



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, August 05, 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 Greece and its official creditors (i.e. EC, ECB, ESM and IMF) on a 3<sup>rd</sup> bailout programme are making progress according to local media. The Greek Finance Minister Euclid Tsakalotos reportedly stated that the negotiations are going better than expected, whereas the EC spokeswoman Mina Andreeva was quoted saying that work was moving to the right direction and that reaching an agreement in time for Greece to meet the 20 August ECB €3.4bn bond payment “is ambitious, yet realistic”.

### SOUTH EASTERN EUROPE

**ROMANIA:** On August 4th, NBR left interest rates and MRRs for RON and FX denominated liabilities unchanged at 1.75%, 8% and 14% respectively in line with the consensus view and our expectations. In the press release and Governor Isarescu’s post-meeting press conference, the central bank provided more details on its views in a number of issues but at the same time provided no forward guidance with respect to the future rate setting in view of the rising fiscal slippage risks.

**CESEE Markets:** Most emerging-market currencies weakened on Wednesday morning session after mounting speculation that the Federal Reserve will raise interest rates in September. A hawkish statement made by the Fed Bank of Atlanta President Dennis Lockhart in an interview with the Wall Street Journal that it would take a significant deterioration in economic data for the central bank to delay an adjustment in September, has put pressure on emerging market currencies.

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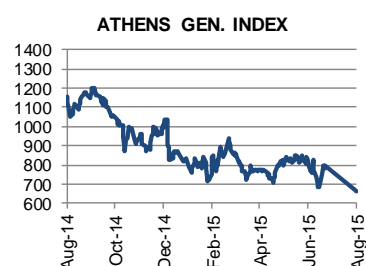
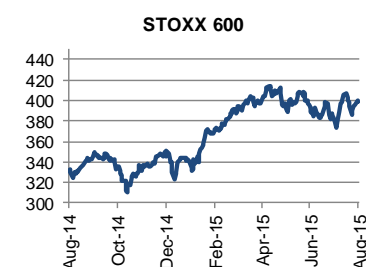
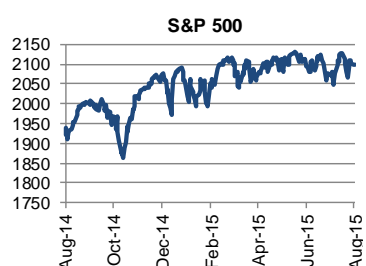
## Latest world economic & market developments

### GREECE

The negotiations between Greece and its official creditors (i.e. EC, ECB, ESM and IMF) on a 3<sup>rd</sup> bailout programme are making progress according to local media. The Greek Finance Minister Euclid Tsakalotos reportedly stated that the negotiations are going better than expected, whereas the EC spokeswoman Mina Andreeva was quoted saying that work was moving to the right direction and that reaching an agreement in time for Greece to meet the 20 August ECB €3.4bn bond payment "is ambitious, yet realistic". In any case, the Council of the EU approved a regulation amending the European Financial Stabilisation Mechanism (EFSM) in order to protect non-euro area member states from any risk arising from financial assistance given to a euro area country. This amendment was a necessary precondition for the EFSM to be able to grant a second "bridge" loan to Greece in case there is no finalisation of the 3<sup>rd</sup> bailout Agreement by mid-August. According to media sources, the issues that remain open in the current 3<sup>rd</sup> bailout programme negotiations include: a) the legal status and the independence of the new 'hyper-fund' which will handle the privatization of Greek assets according to the July 12<sup>th</sup> 2015 Euro Summit Agreement, b) the pension reform with the Greek side insisting that early retirement be abolished more gradually than the institutions request, c) the labour reform with a focus on collective bargaining and collective dismissals, d) the minimum guaranteed income which is expected to replace the pensioners' social solidarity benefit (EKAS), e) the projected GDP and primary deficit for 2015, f) the NPLs, and, g) issues pertaining to the judicial system such as, reportedly, fast-track auctions. In other news, according to data releases on Tuesday 5 August by the Bank of Greece, the nominal apartment prices have dropped by 5.6%YoY in Q2 2015 while according to revised data they had declined by 4.1%YoY in Q1 2015.

