

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, July 31, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- July 27: Durable goods orders (Jun)
- July 28: CB consumer confidence (Jul)
- July 29
 - Pending home sales (Jul)
 - FOMC meeting
- July 30
 - Initial jobless claims (July 25)
 - GDP (Q2, A)
- July 31
 - Chicago PMI (Jul)
 - UoM Consumer sentiment (Aug)

EUROZONE

- July 31: HICP (Jul)

GREECE

- July 27: Credit/deposits (Jun)
- July 30: Confidence indicators (May)

SEE

BULGARIA

- July 28: Gross external debt (May)
- July 31: Budget balance (Jun)

ROMANIA

- July 31: U/E rate (ILO, Jun)

SERBIA

- July 28: EUR 2025 T-bonds auction
- July 31
 - Industrial production (Jun)
 - Trade balance (Jun)
 - Retail sales (Jun)
 - GDP (Q2, p)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Following a rather mixed picture of corporate earnings and a strong Q2 GDP report that added to the view that the Fed is closer to an interest rate hike this year, Wall Street ended broadly flat overnight. Elsewhere, most Asian bourses edged higher on Friday, but closed in negative territory for the month, while in Europe, major equity indices were trading mixed. In FX markets, the US dollar shed some of its yesterday's gains recorded in the wake of the upbeat US GDP data.

GREECE: According to an IMF transcript of a conference call between an unnamed IMF official in Greece and unnamed Greek officials, the IMF will participate in the 3rd bailout programme for Greece conditional on the achievement of medium term public debt sustainability and the implementation of a series of structural reforms. In other news, according to data released yesterday by the EC, the Economic Sentiment Indicator (ESI) was at ca 81.3 in July 2015 recording a -9.4 points MoM decline and a -21.8 points YoY decline. In addition, the Hellenic Statistical Authority published the May 2015 s.a. volume of retail trade index. The index was at 73.5, up by 3.8%YoY and 1.8%MoM.

CYPRUS: Economic Sentiment Index (ESI) fell by 3.8 points to 100.3 in July down from 104.1 in June and a twelve month high at 107.3 in April.

SOUTH EASTERN EUROPE

BULGARIA: The Economic Sentiment Index (ESI) eased to 103.9 in July after staying unchanged for two consecutive months in June and May at 104.4.

ROMANIA: The Economic Sentiment Index (ESI) expanded by 0.9 points further, up to 104.7 in July against 103.8 in June vs 101.8 last December.

CESEE MARKETS: The majority of **emerging stock markets** moved higher in early European trade on Friday, largely shrugging off Q2 GDP data from the US released in the prior session which reinforced expectations for higher Fed interest rates later in the year. Bucking the broadly positive trend in CESEE stock markets, most **regional currencies** eased earlier today, meanwhile, government bonds were mixed at the time of writing.

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Latest world economic & market developments

GLOBAL MARKETS

Following a rather mixed picture of corporate earnings and a strong Q2 GDP report that added to the view that the Fed is closer to an interest rate hike this year, Wall Street ended broadly flat overnight. In more detail, real GDP growth accelerated to 2.3%QoQ saar in Q2 from an upwardly revised 0.6%QoQ in Q1, with solid personal consumption growth offsetting weak business spending on equipment and structures. Elsewhere, most Asian bourses edged higher on Friday, but closed in negative territory for the month, weighed down primarily by China's biggest stock market monthly plunge in six years. In Europe, major equity indices were trading mixed at the time of writing, with the Stoxx 600 moving broadly sideways. In FX markets, the US dollar shed some of its yesterday's gains recorded in the wake of the upbeat US GDP data, with the DXY index hovering around levels of 97.370 in early trade after surging to a one-week high of 97.773 on Thursday. Additionally, the Swiss Franc strengthened against its major currency peers, after the Swiss National Bank's announcement about a record first-half loss of CHF 50.1bn due to the abandonment of the 1.20-per-euro ceiling on the franc's value. As a result, the EUR/CHF slid to a one week low near 1.0530 in early European trade, ca. 0.6% lower from yesterday's close.

