



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, August 03, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- August 3
 - Personal income / spending (Jun)
 - Core PCE deflator (Jun)
 - ISM index manufacturing (Jul)
- August 4: Industrial orders (Jul)
- August 5
 - ADP employment change (Jul)
 - Trade balance (Jun)
 - ISM index non-manufacturing (Jul)
- August 6: Initial jobless claims (August 1)
- August 7
 - Non-farm payrolls (Jul)
 - U/E rate (Jul)

EUROZONE

- August 3: PMI, manufacturing (f, Jul)
- August 4: PMI services (f, Jul)

GREECE

- August 6: Labour Force Survey (May)
- August 7: HICP (Jul)

SEE

BULGARIA

- August 3-7: Reserve assets (Jul)

ROMANIA

- August 3: RON 200mn 10-year T-bonds
- August 4
 - Retail sales (Jun)
 - MPC meeting
- August 6
 - Net wages (Jun)
 - RON 300mn 3-year T-bonds
- August 7: Industrial sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: The negotiations between the Greek authorities and the four institutions (i.e. EC, ECB, ESM and IMF) are under way. So far there is reportedly convergence of opinions on issues such as the adoption of OECD toolkit I recommendations, and the suspension of the minimum wage increase. In other news, the Athens Stock Exchange reopened today for the first time after the imposition of capital controls. It had remained closed for 25 days. The seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index in July, registered 30.2, its lowest ever reading.

SOUTH EASTERN EUROPE

BULGARIA: According to the Ministry of Finance preliminary data, the consolidated budget surplus came at BGN 801mn in Jan-Jul compared to a BGN 1.15bn deficit in the corresponding period of 2014.

SERBIA: According to the flash estimate, GDP growth on an annual basis moved into positive territory for the first time since the last quarter of 2013. In more detail, GDP expanded by +0.9% yoy in the second quarter of 2015 up from a revised -1.8% yoy in the first.

ROMANIA: Domestic financial markets were little changed last week in view of the summer doldrums. In more detail, the EUR/RON slowly drifted lower over the week, from the previous Friday's closing at 4.4230 down to an intraday low of 4.4000 on Thursday before closing on Friday around 4.4050.

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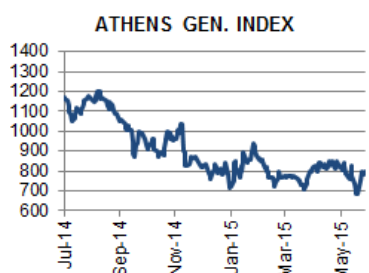
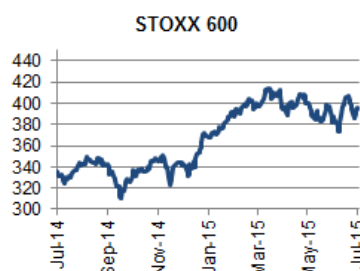
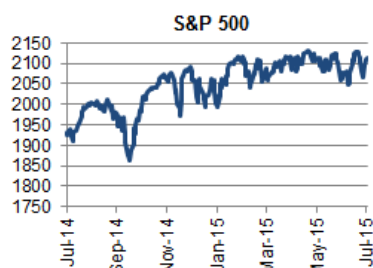
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Latest world economic & market developments

GREECE

The negotiations between the Greek authorities and the four institutions (i.e. EC, ECB, ESM and IMF) are under way. So far there is reportedly convergence of opinions on issues such as the adoption of OECD toolkit I recommendations, and the suspension of the minimum wage increase. On the other hand, according to local media, the Greek side insists the 12 July Summit agreement does not foresee the passing through parliament of new prior actions in addition to those already passed in the previous weeks, whereas the institutions assert that for the first tranche of the 3rd bailout programme to be disbursed, another set of prior actions must have been voted. According to press reports, the agreement for the new bailout programme has to be finalized by 11 August and then ratified by the Eurogroup, the Hellenic Parliament and a number of other European Parliaments by 18 August, in time for the first disbursement to be released by 20 August when an ECB bond of €3.4bn is due. Should the negotiations not be completed on time, Greece may reportedly seek another EFSM "bridge" loan, for which, however, new collateral has to be found and new prior actions have to be legislated. Based on media sources, other issues of divergence between Greece and its official creditors are the primary deficit target for 2015, the new measures for 2016, the privatizations' programme, the NPLs and banks' recapitalization, the social security system and labour reforms excluding the suspension of the minimum wage increase. In other news, the Athens Stock Exchange reopened today for the first time after the imposition of capital controls. It had remained closed for 25 days. At the time of writing (13:14 Athens Time) the ASE General Index was down 17.07%. The seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index in July, registered 30.2, its lowest ever reading.

