

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, July 24, 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:** The majority of Asian bourses weakened on Friday amid renewed concerns about the growth outlook of China. Meanwhile, prices of a wide range of commodities, including oil, remained in a downward trend pushing commodity-related currencies lower. The ongoing decline in commodity prices also took its toll on US long-dated with the 2/10-yr yield curve undertook some bullish flattening today.

**GREECE:** Greece is reportedly expected to submit today an official request to the IMF for its “full involvement in the monitoring and financing of the new programme”, a precondition set at the July 12th Euro Summit. The Greek government reportedly aims official discussions to have been concluded by August 12 so that there is enough time for the Eurogroup and the Parliaments of a number of EU countries to vote on the new bailout programme by August 18 and the next loan disbursement to arrive at the State’s coffers by August 20 when two GGBs mature of a total notional amount of €3.2bn. Separately, according to the final Central Government Budget Execution data for January – June 2015, the budget balance recorded a ca €1.4bn deficit, significantly improved relative to the respective 2015 Budget target (deficit of ca €4.6bn).

### SOUTH EASTERN EUROPE

**ROMANIA:** The finance ministry sold on Thursday the planned RON300mn (equivalent to €67.9mn) amount in 4.75% June 2019 T-bonds at an average accepted yield of 2.46%, well below a yield of 2.78% achieved at a prior auction of the same issue held in mid-June.

**SERBIA:** According to finance ministry data released earlier in the week, the impressive improvement in fiscal performance so far this year continued in June, with the consolidated budget deficit narrowing by 69%YoY to RSD 35.3bn over the first half of 2015.

**CESEE MARKETS:** Taking their cue from losses in Wall Street overnight and in major Asian bourses on Friday, the majority of **emerging stock markets** moved broadly lower earlier today extending their recent downtrend on the back of revived global growth concerns. In FX markets, **CESEE currencies** were little changed in European trade after losing ground in the prior session. In the **local rates markets**, government bonds broadly weakened with Turkish paper broadly underperforming its regional peers amid domestic political uncertainty.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses weakened on Friday amid renewed concerns about the growth outlook of China, the world's second largest economy. According to data released earlier today, China's Manufacturing Purchasing Managers Index (PMI) dropped more than expected in June coming in at 48.2, the lowest level since April last year, and below the key boom-or-bust level of 50.0 for the fifth straight month. Meanwhile, prices of a wide range of commodities, including oil, remained in a downward trend pushing commodity-related currencies lower. The ongoing decline in commodity prices also exerted an impact on US long-dated bonds with the 10-yr UST bond yield hovering around a two-week low of 2.27% earlier today. Against this background, the 2/10-yr yield curve undertook some bullish flattening today with the corresponding spread standing close to a two-month low of 157.3bps at the time of writing. Elsewhere, the EUR/USD was little changed compared to yesterday's levels hovering near 1.0945/50 in early European trade. With the EUR's ability to shrug off positive US data including initial jobless claims data yesterday, trading within 1.0900/1.1000 will likely prevail intraday.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

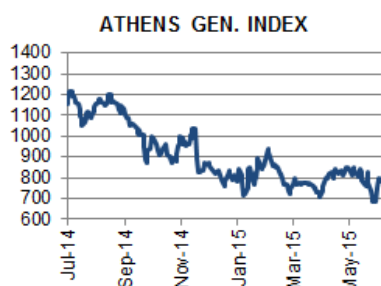
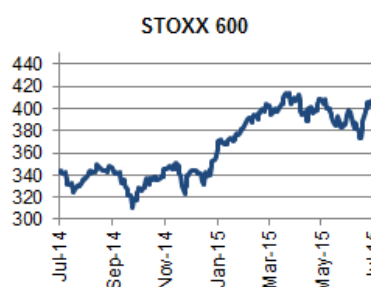
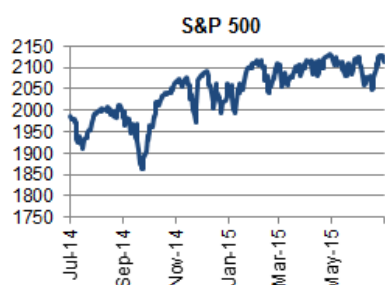
### GREECE

