

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, August 07, 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 11: ZEW Survey Expectations (f, August)
- August 12: Industrial Production (June)

GREECE

- August 6: Labour Force Survey (May)
- August 7: HICP (Jul)

SEE

BULGARIA

- August 10:
 - Trade Balance (Jun)
 - Industrial Production (Jun)
 - Retail Sales (Jun)
- August 12: CPI (Jul)

ROMANIA

- August 10: Trade Balance (Jun)
- August 11: CPI (Jul)
- August 11: Industrial Production (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets
Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: The negotiations between Greece and its official creditors (i.e. EC, ECB, ESM and IMF) on a 3rd bailout programme, according to press reports, are making progress. The EU Economic and Financial Committee will reportedly hold a teleconference today to examine the draft agreement. During the weekend the Greek government will provide its feedback on this draft so that the final document will be ready in due time for the Greek Parliament to ratify by 13 August both the agreement and a set of prior actions required for the first loan tranche to be released. According to data released today by the Hellenic Statistical Authority, the Harmonized Index of Consumer Prices (HICP) in July 2015 decreased by 1.3%YoY and the annual average rate of change of the HICP was -1.6%. The Consumer Price Index (CPI) in July 2015 decreased by 2.2%YoY and the annual rates of change of the CPI was -1.9%.

SOUTH EASTERN EUROPE

CYPRUS: Deflation intensified in July, so that consumer prices came at -3%YoY in July down from -2.4%YoY in June and only -0.6% YoY in July 2014.

ROMANIA: The NBR Governor Mr. Isarescu presented yesterday the new inflation report that incorporates the impact of the 2016 draft Fiscal Code and all envisaged tax cuts on consumer price developments. NBR downgraded its year end inflation forecast to -0.3% in 2015 down from 0.2% and 0.7% in 2016 up from 0.5% in the previous report.

CESEE MARKETS: On Friday morning, financial markets were in anticipation of the US labor data to be released later today. The US payrolls report will fuel further market talk about a prospective Federal Reserve rate hike in September.

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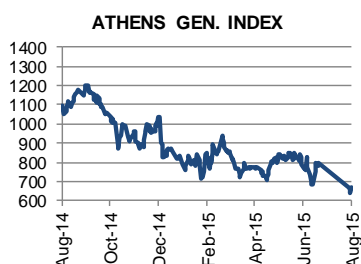
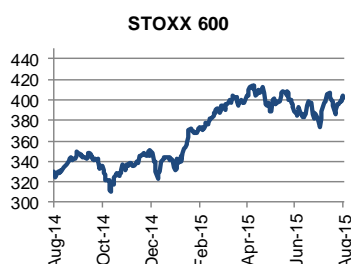
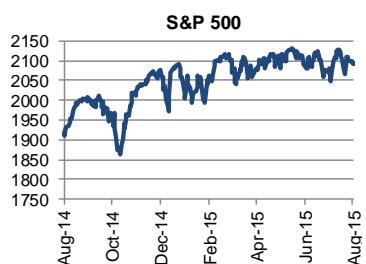
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Latest world economic & market developments

GREECE

The negotiations between Greece and its official creditors (i.e. EC, ECB, ESM and IMF) on a 3rd bailout programme, according to press reports, are making progress. The EU Economic and Financial Committee will reportedly hold a teleconference today to examine the draft agreement. During the weekend the Greek government will provide its feedback on this draft so that the final document will be ready in due time for the Greek Parliament to ratify by 13 August both the agreement and a set of prior actions required for the first loan tranche to be released. It should be noted that the Greek side reportedly wants the first disbursement to reach €24bn. According to the tight timetable, on August 14th the agreement will be brought to the Eurogroup to give the 'green light' so that it can then be ratified by the Parliaments of other Eurozone member-states. Although, reportedly, a deal is close, a number of issues that remain open, are: a) the tax regime for farmers, b) the measures from the OECD toolkit II recommendations, c) the progress with the further liberalization of the so-called closed professions, d) the abolishment of the nuisance charges that currently finance the social security funds, e) the permission of the Sunday trade, and f) the privatizations' timetable. In other news, Greece made yesterday an interest payment of €186.3mn to the IMF. According to data released today by the Hellenic Statistical Authority, the Harmonized Index of Consumer Prices (HICP) in July 2015 decreased by 1.3%YoY and the annual average rate of change of the HICP was -1.6%. The Consumer Price Index (CPI) in July 2015 decreased by 2.2%YoY and the annual rates of change of the CPI was -1.9%.

