

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 22
 - Existing home sales (May)
- June 23
 - Durable goods (May)
 - New home sales (May)
 - PMI manufacturing (Jun, p)
- June 24: GDP (Q1, 3rd est.)
- June 25
 - Personal income (May)
 - Personal spend. (May)
 - Core PCE deflator (May)
 - Initial jobless claims (June 20)
 - PMI services & composite (Jun, p)
- June 26: UoM (Jun, f)

EUROZONE

- June 22: Consumer confidence (Jun, A)
- June 23: PMI (Jun, p)
- June 25-26: EU Summit

GREECE

- June 22
 - Eurogroup
 - Euro Summit
 - CAD (Apr)

SEE

BULGARIA

- June 26: Gross external debt (Apr)

ROMANIA

- June 22: 5.75% 2020 T-bonds auction
- June 25: 6.75% 2017 T-bonds auction

SERBIA

- June 22: June 17: Current account (Apr)
- June 24: Floating bonds auction
- June 25: Real gross wages (May)
- June 26: IMF to approve 1st review under SBA

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring uncertainty as negotiations continue between Greece and the Institutions, Wall Street closed on negative ground and major European bourses were mixed in early trade. In FX markets, the JPY strengthened against the USD in view of increased risk aversion. On the data front, focus today is on the US real personal consumption growth in May, which is expected to have accelerated to 0.5%MoM sa from 0.0%MoM sa in the prior month.

GREECE: According to press reports, the Greek Prime Minister met yesterday for several hours with high-level EU officials and the heads of the institutions without, however, coming to an agreement. Talks resumed early this morning in view of a Eurogroup that is scheduled to convene today at 13:00 CET.

CYPRUS: The head of mission of the IMF for Cyprus, Mark Lewis, commented earlier in the week on a conference call on the occasion of the completion of the fifth, sixth and seventh review of the Cypriot programme, that official creditors will begin the 8th review of the program on July 14th.

SOUTH EASTERN EUROPE

ROMANIA: Parliament approved on Wednesday, the new fiscal code, including the latest amendment introduced by the opposition to reduce the main VAT rate by 1ppt more to 19% (vs. 24% currently).

SERBIA: The Public Debt Administration sold at an auction on Wednesday the planned RSD10bn (equivalent to €0.08bn) in June 26, 2017 amortising Treasury bonds.

CESEE MARKETS: CESEE assets were mixed in early European trade on Thursday, as investor caution prevailed in view of ongoing negotiations between the Greek government and the Institutions.

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June 25, 2015

Latest world economic & market developments

GLOBAL MARKETS

Mirroring uncertainty as negotiations continue between Greece and the Institutions, Wall Street closed on negative ground, regardless of the better-than-expected personal consumption growth in Q1 2015 that led to a final estimate of GDP growth of -0.2%QoQ saar vs. a second estimate of -0.7%. The rather cautious investors' mood was carried over into Asian trade on Thursday, with the Nikkei index ending ca. 0.5% lower, moving below a 15-year closing high recorded on Wednesday. Elsewhere, major European bourses were mixed in early trade, while in FX markets, the JPY strengthened against the USD in view of increased risk aversion. Along these lines, the USD/JPY pulled back around levels of 123.65 at the time of writing from a one-week intraday high of 124.38 reached in the prior session. On the data front, focus today is on the US real personal consumption growth in May, which is expected to have accelerated to 0.5%MoM sa from 0.0%MoM sa in the prior month.

okosma@eurobank.gr

GREECE

According to press reports, the Greek Prime Minister met yesterday for several hours with high-level EU officials and the heads of the institutions without, however, coming to an agreement. As reported in the media, significant differences still remain in place regarding, among others, pension reform, and the VAT overhaul. Talks resumed early this morning in view of a Eurogroup that is scheduled to convene today at 13:00 CET.

The next IMF payment of c. €1.6bn is due on Tuesday 30 June, which coincides with the expiration of Greece's current Master Financial Assistance Facility (MFFA) with its creditors. The agreement has to be reportedly ratified by the Hellenic parliament by Monday, before it is submitted for endorsement to some EU parliaments by Tuesday.

