

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, June 26, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- June 22
  - Existing home sales (May)
- June 23
  - Durable goods (May)
  - New home sales (May)
  - PMI manufacturing (Jun, p)
- June 24: GDP (Q1, 3<sup>rd</sup> est.)
- June 25
  - Personal income (May)
  - Personal spend. (May)
  - Core PCE deflator (May)
  - Initial jobless claims (June 20)
  - PMI services & composite (Jun, p)
- June 26: UoM (Jun, f)

### EUROZONE

- June 22: Consumer confidence (Jun, A)
- June 23: PMI (Jun, p)
- June 25-26: EU Summit

### GREECE

- June 22
  - Eurogroup
  - Euro Summit
  - CAD (Apr)

### SEE

#### BULGARIA

- June 26: Gross external debt (Apr)

#### ROMANIA

- June 22: 5.75% 2020 T-bonds auction
- June 25: 6.75% 2017 T-bonds auction

#### SERBIA

- June 22: June 17: Current account (Apr)
- June 24: Floating bonds auction
- June 25: Real gross wages (May)
- June 26: IMF to approve 1<sup>st</sup> review under SBA

Source: Reuters, Bloomberg, Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Market uncertainty on Greece prevails with technical talks between the two sides continuing today, ahead of Saturday's extraordinary Eurogroup. Against this background, the majority of global equity markets were weaker on Friday and German government bonds firmed. In FX markets, both the JPY and the CHF were among the main outperformers as market uncertainty favors their safe-haven appeal.

**GREECE:** The extraordinary Eurogroup that took place yesterday did not reach a final deal on Greece. According to press reports, euro area finance ministers demanded that technical negotiations continue so as for the two sides to bridge their differences and submit a single staff-level agreement to another extraordinary Eurogroup that will be held on Saturday.

### SOUTH EASTERN EUROPE

**ROMANIA:** According to media reports quoting Finance Minister Eugen Teodorovici the government failed to reach an agreement with the European Commission on the country's programme review due to disagreement over the new fiscal code.

**SERBIA:** Speaking on the sidelines of a news conference, Finance Minister Dusan Vujovic reportedly said on Thursday that an IMF mission will visit Serbia between August 20-30<sup>th</sup> for the completion of the country's 2<sup>nd</sup> review under the IMF's €1.2bn 3-year precautionary Stand-By Arrangement. The finance minister also reiterated that he anticipates the IMF to approve the first review of the country's programme later today.

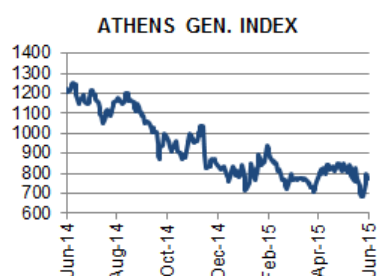
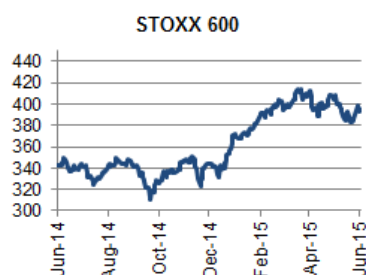
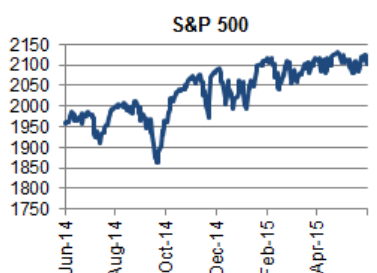
**CESEE MARKETS:** Emerging stock markets pared part of their weekly gains on Friday, with Chinese shares leading the way lower and investor caution prevailing amid mounting concerns over the Greek issue. **Bourses in the CESEE region** and **government bonds** were mixed in early European trade today, while **regional currencies** were little changed.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market uncertainty on Greece prevails with technical talks between the two sides continuing today, ahead of Saturday's extraordinary Eurogroup. Against this background, the majority of global equity markets were weaker on Friday and German government bonds firmed. In FX markets, both the JPY and the CHF were among the main outperformers as market uncertainty favors their safe-haven appeal. The EUR/CHF was hovering around 0.9320/30 in European trade at the time of writing after hitting multi-session highs near 0.9420 on Thursday with SNB Chairman Thomas Jordan suggesting that the Central Bank is ready to act should Greek jitters intensify. Separately, the EUR was little changed against the US currency hovering around 1.1200 at the time of writing, not much changed compared to y-day's levels. With market focus remaining on Greece, the US currency failed to capitalise on a new string of positive US data released y-day which provided further evidence for an acceleration of the domestic economic activity after the soft patch in Q1. US real personal consumer spending increased by a higher-than-expected 0.6% mom sa in May from 0.0% mom in April, recording its fastest pace of growth since August 2014. Furthermore, although initial jobless claims edged higher to 271k in the week ending June 20, they remained below the threshold of 300k -which is usually associated with an improving labor market- for the 16th straight week.