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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

CYPRUS

Deflation intensified in July, so that consumer prices came at -3%YoY in July down from -2.4%YoY in June and only -0.6%YoY in July 2014. The biggest annual declines were recorded in the groups of housing utilities (-9.5%YoY in July down from -9.2%YoY in June) and food stuff (-5.5%YoY in July down from -2.7%YoY in June). As a result, the average inflation came at -2.0%YoY in the first seven months of 2015.

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ROMANIA

The NBR Governor Mr. Isarescu presented yesterday the new inflation report that incorporates the impact of the 2016 draft Fiscal Code and all envisaged tax cuts on consumer price developments. NBR downgraded its year end inflation forecast to -0.3% in 2015 down from 0.2% and 0.7% in 2016 up from 0.5% in the previous report. Netting out the impact of the frontloaded VAT rate cut for food effective since last June and the planned headline VAT rate cut effective from 2016, inflation is projected to reach 2.8% and 2.4% at end-2015 and end-2016 respectively within the target band. The Central Bank anticipates now that headline inflation 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. In the press conference, Mr Isarescu assessed that the macroeconomic situation is good but called on the authorities to stimulate investment, one of the main drivers of increasing productivity, rather than encouraging consumption, which is already growing too fast and risks to produce imbalances. Moreover, Mr. Isarescu warned of a building-up of medium term inflationary pressures on faster closing of the output gap, which implies no room for additional monetary easing especially if Fed rate hikes materialize in September. Finally, the Central Bank governor voiced once again his concerns over the planned fiscal relaxation, calling on the authorities to reconsider the amplitude of the tax cuts. From a rate setting point of view, the 25bps cut in early May had most probably been the last under the current easing cycle. 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, the Ministry of Finance sold RON 300m in 2.5Y T-bond at an average yield 1.96%. Demand was strong, so that the bid to cover ratio came at 3.3.

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CESEE MARKETS

On Friday morning, financial markets were in anticipation of the US labor data to be released later today. The US payrolls report will fuel further market talk about a prospective Federal Reserve rate hike in September. To that end, emerging bourses headed for a third straight week of losses after reaching a two-year low earlier on Friday despite gains in Chinese stock markets driven by speculation that authorities will take more action to support domestic financial markets. The **MSCI Emerging Market index** rose by 0.2% to 886.69, but trimming the losses to 1.7% on the week. After plunging on Thursday by 2.3% on hefty bank shares losses, the **WIG-20 Index** in Poland was up by 0.3% at 2203. The stock market slump of Polish banks on Thursday came after the parliament approved a bill allowing homeowners to convert their Swiss franc mortgages into zlotys, a move which could double the estimated cost to the banking sector.

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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

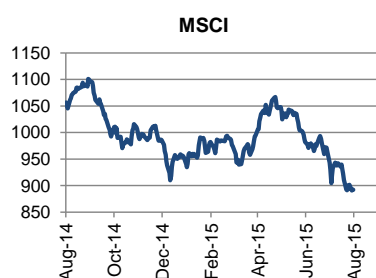
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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



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 7, 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	2091.04	-0.4%	1.6%	EUR/USD	1.0917	0.1%	-9.8%	UST - 10yr	2.24	-3	6	GOLD	1091	0.5%	-7.9%
Nikkei 225	20664.44	0.2%	18.4%	GBP/USD	1.551	-0.6%	-0.4%	Bund-10yr	0.72	-4	18	BRENT CRUDE	49	-0.4%	-13.8%
STOXX 600	401.22	-0.7%	17.1%	USD/JPY	124.77	0.1%	-4.1%	JGB - 10yr	0.43	3	10	LMEX	2408	-1.1%	-17.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	460	1	-531
1-week	4.74	-6	-527
1-month	5.16	-6	-489
3-month	5.60	-8	-425
6-month	5.84	-10	-395

