DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Thursday, July 23, 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

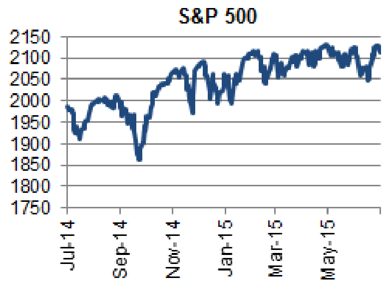
GLOBAL MARKETS: Major European equity markets were firmer in early trade supported by news that the Hellenic Parliament endorsed late last night a draft bill incorporating the second set of prior actions for the commencement of formal discussions on a 3-year ESM loan facility to Greece. In FX markets, the NZD and the GBP were among the main outperformers. New Zealand's Central Bank RBNZ cut its key interest rate by 25bps to 3.0%, disappointing those who were poised for a more aggressive 50bps rate easing while the minutes from the July BoE policy meeting added the view that the Central Bank is poised to embark on a rate tightening cycle before the end of this year. Elsewhere, the 2/10-yr UST yield curve undertook some further bearish flattening today amid increased expectations for a Fed rate hike in the not too distant future.

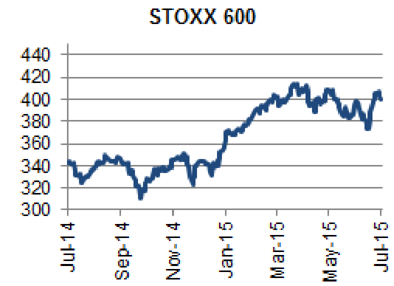
GREECE: The 300-seat Hellenic Parliament approved with a strong majority in the early hours on Thursday the second set of prior actions required for the inception of official discussions on a 3-year ESM loan facility as envisaged in the 12 July Euro Summit agreement. Out of a total of 298 attending deputies, the bill passed with 230 lawmakers voting in favour. In other news, the ECB reportedly decided yesterday to increase the provision of emergency liquidity assistance (ELA) to Greek banks by c. €900mn to c. €91bn and retained unchanged the haircut imposed on eligible collateral. On the data front, the current account balance recorded a surplus of €407.2mn in May, marking an improvement by €706.5mn compared to the same month a year earlier.

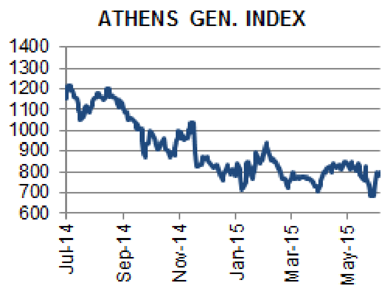
SOUTH EASTERN EUROPE

ROMANIA: The National Executive Committee of the ruling Social Democratic Party (PSD) convened yesterday to select an interim national leader after Prime Minister Ponta resigned. The candidate backed by Prime Minister Ponta-Mrs. Plumb- lost to former deputy premier Mr. Dragnea, in reflection of the weakening party support for the government leader.

CESEE MARKETS: The majority of **emerging stock markets** fell in European trade on Thursday extending the prior session's losses, with technology companies leading the way lower following disappointing US earnings results for the sector announced earlier in the week. Against a similar backdrop, **regional currencies** broadly weakened and **government bonds** fell earlier on Thursday. Turkish assets broadly underperformed their regional peers amid mounting domestic political tensions.







Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Bucking the negative tone in the majority of Asian bourses today, major European equity markets were firmer in early trade supported by news that the Hellenic Parliament endorsed late last night a draft bill incorporating the second set of prior actions for the commencement of formal discussions on a 3-year ESM loan facility to Greece. US data yesterday which showed that existing home sales rose in June to their highest level in near 8 ½ years, also had an impact. In FX markets, the NZD was among the main outperformers after New Zealand's Central Bank RBNZ cut earlier today its key interest rate by 25bps to 3.0%, disappointing those who were poised for a more aggressive 50bps rate easing due to the recent slowdown in domestic economic activity and lower inflation pressures. The GBP also fared well against its major currency peers supported by the more hawkish than expected tone of the minutes from the July BoE policy meeting which added the view that the Central Bank is poised to embark on a rate tightening cycle before the end of this year. Separately, the 2/10-yr UST yield curve undertook some further bearish flattening today amid increased expectations for a Fed rate hike in the not too distant future. The corresponding spread was standing close to 160.6bps at the time of writing, the lowest level in near two months.

