

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, July 20, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- July 22: Existing home sales (Jun)
- July 23:
 - Initial jobless claims (July 18)
 - CB Leading indicator index (Jun)
- July 24
 - New home sales (Jun)
 - Markit manufacturing PMI (Jul, p)

EUROZONE

- July 20: ECB current account (May)
- July 23: Consumer Confidence index (flash, Jul)
- July 24: PMI manufacturing, services and composite (Jul)
-

GREECE

- July 20: Payment of GGBs (€c. 3.5bn)
- July 21: Current account (May)
- July 22: Vote in the Hellenic Parliament of the second set of prior actions

SEE

ROMANIA

- July 20: T-Bonds auction
- July 23: T-Bonds auction

SERBIA

- July 20: Current account balance (May)
- July 21: EUR 2.5% 2018 T-bonds auction
- July 24: Real gross wages (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses kicked off the week on a positive tone favored by the Eurogroup decision late last week to endorse in principal a 3-year ESM stability support to Greece. Encouraging home-related data from China earlier today, also helped. In FX markets, the USD was among the main outperformers on the view that the first Fed rate hike may come earlier than currently expected.

GREECE: Following a cabinet reshuffle last Friday, the Greek government's focus now turns on the upcoming key vote in the 300-seat Hellenic Parliament on Wednesday, July 22 when it is scheduled to submit the second set of prior actions required under the recent Euro Summit agreement for the commencement of official discussions on a new 3-year ESM loan. Separately, Euro area finance ministers agreed last Friday to grant a bridge loan to Greece with a view to secure partial coverage of the country's financing needs until the completion of official discussions on an ESM programme. In other news, the bank holiday that was initiated three weeks ago expired yesterday and domestic banks reopened today with a number of restrictions on bank transactions remaining, however, in place.

SOUTH EASTERN EUROPE

SERBIA: In the absence of any significant developments domestically, the EUR/RSD remained bound within a tight range of 119.95/15 – 120.10/30 last week assisted by new Central Bank interventions in the FX markets over the last few sessions to halt the dinar's renewed firming trend (€130 cumulatively).

CESEE MARKETS: Most CESEE bourses opened higher on Monday, extending last week's gains after the Eurogroup decided late last week to endorse in principal a 3-year ESM stability support to Greece. In the absence of any significant news domestically, **regional currencies** were broadly weaker in European trade on Monday, weighed down by recently reinforced expectations for a Fed interest rate hike later this year. Meanwhile, **CESEE government bonds** were little changed. **Looking into this week**, Hungary's and Turkey's Central Bank meetings take centre stage in the CESEE region.

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Latest world economic & market developments

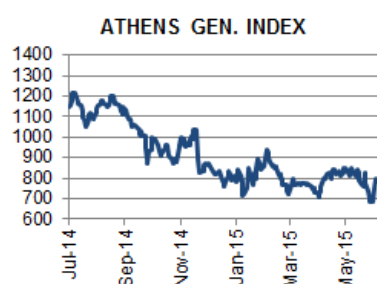
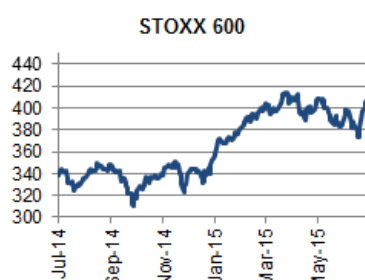
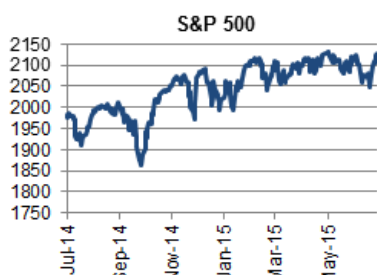
GLOBAL MARKETS

Major European bourses kicked off the week on a positive tone favored by the Eurogroup decision late last week to endorse in principal a 3-year ESM stability support to Greece. Encouraging home-related data from China earlier today, also helped. In FX markets, the USD was among the main outperformers on the view that the first Fed rate hike may come earlier than currently expected after last Friday's US data showed that the headline consumer price index rose in June for the fifth straight month and building permits hit in the same month a near eight-year peak. The DXY index rose to a three-month high slightly above 98.00 earlier today while the EUR/USD was pushed to levels near 1.0800 at some point before recovering modestly close to 1.0850 in European trade at the time of writing. In the absence of key global data until Friday when June's Eurozone PMI and US new home sales data are both due, the positive market sentiment towards the US dollar will likely prevail. Technically, a clear break of the EUR/USD below 1.0820/30 (Fib.) could potentially open the way for further weakness towards 1.0520 (Apr. 13 low) or even lower.