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.04	-3	-304
5Y RSD	8.26	-2	-192
7Y RSD	8.82	-3	-326

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.48	-1	-78
USD Nov-24	6.49	0	-10

CDS

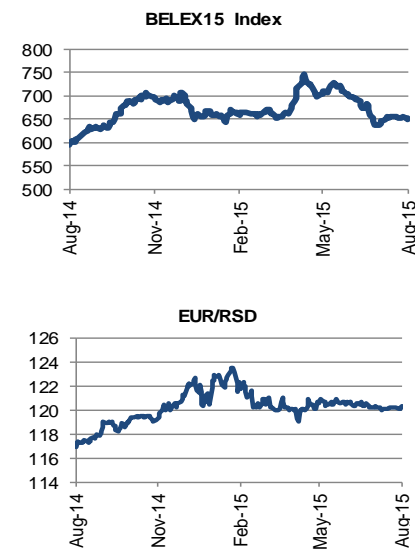
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-20
10-year	316	0	-41

STOCKS

	Last	ΔD	ΔYTD
BELEX15	650.3	-0.32%	-2.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.28	0.00%	0.89%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.74	-8	17
1-month	1	-1	9
3-month	1.3	-1	-40
6-month	1.52	-2	-49
12-month	1.65	1	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.97	0	-34
5Y RON	2.49	0	-22
10Y RON	3.81	0	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.43	-2	-30
USD Aug-23	3.71	-3	10

CDS

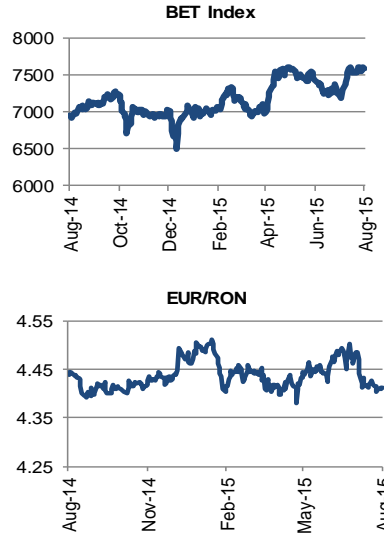
	Last	ΔDbps	ΔYTD bps
5-year	125	-4	-18
10-year	167	-10	-20

STOCKS

	Last	ΔD	ΔYTD
BET	7592.8	-0.03%	7.20%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4119	0.01%	1.62%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	2	0
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.63	-1	-17
12-month	1.22	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	-3	-57
5Y BGN	1.17	12	-28
10Y BGN	2.67	-1	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.46	0	-70
EUR Sep-24	2.87	-26	0

CDS

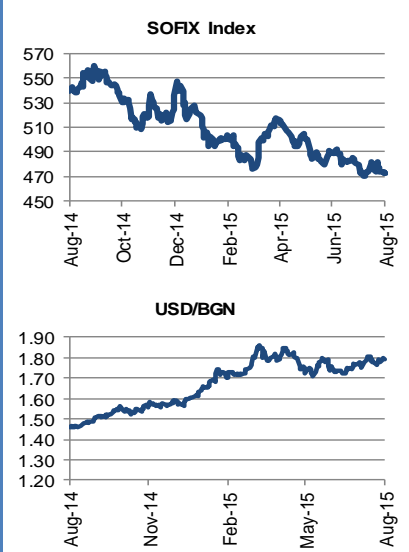
	Last	ΔDbps	ΔYTD bps
5-year	170	-5	-21
10-year	216	-5	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	472.5	-0.08%	-9.50%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7918	0.09%	-9.78%



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

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