

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: In the absence of major data releases yesterday, market participants' focus shifted on comments by St. Louis Fed President James Bullard that, as things stand at this point, odds for a Fed rate hike in September are higher than 50%. Reacting to the above, yields of short-dated US bonds rose assisting the USD to extend its recent gains.

GREECE: In line with the agreement reached at the July 12 Euro Summit for the formal inception of official negotiations on a 3-year ESM loan facility, the Greek government submitted to Parliament earlier today a draft bill incorporating the second set of prior actions. These include: (i) adoption of the Code of Civil Procedure, with a view to accelerating the judicial process and reduce costs in the civil justice system; and (ii) transposition of the BRRD with support from the European Commission. The voting procedure in the Hellenic Parliament is scheduled to be completed by midnight tomorrow (July 22), as envisaged in the relevant timeline agreed with official creditors.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold on Monday RON460mn (equivalent to €104.2mn) in 5.75% April 2020 T-bonds, more than the RON300mn initially planned thanks to strong investor demand.

CESEE MARKETS: The majority of **emerging stock markets** closed lower on Monday as reinforced market expectations for a Fed interest rate hike later this year weighed on risky assets. Meanwhile, CESEE assets closed mixed.

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July 21, 2015

Latest world economic & market developments

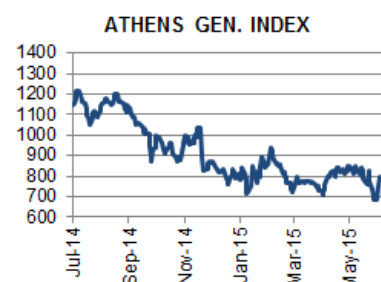
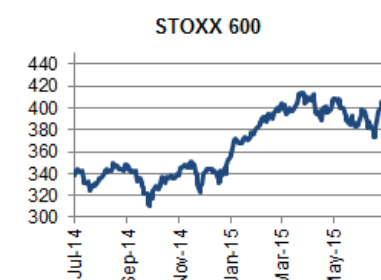
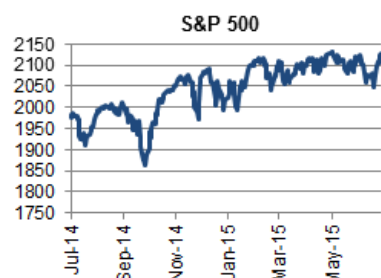
GLOBAL MARKETS

Major European bourses were firmer in early European trade on Tuesday, taking their cue from the positive tone that prevailed in Asia earlier today and in Wall Street overnight amid easing Greece and China related market concerns. In the absence of major data releases yesterday, market participants' focus shifted on comments by St. Louis Fed President James Bullard that, as things stand at this point, odds for a Fed rate hike in September are higher than 50%. Reacting to the above, yields of short-dated US bonds rose causing a bearish flattening of the US Treasury yield curve while the USD extended its recent gains with the DXY index hitting a fresh three-month high of 98.151 earlier today. The global data calendar remains quiet today with major releases not expected before Friday when June's Eurozone PMI and US new home sales figures are both due.

GREECE

In line with the agreement reached at the July 12 Euro Summit for the inception of official negotiations on a 3-year ESM loan facility, the Greek government submitted to Parliament earlier today a draft bill incorporating the second set of prior actions. These include: (i) adoption of the Code of Civil Procedure, with a view to accelerating the judicial process and reduce costs in the civil justice system; and (ii) transposition of the BRRD with support from the European Commission. The voting procedure in the Hellenic Parliament is scheduled to be completed by midnight tomorrow (July 22), as envisaged in the relevant timeline agreed with official creditors. In contrast to earlier expectations, certain provisions from the officially agreed reform package which were not included in the first set of prior actions that was endorsed by the Hellenic Parliament earlier this month i.e., the gradual abolishment of the early retirement scheme and elimination of the preferential tax treatment of farmers) will not finally be incorporated in the second set of prior actions. An unnamed Euro area official reportedly stated that these measures were not scheduled to be submitted in tomorrow's bill, but must be legislated by August 5.

The objective of Prime Minister Alexis Tsipras is to reportedly secure at least 120 votes in favor in Wednesday's voting procedure, 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. According to recent comments by Greece's Premier, the distribution of votes will be crucial for upcoming political developments. Speaking to reporters yesterday newly appointed government spokesperson Olga Gerovasili was quoted saying that the government has no plans for a snap election in the near future stressing that such a development would not be useful under current conditions.