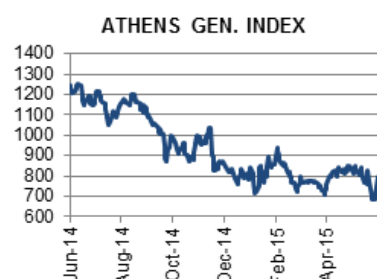
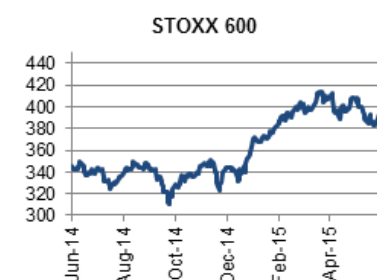
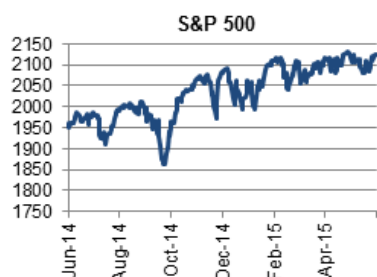
andimitriadou@eurobank.gr

arconstantopoulou@eurobank.gr

CYPRUS

The head of mission of the IMF for Cyprus, Mark Lewis, commented earlier in the week on a conference call on the occasion of the completion of the fifth, sixth and seventh review of the Cypriot programme, that official creditors will begin the 8th review of the program on July 14th. The next review will focus on the issue of effective implementation of the new personal and corporate insolvency framework, plus two more issues: the facilitation of sales of bank loans by the domestic credit institutions and addressing the issue of untitled property sales by developers. During the next review, official creditors will also discuss about issues of the privatization of state-owned public utilities widely known as semi government organizations and the government growth strategy in the period ahead. The endorsement of the long delayed new personal and corporate insolvency framework by the parliament in late April paved the way for the completion of the reviews and the disbursement of €278mn by ESM and IMF. More importantly, the approval of the reviews will allow Cyprus to take advantage of the ECB QE program. Even though the relevant size of buy backs seem not to exceed €500mn in the case of Cyprus, it still represents a sizeable proportion of the outstanding tradable public debt stock (around 25%).

igkionis@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

June 25, 2015

Latest world economic & market developments in the CESEE region

ROMANIA

Parliament approved on Wednesday, the new fiscal code, including the latest amendment introduced by the opposition to reduce the main VAT rate by 1ppt more to 19% (vs. 24% currently). Among the measures endorsed is an array of tax cuts that includes reduced excise rates, the abolition of dividend taxation and the removal of the special constructions tax. These reductions threaten to cause a significant deterioration of the fiscal balance next year. The latter is expected to increase from an official deficit target of 1.8% of GDP in 2015 to around 2.8% in 2016, according to a revised Ministry of Finance forecast, surpassing an earlier target of 1.2%. At the same time, EU spring forecasts see the fiscal deficit rising as much as 3.5% of GDP in 2016, breaching the 3% Maastricht limit which may subject Romania to the EDP procedure.

SERBIA

The Public Debt Administration sold at an auction on Wednesday the planned RSD10bn (equivalent to €0.08bn) in June 26, 2017 amortising Treasury bonds. The issue bears an annual coupon of key policy rate (KPR), which currently stands at a record low of 6.00%, plus a fixed spread of 1.15%. The latter compares with an average fixed margin of 1.19% achieved at a prior auction of paper with the same maturity held in mid-April, when the key policy rate stood at 7.00%. In other news, the World Bank and its private sector investment arm, the International Finance Corporation (IFC), reportedly approved on Tuesday a loan of \$2.2bn to Serbia. In more detail, the Country Partnership Framework (CPF) will span between 2016-2020 and is intended to boost competitiveness and economic activity.

CESEE MARKETS

Stock markets the CESEE region were mixed in early European trade on Thursday, as investor caution prevailed in view of the ongoing negotiations between the Greek government and the Institutions. Main indices in Hungary and Serbia underperformed their regional peers posting respective losses to the tune of ca 0.4% and 1.5% at the time of writing. On the other hand, Turkey's BIST 100 index led the gains with a ca 0.3% advance on hopes that a coalition government will soon be formed. Along similar lines, **regional currencies** and **government bonds** were also mixed in early European trade on Thursday. In FX markets, the Romanian leu performed better than its regional peers, with the EUR/RON sliding to a multi-week low of 4.4460 earlier today, ahead of a government bond auction due to be held later today. The finance ministry plans to offer on Thursday RON 300mn of June 2017 Notes. Technically, immediate resistance for the EUR/RON currently lies at today's trough ahead of 4.4415 (120-day moving average). Elsewhere, the Turkish lira followed suit, with political developments after the inconclusive June 7 general election remaining in the forefront. In more detail, the USD/TRY stood ca 0.3% lower at the time of writing, hovering around levels of 2.6650, not far from a 3-week low of 2.6580 touched earlier in the week. In **local rates markets**, paper of longer tenure underperformed, with the corresponding Polish 10-year yield standing ca 2bps higher on the day at 3.23%. On the flipside, Turkish fared better with the 2- and 10-year benchmark yields recoiling by 4bps and 6bps respectively to 9.64% and 9.14%.