GREECE

The 300-seat Hellenic Parliament approved with a strong majority in the early hours on Thursday the second set of prior actions required for the inception of official discussions on a 3-year ESM loan facility as envisaged in the 12 July Euro Summit agreement. Out of a total of 298 attending deputies, the bill passed with 230 lawmakers voting in favour. These included 126 lawmakers from the governing coalition partners SYRIZA and ANEL as well as 104 MPs from the three pro-European opposition parties, New Democracy, To Potami and PASOK. On the other hand, 63 deputies voted against; all MPs (15 plus 17, respectively) from the Communist Party of Greece (KKE) and the far-right Golden Dawn as well as 31 SYRIZA MPs. Furthermore, 5 SYRIZA deputies voted "present". There were 2 absentees from the voting procedure; one ND lawmaker and one To Potami MP. As a reminder, the second set of prior actions included: (i) the adoption of the Code of Civil Procedure, with a view to accelerating the judicial process and reducing costs in the civil justice system and (ii) the transposition of the Bank Recovery and Resolution Directive (BRRD) into Greek law. According to the local press, the SYRIZA's political secretariat is expected to convene later today to assess, among others, the latest political developments and call a meeting of the Central Committee, probably this weekend. In other news, the ECB reportedly decided yesterday to increase the provision of emergency liquidity assistance (ELA) to Greek banks by c. €900mn to c. €91bn and retained unchanged the haircut imposed on eligible collateral. On the data front, the current account balance recorded a surplus of €407. mn in May (an improvement by €706.5mn compared to May 2014). In what concerns the four basic individual balances: (i) the goods balance stood at -€986.4mn recording an increase by €483.8mn compared to the same month a year earlier; (ii) the services balance recorded a surplus of €1,711.7mn, €151.7mn higher relative to the same month a year earlier; (iii) the income balance dropped by -€13.8mn on an annual basis coming in at -€311.0mn from -€297.2 in May 2014; and (iv) the transfers balance improved by €84.9mn standing at -€7.1mn from -€92.0 in May 2014. For the 5 months period January to May, the current account balance stood at €2,725.6mn, €121.6mn lower compared to the same period of the previous year.

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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

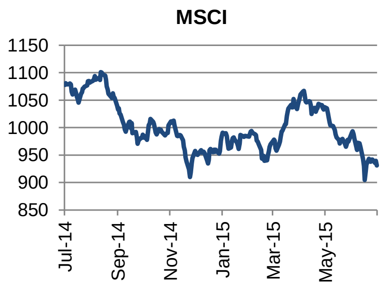
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

Latest world economic & market developments in the CESEE region

ROMANIA

The National Executive Committee of the ruling Social Democratic Party (PSD) convened yesterday to select an interim national leader after Prime Minister Ponta resigned. The candidate backed by Prime Minister Ponta-Mrs. Plumb- lost to former deputy premier Mr. Dragnea, in reflection of the weakening party support for the government leader. Mr. Ponta stepped down from the leadership of the party on July 12th-but not from the post of the Prime Minister-after being confronted with increased political pressure from the ongoing corruption investigation. After failing to remove his political immunity on the prosecution charges related to activities during his political career, the National Anticorruption Directorate (DNA) investigation expanded on additional allegations related to his activities before assuming the post of the Prime Minister. The corruption charges against the Prime Minister are another blow to his prestige and raise the probability of an early step down. Even if those allegations are not confirmed, they have stirred a lot of internal debate within the ruling coalition in a pre-election year.

Even if the political landscape may not change radically, the case against Prime Minister Ponta could undermine government efficiency particularly in the lower levels of administration. To make things worse, there is high risk that the agenda will shift to more populist policies that will be market negative, pushing back crucial structural reforms. Last but not least, the stance of the President is going to be a catalyst down the road given recent clashes with the government. Animosities between the President and the incumbent Prime Minister have already created enough political noise. In the case of indictment, the President has the discretion by the Constitution to nominate a new PM provided that a new parliamentary majority backs him.

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CESEE MARKETS

The majority of **emerging stock markets** fell in European trade on Thursday extending the prior session's losses, with technology companies leading the way lower following disappointing earnings results for the sector from the US announced earlier in the week. Turkey's BIST 100 index broadly underperformed its regional peers shedding approximately 1% at the time of writing and hitting a 2-week intraday trough amid mounting domestic political woes. A bombing in the southeastern town of Suruc on Monday stirred anti-government rallies earlier in the week and new demonstrations planned for the weekend. Other major indices in the CESEE region also stood in the red, while Romania's BETI index bucked the negative trend advancing modestly at the time of writing. Against a similar backdrop, **regional currencies** broadly weakened and **government bonds** fell earlier on Thursday. In FX markets, the Turkish lira posed among CESEE's worst performers in view of mounting domestic political tension. In more detail, the USD/TRY traded 0.8% higher at 2.7265 at the time of writing, within distance from a 1-month peak near 2.7275 hit earlier on the day. With investor's focus appearing to have turned to domestic political developments, the Central Bank's monetary policy meeting on Thursday is not anticipated to have a significant impact on Turkish assets, with the CBT broadly anticipated to hold its fire and maintain interest rates stable.