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GREECE

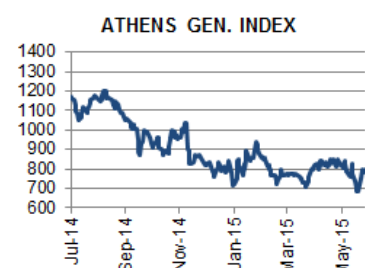
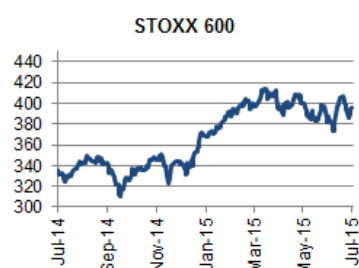
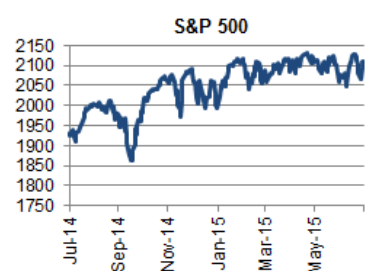
According to an IMF transcript of a conference call between an unnamed IMF official in Greece and unnamed Greek officials, the IMF will participate in the 3rd bailout programme for Greece conditional on the achievement of medium term public debt sustainability and the implementation of a series of structural reforms. Therefore, it is reportedly expected that the IMF will enter the new programme once the condition of medium-term debt sustainability has been met probably after the completion of the 1st programme review scheduled for November 2015. In the meantime, according to the IMF its staff will participate in the ongoing discussions with the Greek authorities, the EC, the ECB and the ESM, which will allow it to determine if there can be an agreement that it will support. On the internal political front, the 200-member Central Committee of the main governing coalition party SYRIZA, decided yesterday to hold an extraordinary party congress in September 2015, after an agreement for the new bailout programme has been reached, in order to address the party's internal rift. In other news, according to data released yesterday by the EC, the Economic Sentiment Indicator (ESI) was at ca 81.3 in July 2015 recording a -9.4 points MoM decline and a -21.8 points YoY decline. In addition, the Hellenic Statistical Authority published the May 2015 s.a. volume of retail trade index. The index was at 73.5, up by 3.8%YoY and 1.8%MoM.

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CYPRUS

Economic Sentiment Index (ESI) fell by 3.8 points to 100.3 in July down from 104.1 in June and a twelve month high at 107.3 in April. The deterioration of expectations was driven by industry and services which registered the biggest declines, and has been most probably correlated with the unfolding developments in Greece. In contrast, the consumer confidence index, an illustration of the improved households' economic and financial expectations, deteriorated only marginally in July, standing well above the levels recorded last spring. Industrial production contracted by 0.6% in May on a yearly basis down from 4.7% in April, bringing the overall expansion at 1.6% in Jan-May 2015. Meanwhile, President Nicos Anastasiades announced on Thursday new infrastructure projects worth around €160m for Famagusta and Larnaca.

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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

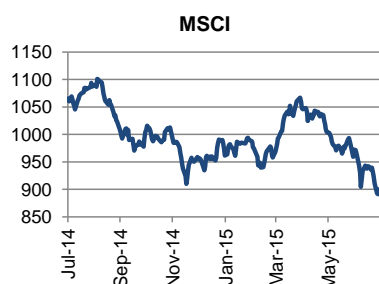
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

The Economic Sentiment Index (ESI) eased to 103.9 in July after staying unchanged for two consecutive months in June and May at 104.4. Even though the pace of improvement in sentiment and high frequency data has slowed down in the second quarter, the latest ESI together with the first quarter GDP data are still supportive of our view that growth would edge higher in 2015. The Central Bank of Bulgaria (BNB) published yesterday in its website a statement in which it describes the steps of the plan to boost the efficiency of its supervisory role. First of all, the Board discussed the assessment of the Central Bank's supervision role made by the IMF and the World Bank earlier this year, and recommended the final version of a report on the state of the banking supervision system to be drafted by the end of August. The report will serve as the basis of the plan to boost the efficiency of BNB supervision. In addition, the Board launched officially a procurement procedure for the selection of an independent consultant to advise a planned asset quality review of banks in Bulgaria. Finally, the BNB board also decided to make public the wages of its members and tie them to the average monthly wage paid to the managers of commercial banks operating in Bulgaria. Meanwhile, the new Law on Deposit Insurance Fund was adopted at second reading yesterday in the Parliament.

ROMANIA

The Economic Sentiment Index (ESI) expanded by 0.9 points further, up to 104.7 in July against 103.8 in June vs 101.8 last December. The headline index rose for the fourth month in a row, reaching a new post-Lehman period high in July. Looking at the break down of the survey, the improvement in the headline index resulted primarily from gains in the sub-sectors of industry and services. The sub-sectors of consumer sentiment, retail confidence and construction showed some minor deterioration. Overall, the strong improvement of the ESI in the first seven months of the year is in line with the picture witnessed in other high-frequency indicators which suggest that consumer spending has taken over as the leading growth driver. Moreover it is consistent with our full year 2015 GDP growth forecast (currently at 3.4% with risks skewed to the upside). Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending in the first half of 2015, a trend which most probably will continue in Q3.