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

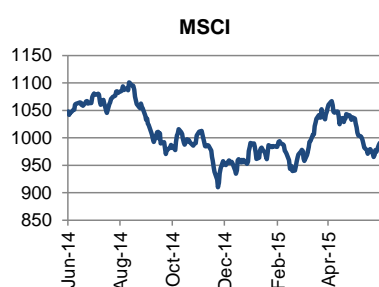
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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



L-T ccy	Credit Ratings		
	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

gphoka@eurobank.gr

June 25, 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	2121.79	-0.1%	3.1%	EUR/USD	1.1186	0.2%	-7.5%	UST - 10yr	2.39	-2	22	GOLD	1174	-0.4%	-0.9%
Nikkei 225	20868.03	0.3%	19.6%	GBP/USD	1.5745	0.1%	1.1%	Bund-10yr	0.83	-5	29	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	397.93	-0.2%	16.2%	USD/JPY	124.08	-0.1%	-3.5%	JGB - 10yr	0.46	0	14	LME X	2651	1.8%	-9.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	460	10	-531
1-week	4.83	3	-518
1-month	5.27	0	-478
3-month	5.80	-1	-405
6-month	6.10	-1	-369

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.06	#N/A N/A	-298
5Y RSD	8.31	0	-187
7Y RSD	8.75	-1	-333

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.47	-3	-79
USD Nov-24	6.43	-1	-16

CDS

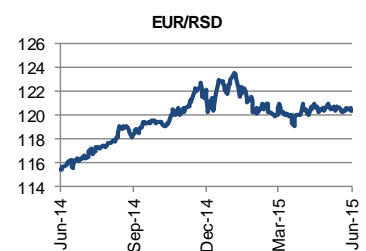
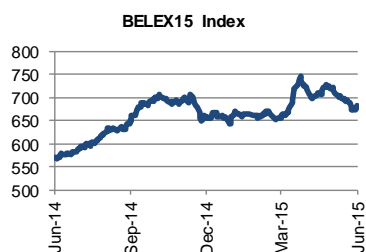
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-82
10-year	258	0	-98

STOCKS

	Last	ΔD	ΔYTD
BELEX15	680.2	-0.30%	1.98%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.41	0.01%	0.78%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.85	34	28
1-month	1.17	-2	26
3-month	1.29	-1	-41
6-month	1.54	-1	-47
12-month	1.62	-1	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.01	-3	-30
5Y RON	2.60	-4	-11
10Y RON	3.95	1	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.77	6	4
USD Aug-23	3.74	2	12

CDS

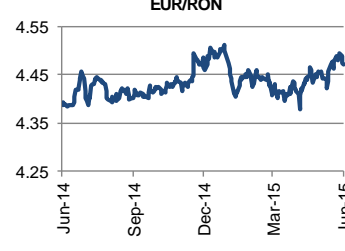
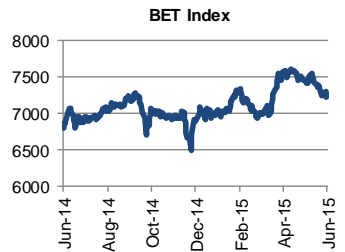
	Last	ΔDbps	ΔYTD bps
5-year	121	-11	-22
10-year	164	-12	-23

STOCKS

	Last	ΔD	ΔYTD
BET	7243.0	0.21%	2.26%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4727	0.09%	0.24%



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	-11
12-month	1.26	-1	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.52	-2	-52
5Y BGN	1.05	0	-39
10Y BGN	2.59	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.82	5	-34
EUR Sep-24	3.11	-99	24

CDS

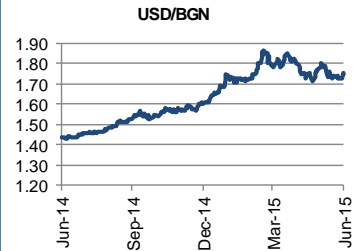
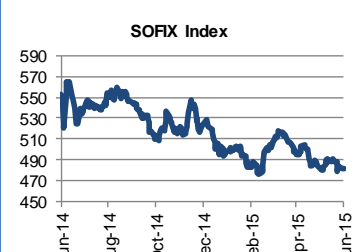
	Last	ΔDbps	ΔYTD bps
5-year	172	-3	-19
10-year	224	-2	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	482.1	-0.01%	-7.66%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7484	0.16%	-7.54%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:50 EET of previous session

June 25, 2015

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
pmpetropoulou@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 Research

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 37 18 793

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

Stylios 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
pmpetropoulou@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 33 71 228

Global Markets Sales

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

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@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 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

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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