

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- July 6: ISM index non-manufacturing (Jun)
- July 7: Trade balance (May)
- July 8: FOMC June 16-17 meeting minutes
- July 9: Initial jobless claims (July 4)
- July 10: Fed Chair Yellen speaks

##### GREECE

- July 6: ECB emergency meeting
- July 7
  - Extraordinary Eurogroup
  - Euro Summit
- July 8
  - €2bn T-Bills auction
  - ECB non-monetary policy meeting
- July 9
  - CPI (Jun)
  - U/E rate (Apr)
- July 10: Industrial production (May)

##### CYPRUS

- July 7: HICP (Jun)

##### SEE

##### BULGARIA

- July 8
  - Industrial production (May)
  - Retail sales (May)
  - U/E rate (May)
- July 10: Trade balance (May)

##### ROMANIA

- July 7
  - GDP (Q1, f)
  - Industrial sales (May)
  - Net wages (May)
- July 10
  - Trade balance (May)
  - CPI (Jun)
  - Industrial production (May)

##### SERBIA

- July 9: MPC meeting

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Most Asian equity markets rebounded on Thursday following the Chinese government's new measures to support the domestic equity market, while European bourses were advancing in early trade at the time of writing on renewed optimism about a possible deal between Greece and its creditors. In FX markets, the USD was weaker against its major currency peers as June's FOMC meeting minutes signaled that most FOMC members will likely require further signs of economic acceleration before the Fed embarks on a rate-tightening cycle.

**GREECE:** The Greek government submitted yesterday to the European Stability Mechanism (ESM) a 3-year loan request in order to meet the country's debt obligations and to ensure stability of the financial system. The size of the requested loan is not yet known but media reports estimate it around €60bn - €70bn. To this end, the Greek government will submit its detailed proposals for a comprehensive and specific reform agenda by Friday 10 July, 05:30 GMT at the latest.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to preliminary data the seasonally adjusted Industrial Production Index advanced by 0.4%MoM in May, bringing the annual rate of increase to 3.9% (working day adjusted). Meanwhile, retail sales increased by 0.8%YoY on a seasonally adjusted basis in May, picking up some pace from a 0.5%YoY rise marked in the prior month.

**ROMANIA:** According to local media reports, Central Bank Governor Mugur Isarescu said yesterday that the country's entry into the euro zone may be deferred for after 2025.

**CESEE MARKETS:** CESEE stock markets were mixed in early European trade on Thursday as caution prevailed in view of Greek-related concerns. On the other hand, most regional currencies recovered some ground and government bonds firmed.

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July 9, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

Wall Street closed lower overnight on lingering Greece and China-related worries. Adding to this, US consumer credit rose less than expected in May, while the NYSE stayed closed for more than 3 hours due to technical problems. Separately, the FOMC's June meeting minutes highlighted that the US economy was rebounding following the Q1 soft patch, but many participants expressed their concerns about developments in Greece and economic prospects in China as well as in other emerging markets. Elsewhere, most Asian equity markets rebounded on Thursday following the Chinese government's new measures to support the domestic equity market, while European bourses were advancing in early trade at the time of writing on renewed optimism about a possible deal between Greece and its creditors. In FX markets, the USD was weaker against its major currency peers as June's FOMC meeting minutes signaled that most FOMC members will likely require further signs of economic acceleration before the Fed embarks on a rate-tightening cycle. In more detail, the DXY index was trading around 96.40/50 at the time of writing, having hit a one week low around 95.97 in Asian trade. The safe haven JPY surrendered some of its gains on Thursday as Chinese stocks rebounded, with the USD/JPY hovering around levels of 121.40/50 in early European trade, after reaching a two month low of about 120.50 intraday.

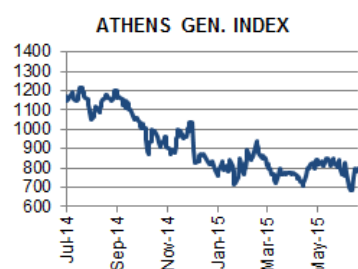
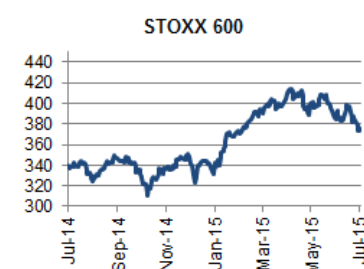
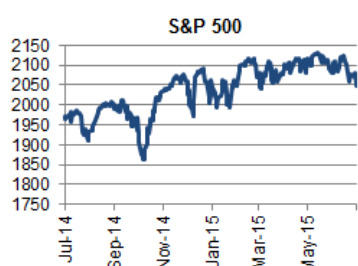
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### GREECE