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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

On August 4th, NBR left interest rates and MRRs for RON and FX denominated liabilities unchanged at 1.75%, 8% and 14% respectively in line with the consensus view and our expectations. In the press release and Governor Isarescu's post-meeting press conference, the central bank provided more details on its views in a number of issues but at the same time provided no forward guidance with respect to the future rate setting in view of the rising fiscal slippage risks. The post VAT rate cut inflation outlook, the hotly debated amendments to the Fiscal Code and their impact on the macroeconomic stability plus the non-government bank lending recovery were key topics in the briefing.

Firstly, the Central bank acknowledged the latest negative inflation reading (-2.95%MoM/-1.55%YoY in June vs. +0.5%MoM/+1.2%YoY in May) as a result of the front loaded VAT rate cut in food stuff (from 24% to 9% effective from June 1st), given the high share of food products in the consumption basket (32%). More importantly, the Central Bank anticipates now that inflation – the new numerical forecast will be published tomorrow in the inflation report – will remain in negative territory over the next three quarters and stay below the lower bound of the target band until the beginning of 2017. However, the Central Bank warned of a building-up of medium term inflationary pressures on faster closing of the output gap. In addition, the Central Bank governor voiced once again his concerns over the planned fiscal relaxation adding that it would have a direct impact on the macroeconomic stability and the relations with official lenders given that the EU/IMF precautionary agreement is about to expire in next September. The Governor's comments came on top of other recent policymakers' hawkish comments. The Deputy Governor, Mr Bogdan Olteanu, commented that the BNR could even start to hike rates in response to the envisaged fiscal policy loosening. Finally, the press release takes special note of the revival in the domestic currency private sector lending, which gave an additional boost to private consumption and investments.

Looking ahead, we anticipate the Central Bank to remain on hold in the coming months until the uncertainties stemming from the fiscal side have cleared out. From that point of view we will have a better sense if the parliament revisions of the Fiscal Code in late August will bring any meaningful change in the envisaged fiscal loosening plan. In other news, retail sales advanced by 7.1%YoY in June up from 4.6%YoY in May, a clear illustration that private spending has taken over as the key growth driver. The main driver behind the upswing was the strong growth in food items (+12.7%MoM, +21.5%YoY), underpinned by the VAT rate cut for food items.

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### CESEE Markets

Most emerging-market currencies weakened on Wednesday morning session after mounting speculation that the Federal Reserve will raise interest rates in September. A hawkish statement made by the Fed Bank of Atlanta President Dennis Lockhart in an interview with the Wall Street Journal that it would take a significant deterioration in economic data for the central bank to delay an adjustment in September, has put pressure on emerging market currencies. At the time of writing, EUR/PLN traded at 4.175 compared to 4.146 on Tuesday, EUR/HUF was recouping some of its early morning losses trading at 309.64 while EUR/RON was broadly unchanged at 4.41. In contrast, the RUB was climbing on early Wednesday morning for the first time in four days. The EUR/RUB moved higher by 1% to 68.01, strengthening further from five-month lows on the back of a slightly firmer oil price.

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

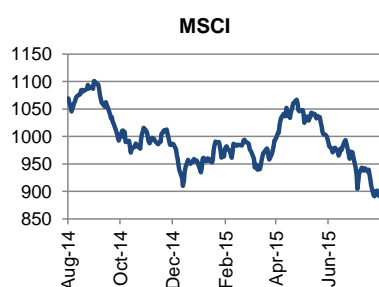
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

