

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, July 13, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 14: Retail sales (Jun)
- July 15
 - Empire manufact. (Jul)
 - Industrial prod. (Jun)
 - Beige book
- July 15/16: Fed Yellen's semi-annual testimony to Congress
- July 16
 - Initial jobless claims (July 11)
 - Philly Fed (Jul)
 - NAHB index (Jul)
- July 17
 - CPI (Jun)
 - Building permits (Jun)
 - Housing starts (Jun)
 - UoM consumer confidence (Jul, p)

EUROZONE

- July 13/14: Regular Eurogroup/Ecofin meetings
- July 16: ECB MPC meeting

GREECE

- July 13: ECB conf. call on ELA facility
- July 14-15: Vote in Parliament on a first set of measures agreed at the July 12 Euro Summit
- July 15: ECB conf. call on ELA facility

SEE

BULGARIA

- July 13: U/E rate (Jun)
- July 14: CPI (Jun)
- July 17: Current account balance (May)

ROMANIA

- July 13: T-Bonds auction
- July 14: Current account balance (May)
- July 16: T-Bonds auction

SERBIA

- July 13: HICP (Jun)
- July 15: €50mn 2% 2017 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most Asian markets closed in the black on Monday, and European bourses opened higher after an agreement was reached between Greece and the institutions. A similar positive trend prevailed in most 10-year European peripheral bonds, with the corresponding benchmark yields tightening over their German counterparts. In FX markets, the euro reversed earlier gains, as investors' focus probably turned towards the prospect of higher US interest rates later this year.

GREECE: A unanimous agreement has been reached at the Summit of the 19 Eurozone leaders, after marathon deliberations that commenced on Sunday and ended earlier today. The agreement will have to be ratified by the parliaments of several Eurozone countries. First, however, the Greek Parliament has to endorse all the commitments agreed at the Euro Summit and enact the first laws according to the timetable presented in the relevant Euro Summit statement.

SOUTH EASTERN EUROPE

BULGARIA: Despite growing optimism about a Greek bailout deal, local equity markets closed broadly lower on a weekly basis on Friday.

SERBIA: The EUR/RSD closed little changed on a weekly basis on Friday at 120.05/25, after the Central Bank intervened anew in the FX markets in order to stem the dinar's recent uptrend.

CESEE MARKETS: Emerging stock markets moved broadly higher in European trade on Monday following news about an agreement between Greece and the institutions. Along similar lines, **regional currencies** broadly firmed in European trade on Monday, with the Hungarian forint and the Polish zloty posing as the main outperformers. Looking into this week, June inflation releases in Bulgaria, Poland and Serbia take centre stage in the CESEE region.

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Latest world economic & market developments

GLOBAL MARKETS

Most Asian markets closed significantly higher on Monday, with China's Shanghai Composite Index rallying for the third consecutive day as the number of companies suspended from trading a few days ago in order to support the domestic stock market was reduced by 408 to 1,045 last Friday. Elsewhere, European bourses opened higher today after an agreement was reached between Greece and the institutions. Indicatively, the Stoxx600 index increased by roughly 1.5% at the time of writing. A similar positive trend prevailed in most 10-year European peripheral bonds, with the corresponding benchmark yields tightening over their German counterparts. In FX markets, the euro reversed earlier gains, with the EUR/USD trading around the levels of 1.1070/80 at the time of writing, as investors' focus probably turned towards the prospect of higher US interest rates later this year after the latest developments over the Greek issue. More specifically, the US dollar gained ground against its major currency peers, with the DXY index hovering around 96.30/35 at the time of writing, having hit a two-week low of ca. 96.00 in the previous session's settlement.