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CESEE MARKETS

The majority of **emerging stock markets** moved higher in early European trade on Friday, largely shrugging off Q2 GDP data from the US released in the prior session which reinforced expectations for higher Fed interest rates later in the year. That said, most indices were poised to end the month in the red weighed down by Greece-related concerns, which have subsided of late, and China's equity market turbulence as well as by the looming FOMC rate tightening cycle. Moreover, the recent decline in commodity prices has taken a toll on energy and raw materials stocks. Against this background, the MSCI Emerging Markets index advanced modestly earlier on Friday, but was braced to record losses to the tune of 8% this month. Bucking the broadly positive trend in CESEE stock markets, most **regional currencies** eased earlier today amid reinforced expectations for higher Fed rates later in the year. In view of heightened geopolitical tensions, the Turkish lira was among the region's worst performers, hitting a 2-month low near 2.7970/USD in Asian trade. In the **local rates markets**, government bonds were mixed earlier on Friday, with Poland's 2-year benchmark government bond yield easing ca 5bps compared to the prior session's settlement to stand at 1.81% at the time of writing and the 10-year rising ca 3bps to 2.97%.

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July 31, 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	2108.63	0.0%	2.4%	EUR/USD	1.0976	0.4%	-9.3%	UST - 10yr	2.28	2	11	GOLD	1082	-0.6%	-8.7%
Nikkei 225	20585.24	0.3%	18.0%	GBP/USD	1.5563	-0.2%	-0.1%	Bund-10yr	0.70	5	16	BRENT CRUDE	53	-1.2%	-8.1%
STOXX 600	395.21	-0.3%	15.4%	USD/JPY	124.27	-0.1%	-3.7%	JGB - 10yr	0.42	0	9	LMEX	2459	-1.2%	-15.6%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	-296
5Y RSD	8.29	0	-189
7Y RSD	8.78	-5	-330

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.53	0	-73
USD Nov-24	6.49	0	-10

CDS

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

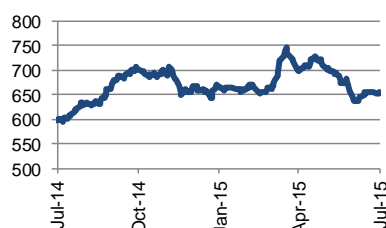
STOCKS

	Last	ΔD	ΔYTD
BELEX15	655.4	0.28%	-1.75%

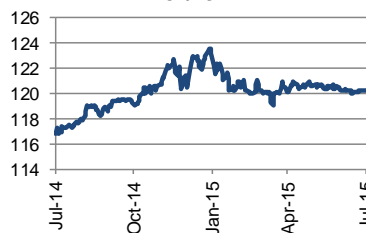
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.23	-0.03%	0.93%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
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	0	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.49	1	-24
USD Aug-23	3.78	2	16

CDS

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

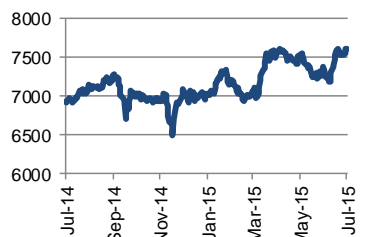
STOCKS

	Last	ΔD	ΔYTD
BET	7610.5	0.05%	7.45%

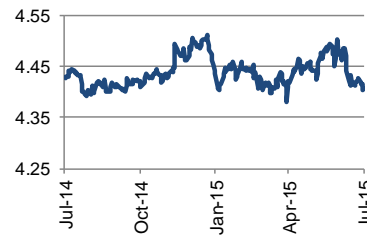
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4063	-0.07%	1.75%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	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	1.19	0	-26
10Y BGN	2.64	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.49	0	-67
EUR Sep-24	2.94	90	8

CDS

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

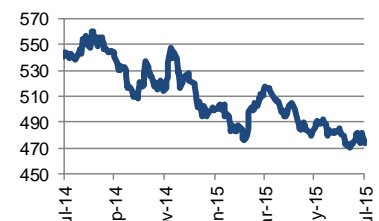
STOCKS

	Last	ΔD	ΔYTD
SOFIX	474.2	-0.58%	-9.17%

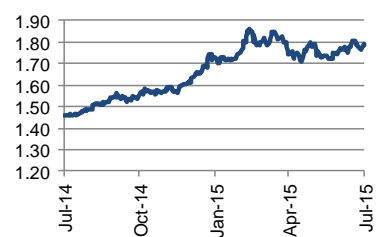
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7817	0.43%	-9.27%

SOFIX Index



USD/BGN



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

Data updated as of 13:00 EEST

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