The Greek government submitted yesterday to the European Stability Mechanism (ESM) a 3-year loan request in order to meet the country's debt obligations and to ensure stability of the financial system. The size of the requested loan is not yet known but media reports estimate it around €60bn - €70bn. As stated in the loan request letter, the Greek government "is committed to a comprehensive set of reforms and measures to be implemented in the areas of fiscal sustainability, financial stability and long-term economic growth". In addition, the Greek government proposes to immediately implement tax reform and pension related measures, effective as of the beginning of next week, and undertake additional actions to strengthen and modernize the Greek economy. To this end, it will submit its detailed proposals for a comprehensive and specific reform agenda by Friday 10 July, 05:30 GMT at the latest. These proposals will then be assessed by the institutions ahead of the Eurogroup that will convene on Friday or Saturday. In more detail, and in line with Article 13 of the ESM Treaty and Article 2 in the ESM Guideline of Loans, soon after Greece's loan request was received by the ESM, the Chairman of the Board of Governors requested the European Commission in cooperation with the ECB to assess the following: (i) the existence of a risk to the financial stability of the euro area as a whole or of its Member States; (ii) whether Greece's public debt is sustainable (wherever appropriate and possible, such an assessment is expected to be concluded together with the IMF); and (iii) the actual or potential financing needs of Greece. If an agreement is reached at the Eurogroup level, a Summit on Sunday will not be necessary. Upon his return yesterday from Strasbourg, Greek PM Alexis Tsipras briefed the President of the Hellenic Republic on the latest developments and, according to local media reports, the proposals of the Greek government are expected to be submitted to the Council of the Political Leaders by noon today. Meanwhile, Greek banks will remain closed until July 13 with the €60 per day withdrawal limit in place. The Capital Markets Commission also decided that the Athens Stock Exchange will remain closed until July 13.

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Source: Reuters, Bloomberg, Eurobank Research

July 9, 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		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

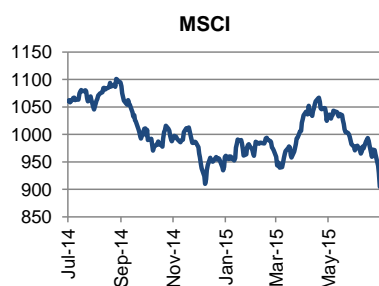
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

\* 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

### BULGARIA

According to preliminary data the seasonally adjusted Industrial Production Index advanced by 0.4%MoM in May, bringing the annual rate of increase to 3.9% (working day adjusted). The breakdown of the data showed that the electricity, gas, steam and air conditioning supply increased by 5.6%YoY and output in manufacturing rose by 4.0%YoY, while a 0.7%YoY advance was registered in the mining and quarrying industry. Separately, the annual rate of increase in retail sales remained modest in May, reflecting weak domestic consumption. The latter stems primarily from the negative impact of ongoing fiscal consolidation. As a result, retail trade, except of motor vehicles and motorcycles registered a 0.8%YoY increase on a seasonally adjusted basis in May, though picking up some pace from a 0.5%YoY rise marked in the prior month.

### ROMANIA

According to local media reports, Central Bank Governor Mugur Isarescu said on Wednesday that the country's entry into the euro zone may be deferred for after 2025, considering the latest developments in Greece and the euro area. The said date is well beyond the country's current official target of 2019 for the adoption of the common currency.

### CESEE MARKETS

**CESEE stock markets** were mixed in early European trade on Thursday as caution prevailed in view of Greek-related concerns. Turkey's main BIST 100 index led the gains with a 1.4% advance at the time of writing, amid optimism that a coalition government will soon be formed. Prime Minister Davutoglu reportedly said earlier today that talks with all political parties will begin next week for the potential formation of a coalition government after the June 7 inconclusive general elections.

**In FX markets**, most regional currencies recovered some ground. The Hungarian forint and the Polish zloty were among the region's outperformers. The EUR/HUF hovered around levels of 316.30 in European trade, having modestly eased from a 5-month high of 318.00 hit in the prior session. Similarly, the EUR/PLN traded near 4.2220 earlier today, remaining within distance from yesterday's multi-month peak of 4.2395. On the other hand, the Serbian dinar modestly weakened to stand around levels of 120.25 per euro at the time of writing, ahead of the conclusion of the monetary policy meeting due later in the day. In line with our forecast, the market's consensus is for the NBS to stand pat on its monetary policy and keep the key policy rate at the current record low of 6.00% amid mounting Greece-related concerns.