Source: Reuters, Bloomberg, Eurobank Research

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July 21, 2015

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

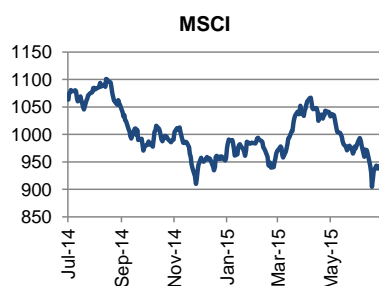
ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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



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

ROMANIA

The finance ministry sold on Monday RON460mn (equivalent to €104.2mn) in 5.75% April 2020 T-bonds, more than the RON300mn initially planned thanks to strong investor demand (bid to cover ratio was at 3.5). As a result, the average accepted yield came in at 2.88%, below a yield of 3.04% achieved at a prior auction of the same issue held in late June.

CESEE MARKETS

The majority of **emerging stock markets** closed lower on Monday as reinforced market expectations for a Fed interest rate hike later this year weighed on risky assets. Meanwhile, CESEE bourses closed mixed. Turkey's BIST 100 index led the losses in the region with a 1.8% daily decline, underperforming a concomitant 0.7% fall in the broader MSCI Emerging Markets index. Bucking the negative trend, main stock indices in Romania, Bulgaria and Serbia closed in the black posting daily gains to the tune of 0.1-0.6% 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** and **government bonds** closed mixed on Monday. Against a backdrop of a firmer US dollar, the Turkish lira led the losses in the region with the USD/TRY ending ca 1.7% higher at a 2-week closing peak near 2.6975/USD. The Polish zloty and Hungarian forint also ended weaker yesterday, with investor caution prevailing ahead of today's Central Bank monetary policy meeting in Hungary. The MNB is broadly anticipated to deliver a 10bps cut which, if realized, will bring the key policy rate a new record low of 1.40%. On the other hand, the Romanian leu stood in a modestly positive territory on Monday's settlement, at 4.41/EUR, possibly receiving some support from the well-received T-bonds auction held earlier on the day.

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July 21, 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	2124.44	-0.1%	3.2%	EUR/USD	1.0859	0.3%	-10.2%	UST - 10yr	2.37	2	20	GOLD	1105	-2.6%	-6.7%
Nikkei 225	20650.92	0.2%	18.3%	GBP/USD	1.5568	-0.3%	-0.1%	Bund-10yr	0.76	-3	22	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	406.97	0.3%	18.8%	USD/JPY	124.27	-0.2%	-3.7%	JGB - 10yr	0.43	0	10	LMEX	2556	-0.9%	-12.3%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	458	0	-533	O/N	0.52	-2	-5	LEONIA	0.01	0	-1		
1-week	4.83	0	-518	1-month	0.99	1	8	1-month	0.17	0	-4		
1-month	5.22	-1	-483	3-month	1.3	1	-40	3-month	0.33	0	-10		
3-month	5.68	-1	-417	6-month	1.55	-1	-46	6-month	0.64	0	-15		
6-month	6.00	0	-379	12-month	1.64	-2	-38	12-month	1.23	-2	-27		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	6.10	#N/A	N/A	3Y RON	2.01	-1	-30	3Y BGN	0.52	-1	-52		
5Y RSD	8.30	0	-188	5Y RON	2.54	1	-17	5Y BGN	1.18	5	-27		
7Y RSD	8.91	-14	-317	10Y RON	3.91	-3	25	10Y BGN	2.60	0	-15		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.52	0	-74	EUR Sep-20	1.77	-2	4	EUR Jul-17	0.58	0	-58		
USD Nov-24	6.47	0	-12	USD Aug-23	3.72	0	11	EUR Sep-24	3.00	41	14		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	273	-5	-17	5-year	121	-1	-21	5-year	170	0	-21		
10-year	317	-6	-39	10-year	166	-1	-21	10-year	215	0	-26		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	655.4	0.08%	-1.74%	BET	7595.7	0.03%	7.24%	SOFIX	476.6	0.53%	-8.71%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.11	-0.06%	1.03%	EUR/RON	4.4152	0.08%	1.55%	USD/BGN	1.8013	0.27%	-10.26%		

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:15 EEST of previous session

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