According to the local press, discussions between domestic authorities and official creditors on a 3-year ESM loan facility to Greece, are expected to commence in Athens by Monday July 27. Greece is reportedly expected to submit today an official request to the IMF for its "full involvement in the monitoring and financing of the new programme", a precondition set at the July 12th Euro Summit. As was stated by IMF spokesman Gerry Rice in a regular press briefing yesterday, there is no specific date yet for the return of the IMF mission to Greece. According to the IMF official, key prerequisites for the involvement of the Fund include an assessment of "policy reforms (...) and financing with a high probability that debt will be sustainable over the medium term". The Greek government reportedly aims official discussions to have been concluded by August 12 so that there is enough time for the Eurogroup and the Parliaments of a number of EU countries to vote on the new bailout programme by August 18 and the next loan disbursement to arrive at the State's coffers by August 20 when two GGBs mature of a total notional amount of €3.2bn. According to the same sources, should official discussions not be concluded in time, EU officials are mulling the option to grant a second bridge loan financed again by the EFSM to assist Greece to repay the two GGBs on August 20 as well as the next debt payment to the IMF that is due on August 1 (c. €180mn). Press reports have quoted Pierre Moscovici, the European Commissioner for Economic and Financial Affairs saying that the agreement on the new bail-out programme for Greece may have been sealed by "the second fortnight of August", hinting, however, that the possibility of a new bridge loan cannot be excluded. Separately, according to the final Central Government Budget Execution data for January – June 2015, the budget balance recorded a ca €1.4bn deficit, significantly improved relative to the respective 2015 Budget target (deficit of ca €4.6bn). The primary balance recorded a surplus of ca €1.9bn, significantly outperforming the 2015 Budget target (primary deficit of ca €1.2bn). Both these developments were mainly due to the continuation of expenditures underperformance and to a small improvement in budget revenues in June 2015.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)



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		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

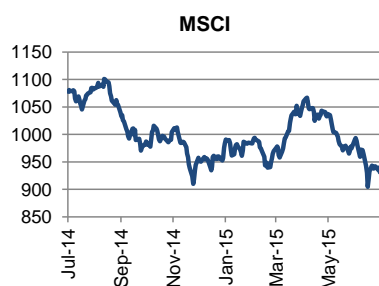
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* 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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
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

Speaking to local media Prime Minister Victor Ponta said he may take a medical leave for a few days, following a 1-month leave in June for knee surgery. During his absence, Deputy Premier Gabriel Oprea will probably act as interim prime minister. In other news, the finance ministry sold on Thursday the planned RON300mn (equivalent to €67.9mn) amount in 4.75% June 2019 T-bonds. The average accepted yield came in at 2.46%, broadly in line with market expectations and well below a yield of 2.78% achieved at a prior auction of the same issue held in mid-June. The auction was well received by investors with the bid to cover ratio standing at 2.68.

### SERBIA

According to finance ministry data released earlier in the week, the impressive improvement in fiscal performance so far this year continued in June. Notably, the consolidated budget deficit narrowed by 69%YoY to RSD 35.3bn over the first half of 2015, thanks to a 6.5%YoY increase (to RSD 805.2bn) in public revenues and a concomitant decline of 3.3%YoY (to RSD 804.5bn) in expenditures. All in all, H12015 budget data add to our view for an outperformance of this year's 5.9%-of-GDP deficit target. In support of the aforementioned, finance minister Dusan Vujovic was quoted as saying by media in June that he anticipates this year's general government deficit to come in at around 4%-of-GDP.

### CESEE MARKETS

Taking their cue from losses in Wall Street overnight and in major Asian bourses on Friday, the majority of **emerging stock markets** moved broadly lower earlier today extending their recent downtrend on the back of revived global growth concerns. In FX markets, **CESEE currencies** were little changed in European trade after losing ground in the prior session. The Turkish lira was flat against the US dollar at the time of writing hovering around levels near 2.7325 after weakening by ca 2% cumulatively over the prior two days in view of mounting domestic political uncertainty. Investor caution prevails as coalition negotiations between political parties continue after the inconclusive June 7 general elections outcome, where the ruling AK party fell short of achieving parliamentary majority for the first time since 2002. The prospect of early national elections is also on the cards if a government is not formed by late August. Terrorist attacks earlier this week that stirred anti-government rallies exacerbated lately domestic political noise. Against this backdrop and in view of persistently above-target inflation, the Central Bank left interest rates unchanged for the fifth month running at its MPC meeting yesterday, vindicating the markets and our expectations. In the **local rates markets**, government bonds broadly weakened with Turkish paper underperforming its regional peers. In more detail, Turkey's 2- and 10-year benchmark bond yields rose by ca 8bps each from the prior session's settlement to stand at 9.79% and 9.46% respectively at the time of writing.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## 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	2102.15	-0.6%	2.1%	EUR/USD	1.094	-0.4%	-9.6%	UST - 10yr	2.28	1	11	GOLD	1084	-0.6%	-8.5%
Nikkei 225	20544.53	-0.7%	17.7%	GBP/USD	1.549	-0.1%	-0.6%	Bund-10yr	0.72	-2	18	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	399.81	0.4%	16.7%	USD/JPY	123.98	0.0%	-3.5%	JGB - 10yr	0.41	-1	8	LMEX	2459	-1.3%	-15.6%

## CESEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	460	-5	-531
1-week	4.82	-1	-519
1-month	5.22	0	-483
3-month	5.68	3	-417
6-month	5.99	2	-380

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.09	0	-295
5Y RSD	8.30	0	-189
7Y RSD	8.83	0	-325

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.46	0	-80
USD Nov-24	6.48	1	-11

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	271	1	-19
10-year	315	0	-41

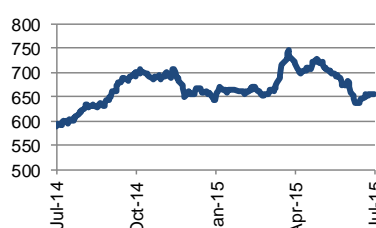
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	655.3	-0.24%	-1.76%

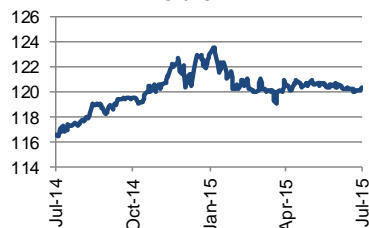
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.31	0.00%	0.86%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.83	31	26
1-month	1.03	1	12
3-month	1.28	1	-42
6-month	1.54	2	-47
12-month	1.64	1	-38

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	-1	-37
5Y RON	2.45	-3	-26
10Y RON	3.71	-8	5

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.58	2	-15
USD Aug-23	3.72	0	11

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	2	-18
10-year	168	1	-19

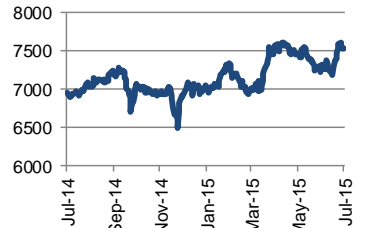
## STOCKS

	Last	ΔD	ΔYTD
BET	7532.6	0.01%	6.35%

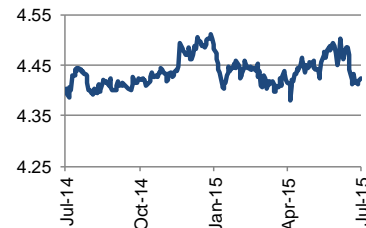
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4226	-0.02%	1.38%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.33	0	-10
6-month	0.64	0	-15
12-month	1.22	0	-28

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.46	0	-58
5Y BGN	1.14	-4	-31
10Y BGN	2.61	0	-14

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.55	0	-61
EUR Sep-24	3.00	41	13

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	171	1	-20
10-year	215	0	-26

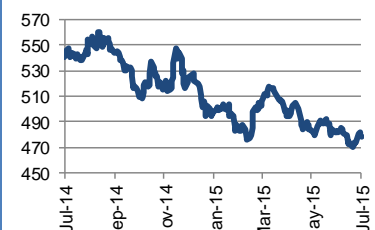
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	478.2	-0.24%	-8.41%

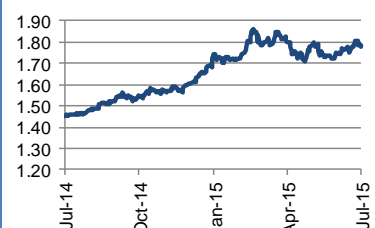
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.788	-0.42%	-9.59%

SOFIX Index



USD/BGN





## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Arkadia Konstantopoulou (Special Contributor)**  
Research Assistant, Eurobank Ergasias  
+30 210 3371224  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 3371 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 3371 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 3371 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), +30 210 3371 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 3371 228

## Global Markets Sales

**Nikos Laios: Head of Treasury Sales**  
[nlaios@eurobank.gr](mailto:nlaios@eurobank.gr), +30 210 37 18 910

**Alexandra Papathanasiou: Head of Institutional Sales**  
[apapathanasiou@eurobank.gr](mailto:apapathanasiou@eurobank.gr), +30 210 37 18 996

**John Seimenis: Head of Corporate Sales**  
[yseimenis@eurobank.gr](mailto:yseimenis@eurobank.gr), +30 210 37 18 909

**Achilleas Stogioglou: Head of Private Banking Sales**  
[astogioglou@eurobank.gr](mailto:astogioglou@eurobank.gr), +30 210 37 18 904

**George Petrogiannis: Head of Shipping Sales**  
[gpetrogiannis@eurobank.gr](mailto:gpetrogiannis@eurobank.gr), +30 210 37 18 915

**Vassilis Gioulbaxiotis: Head Global Markets International**  
[vgioulbaxiotis@eurobank.gr](mailto:vgioulbaxiotis@eurobank.gr), +30 210 37 18 995

**Stefanos Togoussidis: Head of Retail Sales**  
[stogoussidis@eurobank.gr](mailto:stogoussidis@eurobank.gr), +30 210 37 18 917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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