GREECE

Following a cabinet reshuffle last Friday, the Greek government's focus now turns on the upcoming key vote in the 300-seat Hellenic Parliament on Wednesday, July 22 when it is scheduled to submit the second set of prior actions required under the recent Euro Summit agreement for the commencement of official discussions on a new 3-year ESM loan. The said set includes: (i) adoption of the Code of Civil Procedure, with a view to accelerating the judicial process and reducing costs in the civil justice system; (ii) transposition of the BRRD with support from the European Commission; and (iii) certain provisions from the agreed reform package which were not included, as initially planned, in the first set of prior actions, e.g., the gradual abolishment of the early retirement scheme and the elimination of the preferential tax treatment of farmers. According to the local press, the objective of Prime Minister Alexis Tsipras is to secure at least 120 votes in favor, the minimum threshold required under the Constitution of Greece, for a motion of confidence to be adopted in Parliament. As a reminder, the first set of prior actions was endorsed by the Hellenic Parliament last Wednesday with 229 in favor votes; all 106 MPs from the three pro-European opposition parties ND, To Potami and to PASOK, all 13 MPs of junior coalition partner ANEL and 110 out of 149 SYRIZA MPs. Separately, Euro area finance ministers agreed last Friday to grant a bridge loan to Greece with a view to secure partial coverage of the country's financing needs until the completion of official discussions on an ESM programme. The bridge loan, which will be financed by the reactivated European Financial Stability Mechanism (EFSM), will have a maximum maturity of three months and will amount to €7.16bn. The loan will be disbursed in up to two installments to allow Greece to: (i) clear arrears to the IMF amounting to c. €2bn i.e., a missed bundled payment of c. €1.6bn that was due on June 30 plus a €450mn payment that was due on July 13; (ii) redeem two government bonds of a total notional amount of c. €3.5bn which are held by the Eurosystem and mature today (July 20); (iii) meet a debt payment of c. €177mn to the IMF due on August 1; (iv) clear arrears to the Bank of Greece (€472mn); and (v) clear arrears to the European Investment Bank (c. €50mn). In other news, the bank holiday that was initiated three weeks ago expired yesterday and domestic banks reopened today with a number of restrictions on bank transactions remaining, however, in place.

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Source: Reuters, Bloomberg, Eurobank Research

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

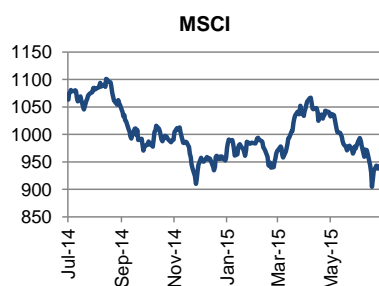
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

SERBIA

In the absence of any significant developments domestically, the EUR/RSD remained bound within a tight range of 119.95/15 – 120.10/30 last week assisted by new Central Bank interventions in the FX markets over the last few sessions to halt the dinar's renewed firming trend (€130 cumulatively). Technically, strong support for the EUR/RSD lies at 120.00. On the upside, key resistance stands at 121.00 a level the pair could potentially test or even break higher on the back of a potential increase of corporate demand for the common currency due to seasonal factors towards the end of the summer.

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CESEE MARKETS

Taking their cue from the positive tone in European stock markets and bucking the negative trend in major emerging indices, **most CESEE bourses** opened higher on Monday, extending last week's gains after the Eurogroup decided late last week to endorse in principal a 3-year ESM stability support to Greece. Romania's BETI led the winners' pack, recording gains in excess of 1% at the time of writing, outperforming a concomitant ca 0.5% decline in the broader MSCI Emerging Markets index. Major indices in Serbia and Bulgaria also stood in the black in early European trade, while Poland's and Hungary's posted modest losses.

In the absence of any significant news domestically, **regional currencies** were broadly weaker in European trade on Monday, weighed down by recently reinforced expectations for a Fed interest rate hike later this year. The Turkish lira led the losses in the region with the USD/TRY rising by ca 0.8% on the day to hover around levels of 2.6755 at the time of writing, within distance from a multi-session peak of 2.6780 hit in European trade earlier today. Meanwhile, **CESEE government bonds** were little changed.