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GREECE

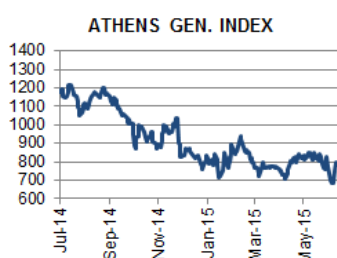
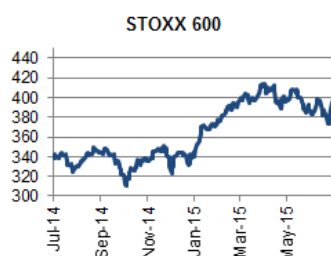
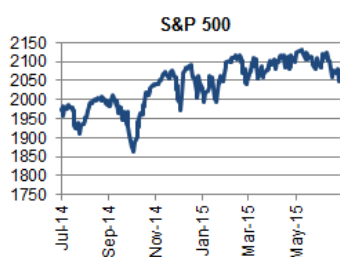
A unanimous agreement has been reached at the Summit of the 19 Eurozone leaders, after marathon deliberations that commenced on Sunday and ended earlier today. The ESM loan to Greece will, according to press reports, be worth as much as €87bn over three years. The agreement will have to be ratified by the parliaments of several Eurozone countries. First, however, the Greek Parliament has to endorse all the commitments agreed at the Euro Summit and enact the first laws according to the following timetable as presented in the relevant Euro Summit statement:

- The first set of measures to be legislated by 15 July include: a) the streamlining of the VAT system and the broadening of the tax base, b) upfront measures to improve long-term sustainability of the pension system as part of a comprehensive pension reform programme, c) the safeguarding of the full legal independence of the Hellenic Statistical Authority, d) full implementation of the relevant provisions of the Treaty on Stability, Coordination and Governance in the EMU especially pertaining to the operation of the Fiscal Council.
- The second set of measures to be legislated by 22 July include: a) the adoption of the Code of Civil Procedure, which will accelerate the judicial process and reduce costs, and b) the transposition of the Bank Recovery and Resolution Directive (BRRD) with support from the European Commission.

The Eurogroup will convene today to discuss potential sources for the short-term bridge funding of Greece to cover the country's urgent financing needs, but, according to press reports, the disbursements of funds will begin only after both sets of the prior actions and the 3-year bailout programme have been approved by the Greek Parliament. With regard to Greece's debt, based on media reports, the Eurozone may be willing to offer Greece debt relief but no debt remission.

Meanwhile, the agreement at the Euro Summit is expected to allow the ECB to raise its support to the Greek banks, although this may not happen today. For the time being the daily withdrawal limit of €60 remains in place.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

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

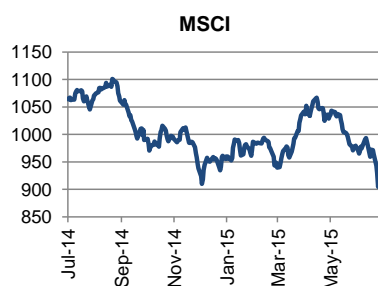
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

Despite growing optimism about a Greek bailout deal, local equity markets closed broadly lower on a weekly basis on Friday. In more detail, the main SOFIX index retreated by ca 1.8% last week, ending near a 19-month intraday low. Persistently low market liquidity resulted to a record low weekly turnover of just €0.48mn. Meanwhile, the external sovereign debt market recouped part of its recent losses on Friday, after remaining for two weeks under selling pressure. The rebound was most evidenced in the longer-end of the curve where yields declined by around 10-13bps on the week. On the other hand, RON-denominated government bonds were little changed with the corresponding yield curve shifting slightly upwards.

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SERBIA

The EUR/RSD closed little changed on a weekly basis on Friday at 120.05/25, after the Central Bank intervened anew in the FX markets in order to stem the dinar's recent uptrend. In more detail, the Central Bank bought €20mn on Tuesday at levels around 119.95/15. With this latest intervention, the total amount of EUR purchases so far this year rose to €470mn.

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CESEE MARKETS

Emerging stock markets moved broadly higher in European trade on Monday following news about an agreement between Greece and the institutions. In response, the MSCI Emerging Markets index extended earlier today a 3% rally staged late last week, recovering further above from Thursday's 2-year intraday trough. Polish shares led the way higher in the CESEE region, recording gains to the tune of 0.7% at the time of writing. Along similar lines, **regional currencies** broadly firmed in European trade on Monday. The Hungarian forint and the Polish zloty posed as the main outperformers. In more detail, the EUR/HUF recoiled to a 2-½ week low near 309.55 in European trade from Friday's 311.40 settlement, before recovering some ground towards 310.20 at the time of writing. Meanwhile, the EUR/PLN hovered around levels of 4.1510, having slid as far as a multi-session trough of 4.1460 earlier. On the other hand, the Serbian dinar was little changed at 120.05/EUR on the day as the Central Bank intervened anew in the FX markets at 119.95/EUR to halt the currency's appreciating momentum. Looking into this week, June inflation releases in Bulgaria, Poland and Serbia take centre stage in the CESEE region.