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GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2114.15	-0.2%	2.7%
Nikkei 225	20683.95	0.4%	18.5%
STOXX 600	400.55	0.1%	16.9%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.0985	0.5%	-9.2%
GBP/USD	1.566	0.3%	0.5%
USD/JPY	123.8	0.1%	-3.3%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.31	-1	14
Bund-10yr	0.74	-1	20
JGB - 10yr	0.42	-1	9

Commodities

	Last	ΔD	ΔYTD
GOLD	1103	0.8%	-6.9%
BRENT CRUDE	182	0.0%	4.1%
LMEX	2493	-1.4%	-14.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	465	7	-526
1-week	4.83	1	-518
1-month	5.22	0	-483
3-month	5.65	-3	-420
6-month	5.97	-3	-382

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.10	1	-295
5Y RSD	8.30	0	-188
7Y RSD	8.83	0	-325

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.48	-3	-79
USD Nov-24	6.48	1	-11

CDS

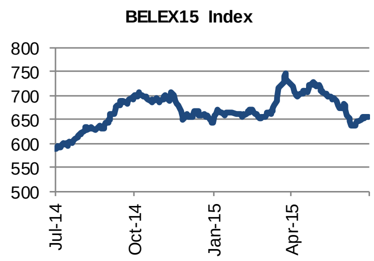
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-20
10-year	315	0	-41

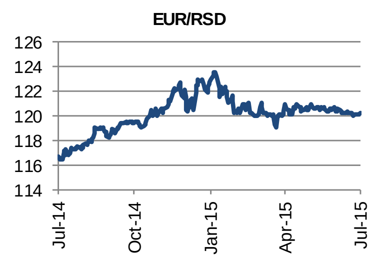
STOCKS

	Last	ΔD	ΔYTD
BELEX15	657.0	0.18%	-1.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.16	-0.02%	0.99%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	0	-5
1-month	1.05	0	14
3-month	1.29	0	-41
6-month	1.53	0	-48
12-month	1.64	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.95	-1	-36
5Y RON	2.49	-1	-22
10Y RON	3.83	-1	17

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.61	2	-12
USD Aug-23	3.71	-1	9

CDS

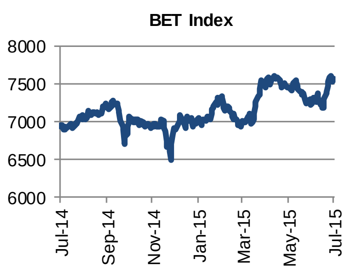
	Last	ΔDbps	ΔYTD bps
5-year	123	-7	-20
10-year	167	-7	-20

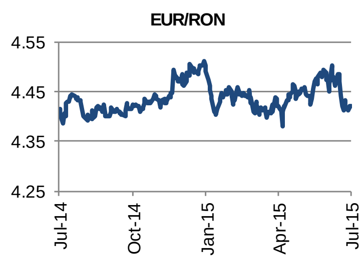
STOCKS

	Last	ΔD	ΔYTD
BET	7559.4	0.35%	6.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4221	-0.04%	1.39%





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	0	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.42	-4	-62
5Y BGN	1.17	0	-27
10Y BGN	2.58	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.55	5	-61
EUR Sep-24	2.97	11	11

CDS

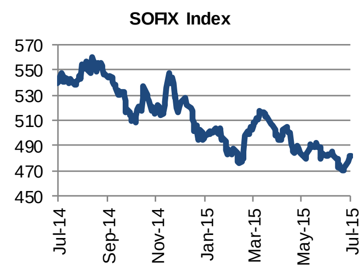
	Last	ΔDbps	ΔYTD bps
5-year	170	-3	-21
10-year	215	-3	-26

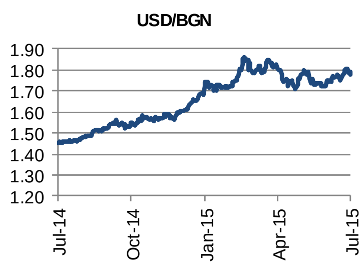
STOCKS

	Last	ΔD	ΔYTD
SOFIX	481.4	-0.12%	-7.79%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.781	0.46%	-9.24%





Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 10:45 EEST

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