Looking into this week, Hungary's and Turkey's Central Bank meetings take centre stage in the CESEE region. The market's median forecast is for a 10bps rate cut to a new record low of 1.40% on Tuesday's MPC meeting in Hungary. Meanwhile, the Central Bank of Turkey is broadly anticipated to stay put on its monetary policy and maintain its key policy rate at 7.50% on Thursday.

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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	2126.64	0.1%	3.3%	EUR/USD	1.0828	0.0%	-10.5%	UST - 10yr	2.37	2	20	GOLD	1114	-1.8%	-6.0%
Nikkei 225	20650.92	0.2%	18.3%	GBP/USD	1.5541	-0.4%	-0.2%	Bund-10yr	0.79	0	25	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	408.05	0.6%	19.1%	USD/JPY	124.32	-0.2%	-3.7%	JGB - 10yr	0.43	0	10	LMEX	2556	-0.9%	-12.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.83	0	-518
1-month	5.22	-1	-483
3-month	5.68	-1	-417
6-month	6.00	0	-379

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.10	#N/A N/A	-295
5Y RSD	8.30	0	-188
7Y RSD	9.03	-2	-305

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.52	0	-74
USD Nov-24	6.47	0	-12

CDS

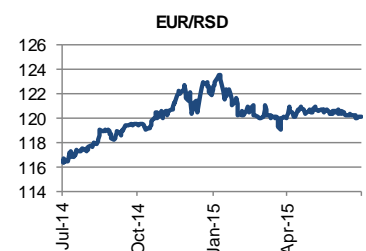
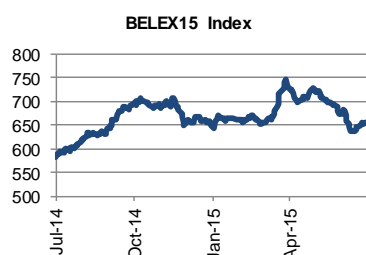
	Last	ΔDbps	ΔYTD bps
5-year	273	-5	-17
10-year	317	-6	-39

STOCKS

	Last	ΔD	ΔYTD
BELEX15	656.7	0.27%	-1.55%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.11	-0.05%	1.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	-2	-5
1-month	0.99	1	8
3-month	1.3	1	-40
6-month	1.55	-1	-46
12-month	1.64	-2	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.01	-1	-30
5Y RON	2.54	1	-17
10Y RON	3.92	-2	26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.76	-3	3
USD Aug-23	3.73	1	12

CDS

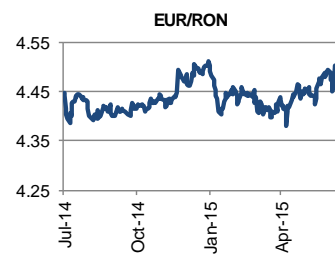
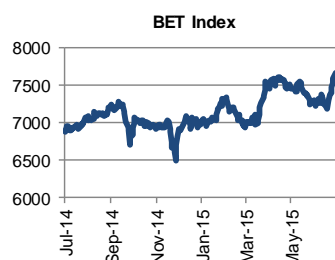
	Last	ΔDbps	ΔYTD bps
5-year	121	-1	-21
10-year	166	-1	-21

STOCKS

	Last	ΔD	ΔYTD
BET	7659.9	0.88%	8.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4172	0.04%	1.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.64	0	-15
12-month	1.23	-2	-27

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.51	-2	-53
5Y BGN	1.17	5	-27
10Y BGN	2.61	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.60	-5	-56
EUR Sep-24	2.99	52	12

CDS

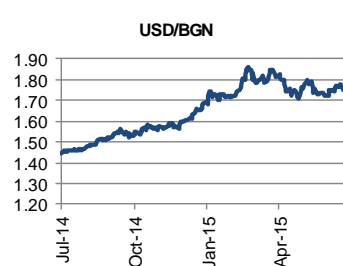
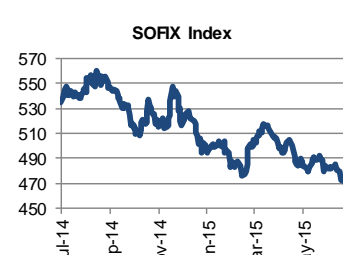
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-21
10-year	215	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.2	0.43%	-8.80%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8064	-0.02%	-10.51%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:30 EEST of previous session

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