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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	2076.62	1.2%	0.9%	EUR/USD	1.1077	-0.8%	-8.4%	UST - 10yr	2.45	5	28	GOLD	1156	-0.6%	-2.4%
Nikkei 225	20089.77	1.6%	15.1%	GBP/USD	1.5576	0.4%	0.0%	Bund-10yr	0.93	3	38	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	395.63	1.8%	15.5%	USD/JPY	123.37	-0.5%	-3.0%	JGB - 10yr	0.46	1	13	LMEX	2560	-0.6%	-12.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	459	1	-532
1-week	4.78	-6	-523
1-month	5.18	-6	-487
3-month	5.62	-15	-423
6-month	5.97	-9	-382

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.03	0	-305
5Y RSD	8.32	1	-186
7Y RSD	8.73	-2	-335

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.48	-3	-78
USD Nov-24	6.47	0	-12

CDS

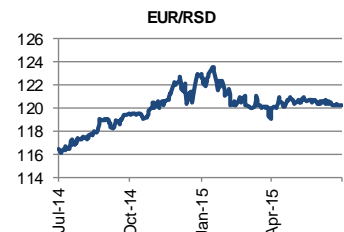
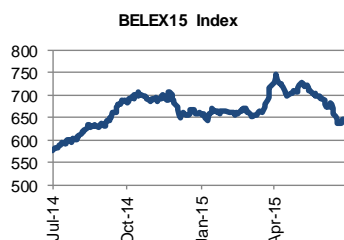
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	323	0	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	647.7	0.30%	-2.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.21	-0.04%	0.95%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.59	-1	2
1-month	0.94	-2	3
3-month	1.3	0	-40
6-month	1.61	0	-40
12-month	1.69	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.07	-1	-24
5Y RON	2.61	-5	-10
10Y RON	3.98	-12	32

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.75	-11	2
USD Aug-23	3.69	-4	7

CDS

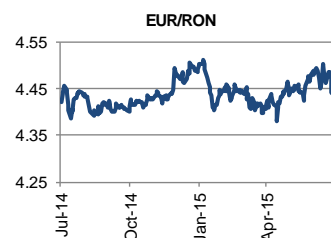
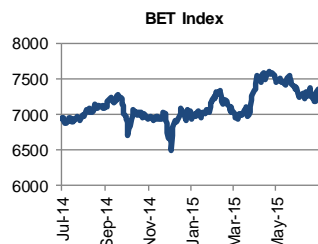
	Last	ΔDbps	ΔYTD bps
5-year	124	-5	-18
10-year	168	-7	-18

STOCKS

	Last	ΔD	ΔYTD
BET	7353.8	0.86%	3.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4351	0.16%	1.09%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.33	0	-10
6-month	0.65	0	-15
12-month	1.23	0	-27

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.54	1	-50
5Y BGN	1.16	-4	-29
10Y BGN	2.68	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.71	9	-45
EUR Sep-24	2.95	74	8

CDS

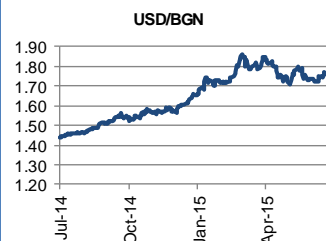
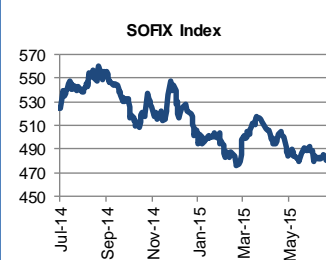
	Last	ΔDbps	ΔYTD bps
5-year	188	-5	-3
10-year	232	-9	-8

STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.3	0.22%	-9.35%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7658	-0.77%	-8.46%



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

Data updated as of 13:00 EEST

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