU officials, including EU Commission President Jean-Claude Juncker, Chancellor Angela Merkel and EU Parliament President Martin Schulz, insisted that Greece's upcoming referendum is essentially a question regarding whether Greece wants to remain or not in the euro area. Specifically, in an extraordinary press conference held early y-day, the European Commission President Jean-Claude Juncker expressed his personal "complaints" on the behavior of the Greek government noting that he feels personally "betrayed" believing until late on Friday that both sides were on the verge of reaching an agreement. He called Greek citizens to vote "Yes" in the upcoming referendum, noting that a "No" vote would mean that Greece wants to distance itself from the euro area and the Europe. In other news, **S&P lowered Greece's foreign and local currency long-term sovereign credit ratings by one notch to 'CCC-'** and kept a negative outlook, indicating the possibility of a further downgrade to 'Selective Default' within the next six months in case of a 'distressed exchange' or nonpayment of Greece's commercial debt.

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June 30, 2015

## 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

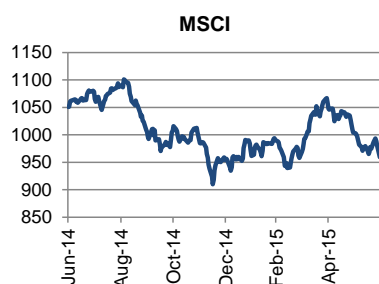
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* 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



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

### BULGARIA

The Central Bank of Bulgaria issued a statement with respect to the bank holiday and the introduction of capital controls in Greece. According to BNB, the domestic banking system, including the subsidiaries of the Greek banks, is operationally and financially independent. The banks in Bulgaria have no exposure from claims against credit institutions in Greece or securities of the Greek government. Moreover, the Central Bank reiterated the view that negative developments in other banking systems will not have a negative impact on the stability and the functioning of the domestic system. Additionally, the BNB also underscored that capital controls in Greece have no legal jurisdiction in Bulgaria.

Finally, the domestic system has high levels of capital adequacy and liquidity which ensures its stability. It is worth noting that, the liquid assets ratio stood at 32.9% in April 2015 while the Common Equity Tier 1 capital ratio was 19.9%, and the Tier 1 capital ratio was 20.4% in March 2015. More specifically, the Greek subsidiaries - which have a combined market share of one fifth of the total assets - have even higher than the system average levels of capital adequacy and liquidity.

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### SERBIA

In a statement issued at its website on Monday, the National Bank of Serbia highlighted that the subsidiaries of Greek banks in Serbia will continue to operate as normal within regular working hours. NBS also underscored that Greek banks in Serbia are liquid and solvent, enjoying adequate liquidity and capital buffers. The Central Bank also noted that "Greek banks are treated by domestic legislation in the same way as other banks operating in the Serbian market". Moreover, the NBS announced that it introduced on Monday temporary measures aimed at limiting transactions between subsidiaries and their parent banks in Greece. These measures, which do not contain any restrictions relating to depositors, were adopted in order to avoid any spillovers, "ensure the protection of depositors and preserve the stability of the banking market and the overall financial system." It is worth noting that, Greek-owned banks in Serbia are estimated to worth ca 14% of total banking assets. Additionally, Serbia's banking sector capital adequacy ratio stood at 20% in Q4 2014, well above the regulatory minimum and Tier 1 regulatory capital to risk-weighted assets was at 17.6% over the same period.

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June 30, 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	2057.64	-2.1%	-0.1%	EUR/USD	1.1164	-0.6%	-7.7%	UST - 10yr	2.33	0	16	GOLD	1177	-0.3%	-0.7%
Nikkei 225	20235.73	0.6%	16.0%	GBP/USD	1.573	0.0%	1.0%	Bund-10yr	0.78	-2	24	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	382.27	-1.0%	11.6%	USD/JPY	122.17	0.3%	-2.0%	JGB - 10yr	0.47	1	14	LMEX	2616	-0.3%	-10.2%

## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>					
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps		
T/N	462	7	-529	O/N	0.87	-5	30	LEONIA	0.01	0	-1		
1-week	4.83	1	-518	1-month	1.15	1	24	1-month	0.18	0	-4		
1-month	5.23	-3	-482	3-month	1.35	2	-35	3-month	0.34	0	-9		
3-month	5.65	-15	-420	6-month	1.57	1	-44	6-month	0.68	1	-11		
6-month	5.88	-22	-391	12-month	1.68	3	-34	12-month	1.26	2	-25		
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	6.05	#N/A	N/A	3Y RON	2.13	0	-18	3Y BGN	0.55	5	-49		
5Y RSD	8.32	0	-186	5Y RON	2.73	0	2	5Y BGN	1.07	3	-37		
7Y RSD	8.75	0	-333	10Y RON	4.18	-5	52	10Y BGN	2.61	0	-14		
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.69	-2	-57	EUR Sep-20	2.01	-3	28	EUR Jul-17	0.91	0	-25		
USD Nov-24	6.47	3	-12	USD Aug-23	4.03	3	41	EUR Sep-24	3.17	77	30		
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	208	0	-82	5-year	129	6	-14	5-year	183	8	-8		
10-year	258	0	-98	10-year	172	6	-15	10-year	230	3	-11		
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	650.6	-0.13%	-2.47%	BET	7236.9	-0.38%	2.17%	SOFIX	479.9	-0.63%	-8.09%		
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.44	0.06%	0.76%	EUR/RON	4.4871	0.36%	-0.08%	USD/BGN	1.752	-0.65%	-7.73%		

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:30 EET

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