andimitriadou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	0.4	1.4
HICP (pa, yoy %)	-0.3	-0.8	0.9
Budget Balance/GDP*	-8.8	-1.1	-0.1
Current Account/GDP	-5.1	-3.9	-4.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	1.8	2.2
CPI (pa, yoy %)	-1.4	0.3	1.2
Budget Balance/GDP*	-3.7	-2.5	-2.4
Current Account/GDP	0.9	2.0	1.5
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

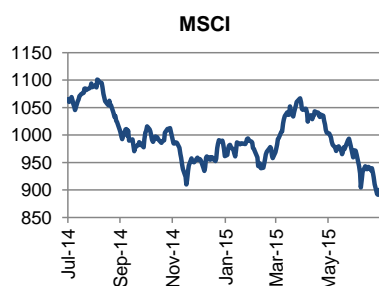
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	0.0	1.5
CPI (pa, yoy %)	2.1	2.2	3.8
Budget Balance/GDP	-6.7	-5.3	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	123.00	124.00
	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

According to the Ministry of Finance preliminary data, the consolidated budget surplus came at BGN 801mn in Jan-Jul compared to a BGN 1.15bn deficit in the corresponding period of 2014. As a percentage of GDP, the consolidated budget surplus stood at 1% in the first seven months, up from a 1.4% deficit a year ago. Total revenues came at BGN19.0bn in Jan-Jul, up by 13% yoy, which represents 62.7% of the full-year plan. On the other hand, total spending rose by only 1.4% yoy to BGN18.2bn in Jan-Jul, representing 55.5% of the full-year plan. Overall, the budget execution so far creates optimism that the full year fiscal deficit target – set at 3% of GDP in 2015, in cash terms, will be achieved comfortably. The fiscal deficit in cash terms had widened to 3.8% of GDP in 2014 up from 1.8% in 2013 surpassing the Maastricht threshold for the first time since 2010, primarily reflecting spending slippages from the electoral cycle and the bail-out costs from the banking sector.

igkionis@eurobank.gr

SERBIA

According to the flash estimate, GDP growth on an annual basis moved into positive territory for the first time since the last quarter of 2013. In more detail, GDP expanded by +0.9% yoy in the second quarter of 2015 up from a revised -1.8% yoy in the first. Looking into the remainder of the year, we anticipate a recovery in economic activity in H2 2015 to push real GDP growth towards a flat reading. The main culprits of this expected improvement lie in the face of favorable base effects and a further revival envisioned in investments. Recently adopted monetary easing and low global oil prices are also likely to provide support to economic activity in the coming months. As it has been indicated recently by high frequency data, household and government expenditure are poised to remain weak and exert a negative contribution to growth this year. In FX markets, the EUR/RSD moved sideways last week in thin trade volumes in view of the summer lull. In more detail, the pair remained bound within a range of 120.00/20 120.10/30. In other news, Prime Minister Aleksandar Vucic said at a news conference that the deficit, which totaled RSD 25bn in the first seven months of the year, continues to outperform targets agreed with the International Monetary Fund under the country's Stand-By Arrangement. According to the PM, the full year fiscal deficit is projected to end at 2.9% of GDP in 2015 vs. a 3.5% estimate of the Fiscal Council.

Zoran.Korac@eurobank.rsgphoka@eurobank.gr

ROMANIA

Domestic financial markets were little changed last week in view of the summer doldrums. In more detail, the EUR/RON slowly drifted lower over the week, from the previous Friday's closing at 4.4230 down to an intraday low of 4.4000 on Thursday before closing on Friday around 4.4050. On the money market, short term RON rates increased slightly in the first day of the week as a new reserve period started on July 24, before easing thereafter on the back of ample RON liquidity. Against this backdrop, the 1-week rate hovered around levels of 0.65% on Friday slightly above last week's close of 0.50% but below Tuesday's high near 1.00%. Separately, longer-term rates remained roughly unchanged on a weekly basis in view of thin trade activity. In other news, the MoF published a light issuance calendar for August including RON 600mn in 6M and 12M T-Bills and only RON 1.7bn distributed between six different bond auctions, each one small in size. The said calendar is supportive for domestic government bonds, especially with light issuance in the extra sensitive long maturities.

