

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, August 04, 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: Greek officials and the envoys of the four institutions (i.e. EC, ECB, ESM and IMF) are making progress in negotiations, according to press reports. The tax regime for farmers remains an area of friction, with official creditors requesting the abolishment of current tax exemptions and the imposition of higher tax rates. In other news, Mr. Andreas Andreadis, President of the Association of Greek Tourism Enterprises (SETE), stated in an interview earlier today that Greek tourism in 2015 is proving resilient to the capital controls and the economic downturn, primarily because of tourism arrivals from abroad.

SOUTH EASTERN EUROPE

ROMANIA: Today's focus is on the NBR board policy meeting. The consensus of analysts in Reuter's poll anticipates that NBR will maintain the main interest rate unchanged at 1.75% and MRRs for RON and FX denominated liabilities unchanged at 8% and 14% respectively.

CESEE Markets: On Tuesday morning, emerging stock markets climbed from a two-year low as Chinese equities surged after authorities stepped up measures to stabilize the market. At the time of the writing, the MSCI Emerging Markets Index was up by 0.2% to 892.40 erasing earlier declines as Chinese regulators restricted short selling of stocks.

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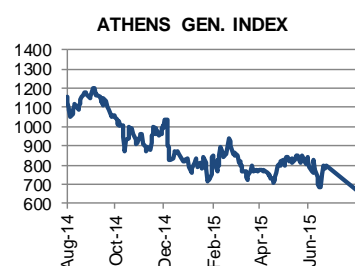
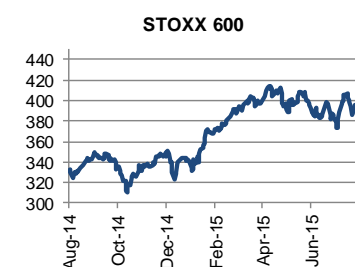
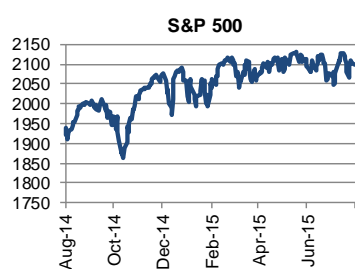
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Latest world economic & market developments

GREECE

Greek officials and the envoys of the four institutions (i.e. EC, ECB, ESM and IMF) are making progress in negotiations, according to press reports. The tax regime for farmers remains an area of friction, with official creditors requesting the abolishment of current tax exemptions and the imposition of higher tax rates. Another issue under scrutiny is reportedly the Single Property Tax (ENFIA) where official creditors are contemplating the possibility of lowering the tax burden for low and medium value property owners and raising it for high value property owners. According to local media, other main issues on the agenda of the discussions today are the NPLs and the privatizations including the possible upgrade of the Hellenic Real Estate and Asset Development Fund (TAIPED) to a new Fund responsible for the management of public property according to the July 12th Summit Agreement. The next 48 hours will reportedly be critical for a deal on a 3rd bailout programme to be sealed by 18 August in order for the first disbursement to be released by 20 August when an ECB bond of €3.4bn is due. In other news, Mr. Andreas Andreadis, President of the Association of Greek Tourism Enterprises (SETE), stated in an interview earlier today that Greek tourism in 2015 is proving resilient to the capital controls and the economic downturn, primarily because of tourism arrivals from abroad. He expressed, however, concerns that the increased VAT rate on restaurants and accommodation effective from October 2015 onwards, will negatively affect the sector's performance in 2016.

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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

ROMANIA

Today's focus is on the NBR board policy meeting. The consensus of analysts in Reuter's poll anticipates that NBR will maintain the main interest rate unchanged at 1.75% and MRRs for RON and FX denominated liabilities unchanged at 8% and 14% respectively. In our view, NBR has taken further rate cuts off the table and will remain on hold in the coming months. From a rate setting point of view, the comments from NBR governor after last policy meeting in July hint that the 25bps cut in early May have most probably been the last under the current easing cycle. At that point of time, after the announcement of the front-loaded VAT rate cut for food stuff, NBR had surprised with a rate cut bringing down the key policy rate to 1.75% and lowered local currency MRRs down to 8%.

Although the subdued inflation outlook-our year end inflation forecast stands close to 0% significantly below the inflation target- allows more flexibility on the issue of future rate setting, we anticipate NBR to remain on hold in the near term. There are some good reasons why NBR could refrain from further rate cuts, looking beyond the fiscally induced supply side shock. The robust growth performance which implies the sooner than expected closing of the output gap, downside risks stemming from the ambitious fiscal easing plan which has raised deep concerns, also voiced by the EU and IMF, and the expiration of the precautionary agreement in September plus worries over external risks on the radar. That said, there is still enough space for NBR to lower the domestic currency MRRs should the need arise.

In other news, the Ministry of Finance sold RON 200m in 8Y T-bond at avg. yield of 3.75%. Meanwhile, the public debt including state guarantees came at RON283.2bn in May, down by 4.2% compared to the end of 2014. As a percentage of GDP, public debt stood at 40.4% in May down from 44.3% in 2014. Finally, unemployment inched down to 7% in June down from 7.1% in May according to the LFS survey.