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### GREECE

The extraordinary Eurogroup that took place yesterday did not reach a final deal on Greece. According to press reports, euro area finance ministers refused to assess in parallel the two different draft documents submitted by the Greek government and the institutions. Instead, they demanded that technical negotiations continue so as for the two sides to bridge their differences and submit a single staff-level agreement to another extraordinary Eurogroup that will be held on Saturday. Speaking to reporters late yesterday soon after the conclusion of the first day of the EU Summit, German Chancellor Angela Merkel, noted that Saturday's Eurogroup "is of decisive importance taking into account that time is very short and that a result must be worked on". Indeed, the time frame is very tight as parliaments of a number of EU countries including Germany, Finland, the Netherlands, Austria, Slovakia, Estonia and Greece must complete the necessary process for the ratification of the relevant prior actions before Greece's present Master Financial Assistance Facility Agreement (MFFA) expires on June 30th. Meanwhile, Greek PM Alexis Tsipras will reportedly convene today in Brussels with German Chancellor Angela Merkel and French President Francois Hollande.

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## Latest world economic & market developments in the CESEE region

### ROMANIA

According to media reports quoting Finance Minister Eugen Teodorovici the government failed to reach an agreement with the European Commission on the country's programme review due to disagreement over the new fiscal code. The latter, which was endorsed by parliament on Wednesday, envisions tax cuts planned for 2016, having stirred concerns about a potential deterioration in government finances in the coming years. According to the same reports, Ecofin will decide in July on whether the programme is "ended earlier or later". Meanwhile, an IMF mission review that was tentatively planned for July has been suspended. In other news, the ministry of finance sold at an auction on Thursday the planned RON300mn (equivalent to €67mn) in June 11, 2017 Treasury bonds at an average accepted yield of 1.86%, well below 2.92% achieved at a prior auction of the same paper held in October 2014. The issue bears a coupon of 6.75% and the auction's bid-to-cover ratio stood at 3.9%.

### SERBIA

Speaking on the sidelines of a news conference, Finance Minister Dusan Vujovic reportedly said on Thursday that an IMF mission will visit Serbia between August 20-30<sup>th</sup> for the completion of the country's 2<sup>nd</sup> review under the IMF's €1.2bn 3-year precautionary Stand-By Arrangement. The finance minister also reiterated that he anticipates the IMF to approve the first review of the country's programme later today. Recall that, the IMF had reached in May a staff-level agreement with domestic authorities on the set of policies needed to complete the programme's first review. The completion is subject to a final approval by the Fund's Management and the Executive Board expected on June 26, and will make about €146mn available for disbursement, though the government is unlikely to draw any of the SBA's available funds. On the data front, average gross salaries and wages decreased for the fourth month running in May, though the rate of annual decline slowed for the 3<sup>rd</sup> consecutive month, to 2.3%, from April's 2.8% drop. The aforementioned declines reflect fiscal consolidation measures adopted by the government late last year, such as cuts in civil servants wages, which have weighed on domestic consumption this year.

### CESEE MARKETS

**Emerging stock markets** pared part of their weekly gains on Friday, with Chinese shares leading the way lower and investor caution prevailing amid mounting concerns over the Greek issue. **Bourses in the CESEE region** were mixed in early European trade today, with Serbia's main Belex15 index underperforming its regional peers. The aforementioned index fell for the third session running on Friday, recording a daily drop of 0.95% at the time of writing and hitting its lowest intraday level since late March. At the same time, main indices in Hungary, Romania, Bulgaria and Ukraine rose by ca 0.15-0.35% on the day. Elsewhere, **regional currencies** were little changed and **government bonds** were mixed as negotiations between Greek officials and the institutions continue. In FX markets, the Romanian leu retained a firm tone in European trade on Friday, with the EUR/RON hovering around levels of 4.4515 at the time of writing, remaining within distance from a multi-week low of 4.4460 hit in the prior session. On the flipside, the Turkish lira led the losers' pack giving back a small part of its recent gains. In more detail, the USD/TRY stood ca 0.3% lower at the time of writing, hovering around levels of 2.6630, not far from a 3-week low of 2.6495 touched on Thursday, amid hopes that the winner of the June 7 elections, the ruling AKP party, will soon reach an agreement on a coalition government.