\* 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

August 5, 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	2101.57	0.2%	2.1%	EUR/USD	1.0951	0.0%	-9.5%	UST - 10yr	2.18	3	1	GOLD	1091	0.4%	-7.9%
Nikkei 225	20520.36	-0.1%	17.6%	GBP/USD	1.5571	-0.1%	0.0%	Bund-10yr	0.64	2	10	BRENT CRUDE	50	1.0%	-12.8%
STOXX 600	398.64	-0.2%	16.4%	USD/JPY	124.06	0.0%	-3.5%	JGB - 10yr	0.39	-3	6	LMEX	2426	-0.5%	-16.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	459	-2	-532
1-week	4.81	4	-520
1-month	5.20	3	-485
3-month	5.67	6	-418
6-month	5.95	8	-384

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.08	#N/A N/A	-296
5Y RSD	8.29	1	-189
7Y RSD	8.85	3	-323

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.47	-2	-79
USD Nov-24	6.49	0	-10

#### CDS

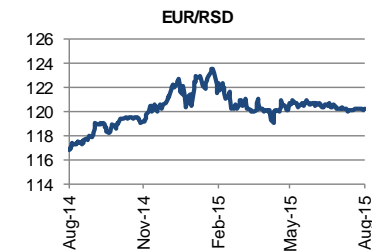
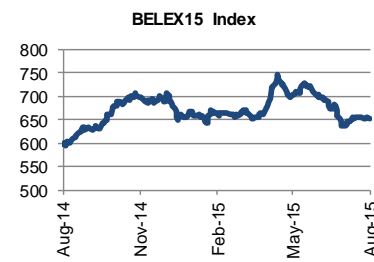
	Last	ΔDbps	ΔYTD bps
5-year	271	1	-19
10-year	316	0	-41

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	652.7	0.11%	-2.15%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.15	0.00%	1.00%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.84	-4	27
1-month	1.01	-4	10
3-month	1.31	-1	-39
6-month	1.55	-1	-46
12-month	1.64	-1	-38

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.98	-1	-33
5Y RON	2.50	-1	-21
10Y RON	3.80	-1	14

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.43	-4	-30
USD Aug-23	3.67	-3	6

#### CDS

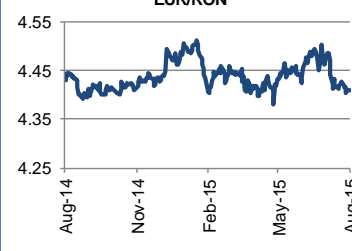
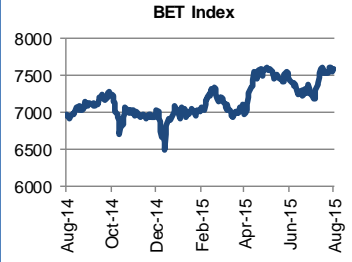
	Last	ΔDbps	ΔYTD bps
5-year	129	0	-14
10-year	176	2	-10

#### STOCKS

	Last	ΔD	ΔYTD
BET	7594.7	0.68%	7.22%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4087	0.00%	1.70%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	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	-29

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	14	-58
5Y BGN	1.17	115	-28
10Y BGN	2.47	1	-28

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.46	5	-70
EUR Sep-24	2.85	114	-1

#### CDS

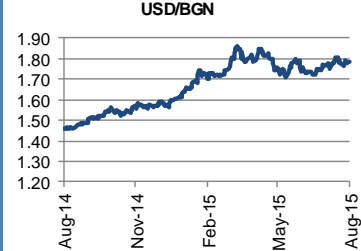
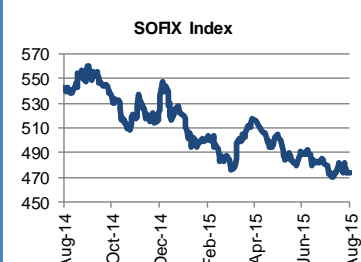
	Last	ΔDbps	ΔYTD bps
5-year	172	1	-19
10-year	217	2	-23

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.5	-0.08%	-9.31%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7858	0.03%	-9.48%



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

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