**In the local rates markets**, most government bonds firmed in European trade on Thursday largely shrugging off Greek-related concerns. Indicatively, the corresponding Polish and Turkish yield eased by ca 1bp each on the day to 3.035% and 9.23%, respectively.

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July 9, 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	2046.68	-1.7%	-0.6%	EUR/USD	1.1051	-0.2%	-8.7%	UST - 10yr	2.24	4	6	GOLD	1164	0.4%	-1.8%
Nikkei 225	19855.50	0.6%	13.8%	GBP/USD	1.5387	0.2%	-1.2%	Bund-10yr	0.69	2	15	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	376.03	0.8%	9.8%	USD/JPY	121.37	-0.6%	-1.4%	JGB - 10yr	0.44	2	11	LMEX	2520	2.6%	-13.5%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	460	2	-531
1-week	4.87	3	-514
1-month	5.27	3	-478
3-month	5.72	-5	-413
6-month	5.98	-9	-381

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.00	-2	-302
5Y RSD	8.31	0	-187
7Y RSD	8.75	-1	-333

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.59	-1	-67
USD Nov-24	6.46	1	-13

#### CDS

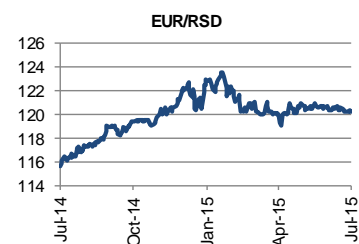
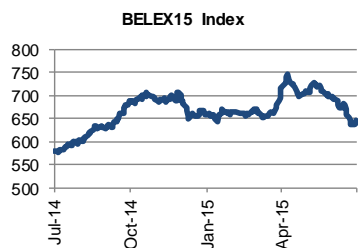
	Last	ΔDbps	ΔYTD bps
5-year	278	1	-12
10-year	324	1	-33

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	645.3	0.92%	-3.25%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.24	0.00%	0.92%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.61	0	4
1-month	1	0	9
3-month	1.3	0	-40
6-month	1.59	0	-42
12-month	1.69	0	-33

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.13	-1	-18
5Y RON	2.74	0	3
10Y RON	4.22	-1	56

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.02	-1	29
USD Aug-23	3.96	-1	34

#### CDS

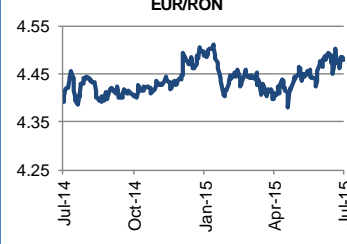
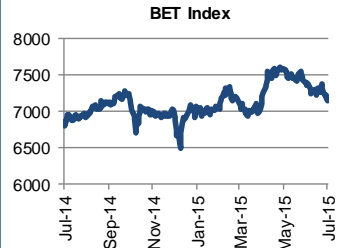
	Last	ΔDbps	ΔYTD bps
5-year	133	1	-9
10-year	177	2	-10

#### STOCKS

	Last	ΔD	ΔYTD
BET	7147.6	-0.49%	0.91%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4819	0.09%	0.04%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.35	0	-9
6-month	0.69	0	-10
12-month	1.27	0	-23

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.57	2	-47
5Y BGN	1.13	-6	-31
10Y BGN	2.61	0	-14

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.86	2	-30
EUR Sep-24	3.23	-10	36

#### CDS

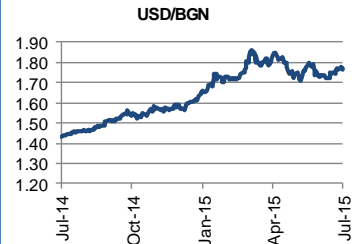
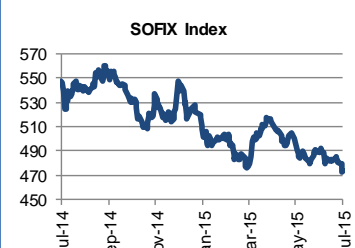
	Last	ΔDbps	ΔYTD bps
5-year	198	1	7
10-year	245	1	4

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.2	0.05%	-9.36%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7703	-0.25%	-8.69%



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

Data updated as of 10:45 EEST

July 9, 2015

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