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

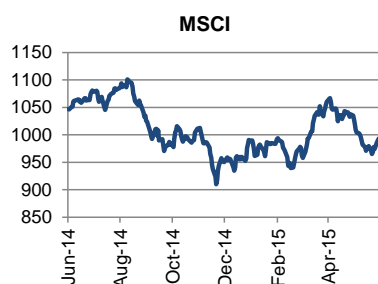
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* 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-

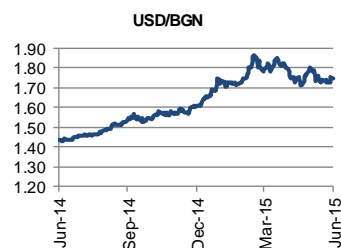
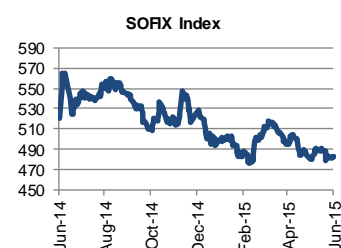
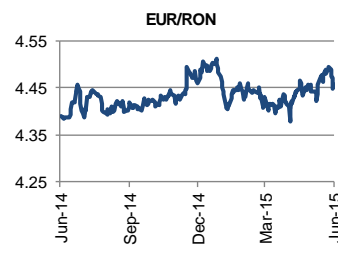
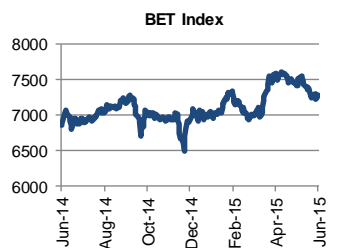
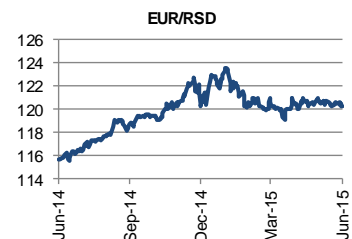
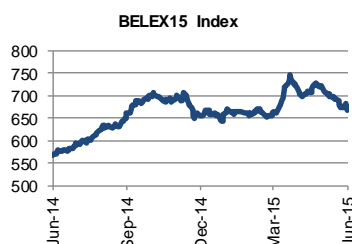
Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

## 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	2102.31	-0.3%	2.1%	EUR/USD	1.1207	0.0%	-7.4%	UST - 10yr	2.40	-1	23	GOLD	1178	0.4%	-0.6%
Nikkei 225	20706.15	-0.3%	18.7%	GBP/USD	1.5749	0.0%	1.1%	Bund-10yr	0.85	-1	31	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	393.39	-0.8%	14.8%	USD/JPY	123.39	0.2%	-3.0%	JGB - 10yr	0.47	-1	14	LMEX	2638	0.2%	-9.5%

## CEESE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	455	-5	-536	O/N	0.77	3	20	LEONIA	0.01	0	-1
1-week	4.83	0	-518	1-month	1.11	-1	20	1-month	0.18	0	-3
1-month	5.27	0	-478	3-month	1.28	0	-42	3-month	0.35	0	-8
3-month	5.81	1	-404	6-month	1.53	-1	-48	6-month	0.69	0	-11
6-month	6.11	1	-368	12-month	1.62	0	-40	12-month	1.27	0	-24
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	6.05	-1	-300	3Y RON	1.98	0	-33	3Y BGN	0.49	-1	-55
5Y RSD	8.32	0	-186	5Y RON	2.58	0	-13	5Y BGN	1.02	0	-43
7Y RSD	8.75	0	-333	10Y RON	3.93	0	27	10Y BGN	2.60	0	-16
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.47	-1	-79	EUR Sep-20	1.80	0	7	EUR Jul-17	0.80	5	-36
USD Nov-24	6.43	0	-16	USD Aug-23	3.85	0	24	EUR Sep-24	2.95	-70	8
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	208	0	-82	5-year	123	2	-19	5-year	175	2	-16
10-year	259	0	-97	10-year	167	2	-20	10-year	227	3	-13
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	667.3	-0.73%	0.04%	BET	7272.3	0.15%	2.67%	SOFIX	483.1	0.24%	-7.48%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.31	0.00%	0.86%	EUR/RON	4.4583	-0.15%	0.57%	USD/BGN	1.7453	0.03%	-7.38%



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

Data updated as of 12:15 EET

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