Bogdan.Radulescu@bancpost.ro

August 3, 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	2111.34	0.1%	2.5%	EUR/USD	1.1082	1.4%	-8.4%	UST - 10yr	2.20	-6	3	GOLD	1094	0.5%	-7.7%
Nikkei 225	20585.24	0.3%	18.0%	GBP/USD	1.563	0.2%	0.3%	Bund-10yr	0.65	0	11	BRENT CRUDE	53	-1.0%	-7.9%
STOXX 600	394.78	-0.4%	15.3%	USD/JPY	123.72	0.3%	-3.3%	JGB - 10yr	0.42	0	9	LMEX	2459	-1.2%	-15.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	459	0	-532
1-week	4.81	-1	-520
1-month	5.21	-1	-484
3-month	5.67	-1	-418
6-month	5.96	-1	-383

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.09	#N/A	N/A
5Y RSD	8.29	0	-189
7Y RSD	8.81	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.51	-1	-75
USD Nov-24	6.49	0	-10

CDS

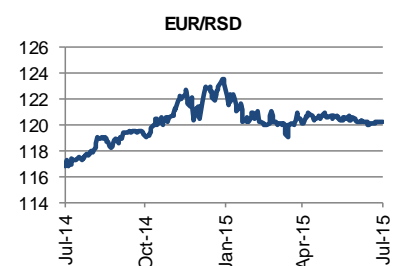
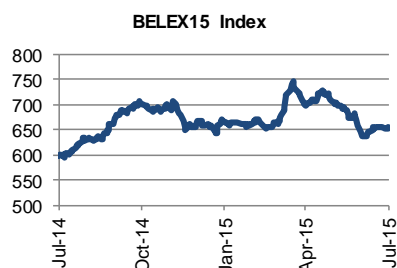
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-20
10-year	316	0	-41

STOCKS

	Last	ΔD	ΔYTD
BELEX15	654.7	0.17%	-1.85%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.19	0.01%	0.96%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.94	-6	37
1-month	1.08	-1	17
3-month	1.32	2	-38
6-month	1.55	2	-46
12-month	1.65	1	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.98	-1	-33
5Y RON	2.50	0	-21
10Y RON	3.78	-1	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.50	2	-23
USD Aug-23	3.71	-5	9

CDS

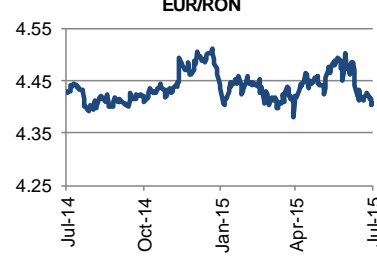
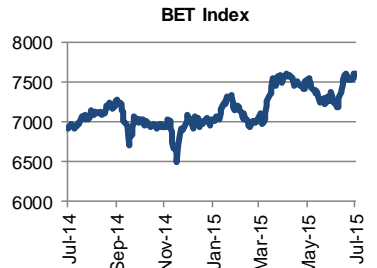
	Last	ΔDbps	ΔYTD bps
5-year	127	2	-15
10-year	172	2	-15

STOCKS

	Last	ΔD	ΔYTD
BET	7606.1	-0.01%	7.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4078	-0.11%	1.72%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	-1
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.64	0	-16
12-month	1.22	0	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.56	0	-48
5Y BGN	1.16	-2	-29
10Y BGN	2.62	0	-13

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.49	0	-67
EUR Sep-24	2.94	91	7

CDS

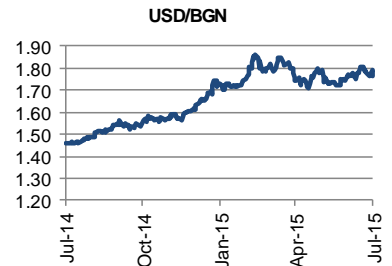
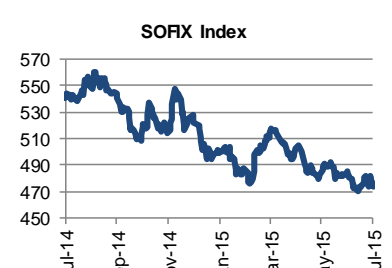
	Last	ΔDbps	ΔYTD bps
5-year	170	-2	-21
10-year	215	-2	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.6	-0.70%	-9.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7672	1.25%	-8.53%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:45 EEST of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias

+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias

+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias

+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias

+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias

+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias

+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd

+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost

+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, + 30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr + 30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 3371228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papanthasiou: Head of Institutional Sales
apapanthasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 3718995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 3718917

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

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