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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

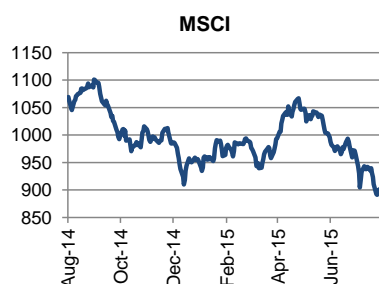
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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



CESEE Markets

On Tuesday morning, emerging stock markets climbed from a two-year low as Chinese equities surged after authorities stepped up measures to stabilize the market. At the time of the writing, the MSCI Emerging Markets Index was up by 0.2% to 892.40 erasing earlier declines as Chinese regulators restricted short selling of stocks. By and large, CESEE currencies firmed driven by the stronger than expected PMI releases of Poland and Czech Republic. The Zloty and the Crown firmed by 0.35% to 4.136/€ and by 0.1% to 27.06/€ respectively. The Forint initially dipped after the PMI index fell surprisingly to 50 points from 54.9 in June, but it later firmed in line with its regional peers. RON firmed to 4.405/€ in view of today's NBR policy meeting.

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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

August 4, 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	2096.87	-0.3%	1.8%	EUR/USD	1.098	0.0%	-9.2%	UST - 10yr	2.18	0	1	GOLD	1092	-0.3%	-7.8%
Nikkei 225	20548.11	-0.2%	17.7%	GBP/USD	1.5622	0.0%	0.3%	Bund-10yr	0.64	-1	10	BRENT CRUDE	51	-3.2%	-11.8%
STOXX 600	398.50	0.5%	16.3%	USD/JPY	123.95	0.0%	-3.4%	JGB - 10yr	0.42	0	9	LMEX	2439	-0.8%	-16.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	461	2	-530
1-week	4.77	-4	-524
1-month	5.17	-4	-488
3-month	5.61	-6	-424
6-month	5.87	-9	-392

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.08	-1	-296
5Y RSD	8.28	-1	-190
7Y RSD	8.81	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.49	-3	-77
USD Nov-24	6.49	0	-10

CDS

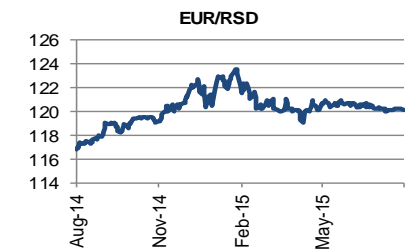
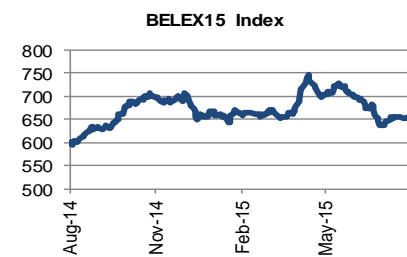
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-20
10-year	316	0	-41

STOCKS

	Last	ΔD	ΔYTD
BELEX15	652.0	-0.41%	-2.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.19	0.01%	0.97%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.88	-6	31
1-month	1.05	-3	14
3-month	1.32	0	-38
6-month	1.56	1	-45
12-month	1.65	0	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.99	1	-32
5Y RON	2.51	1	-20
10Y RON	3.80	2	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.47	-3	-26
USD Aug-23	3.72	-4	11

CDS

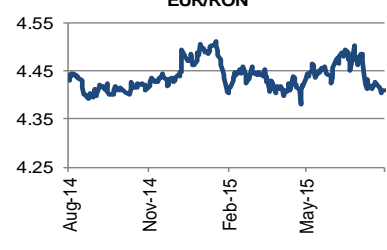
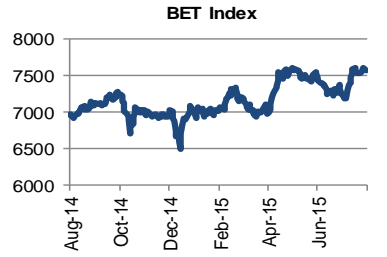
	Last	ΔDbps	ΔYTD bps
5-year	128	0	-14
10-year	174	3	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7569.8	-0.44%	6.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4086	-0.02%	1.70%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	2	1
1-month	0.17	0	-4
3-month	0.33	0	-11
6-month	0.64	0	-16
12-month	1.22	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.61	5	-43
5Y BGN	1.15	-1	-29
10Y BGN	2.64	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.49	0	-67
EUR Sep-24	3.00	-45	13

CDS

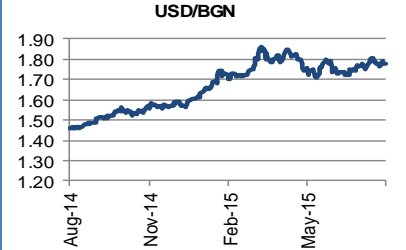
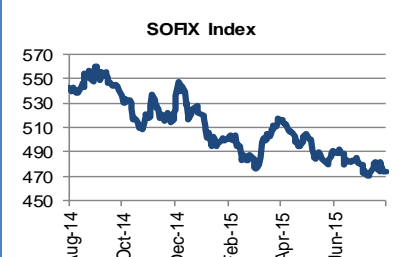
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-21
10-year	215	0	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.9	0.05%	-9.23%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7811	-0.01%	-9.24%



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

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