



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 22, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 21: Yellen testifies on monetary policy before the Senate Banking Committee
- June 22: Existing home sales (May)
- June 23
 - Jobless claims (weekly)
 - New home sales (May)
- June 24
 - Durable goods orders (May)
 - UoM consumer sentiment (May, f)

EUROZONE

- June 21: DE: ZEW (Jun)
- June 23: PMI manufacturing & services (Jun)
- June 24: DE: Ifo business climate (Jun)
- June 26: Spain General elections

GREECE

- June 21
 - Current account balance (Apr)
 - Turnover Index in Industry (Apr)

UK

- June 23: Referendum on EU membership

SEE

SERBIA

- June 21: 1.5% 2018 EUR bonds auction
- June 22: 2.0% 2019 bonds auction
- June 23: 2Y floating bonds auction
- June 24
 - 6.0% 2019 bonds auction
 - Real gross wages (May)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street closed with modest gains overnight, while the majority of Asian bourses ended broadly higher and most European stock markets stood in a modestly positive territory earlier on Wednesday on market optimism that the UK will vote in favor of remaining in the EU on Thursday's referendum. Comments by Fed Chair Janet Yellen yesterday, which cooled further expectations for a July rate hike, also favored risky assets. In the FX markets, the Sterling remained near yesterday's highs, with the GBP/USD hovering around levels of 1.4683 at the time of writing within distance from Tuesday's 5-month peak.

GREECE: The ECB Governing Council is expected to decide at its non-monetary policy meeting later today, on the reinstatement of the waiver for the use of GGBs as collateral for Greek banks' liquidity. The first sub-tranche of ca €7.5 bn from the second installment (total €10.3 bn) was disbursed to Greece yesterday. Stronger ownership of Adjustment Programme's implementation by the Greek authorities needed.

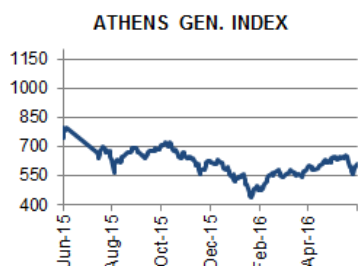
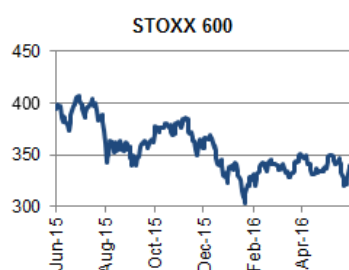
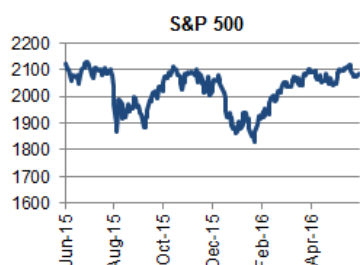
SOUTH EASTERN EUROPE

SERBIA: Upon the conclusion of a visit to Serbia during June 9-21, head of the mission James Roaf said in a statement issued at the IMF's website that a staff-level agreement had been reached with Serbian authorities on policies needed to complete the fourth and fifth reviews under the country's €1.2bn 3-year Stand-By Arrangement (SBA).

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Wall Street closed with modest gains overnight, while the majority of Asian bourses ended broadly higher and most European stock markets stood in a modestly positive territory earlier on Wednesday on market optimism that the UK will vote in favor of remaining in the EU on Thursday's referendum. Although the outcome seems too close to call, the most recent UK opinion polls suggest a swing in favor of the "Remain" campaign. Comments by Fed Chair Janet Yellen yesterday, which cooled further expectations for a July rate hike, also favored risky assets. During her speech on monetary policy before the Senate Banking Committee on Tuesday, Fed Chair Janet Yellen noted that the US Central Bank is taking a cautious approach and closely monitoring developments in the US labour market as well as immediate risks, such as a potential impact from the June 23 referendum in the UK, before proceeding with any further rate hikes. Presently, the future implied probability for an FOMC rate hike in July is at 10%, 30% for September and below 50% for December. Along similar lines, ECB President Mario Draghi said on Tuesday that the Central Bank is ready to act with all instruments, if necessary. In the FX markets, the Sterling remained earlier today near yesterday's highs, with the GBP/USD hovering around levels of 1.4683 at the time of writing, within distance from Tuesday's 5-month peak of 1.4783.

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GREECE

The ECB Governing Council is expected to decide at its non-monetary policy meeting later today, on the reinstatement of the waiver for the use of GGBs as collateral for Greek banks' liquidity. The first sub-tranche of ca €7.5 bn from the second installment (total €10.3 bn) was disbursed to Greece yesterday. According to the MoU compliance report that was published last week €5.7 bn from the first sub-tranche will cover debt servicing needs until the end of August while the remaining €1.8 bn will be used for arrears clearance. Furthermore, the ESM members are in principle willing to support Greece's efforts with further debt relief measures, including short-term measures that can be applied during the course of the current programme. This depends on Greece's continued fulfilment of the pre-defined conditionality. In these lines, the ESM's Chief Klaus Regling stated earlier today, at the Economist's 20th Roundtable with the Government of Greece in Athens, that Greece needs stronger ownership of the Adjustment Programmes. According to ELSTAT, the Turnover Index in Industry in April 2016 recorded a decline of 15.3% YoY. The respective figure in April 2015 was -1.0%YoY. According to the Bank of Greece, the current account deficit in April 2016 declined 20.8%YoY due to an improvement in the balance of goods and the primary and secondary income balances. The services' surplus, however, fell by 36.3%YoY mainly due to drop in transportation receipts but also in travel receipts.

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June 22, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

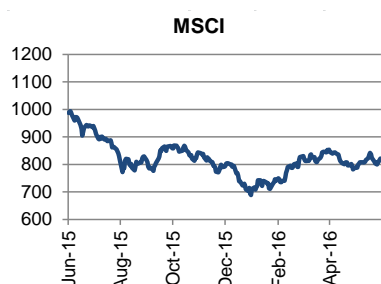
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.00

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	B1	BB-	B+

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

Latest world economic & market developments in the CESEE region

SERBIA

Upon the conclusion of a visit to Serbia during June 9-21, head of the mission James Roaf said in a statement issued at the IMF's website that a staff-level agreement had been reached with Serbian authorities on policies needed to complete the fourth and fifth reviews under the country's €1.2bn 3-year Stand-By Arrangement (SBA). The agreement is subject to approval by the IMF Management and Executive Board, tentatively scheduled for late August, as well as on "the endorsement by the new government; completion of policy actions related to key structural, fiscal, and financial measures." The IMF acknowledged that the strong economic performance under the SBA continues with all quantitative targets having been met. In the said statement, the Fund also noted that real GDP growth is penciled in at 2.5% vs. 1.8% before and inflation is projected at 1.3% for 2016, while the general government deficit is anticipated to come in at 2.5% of GDP and significantly outperform the initial target of 4.0% of GDP for another year. According to the Fund, important challenges lie ahead, such as a sustainable reduction in public debt and strengthening the public investment framework among them, also highlighting the importance of state-owned enterprises reforms. The completion of the last two reviews releases an additional amount of €147mn, bringing the total funds available to €762mn, though the Serbian authorities have indicated that they intend to treat the programme as precautionary and do not plan to draw on the funds available.

In other news, the Public Debt Administration sold €34.77mn at a re-tap of 2-year EUR-denominated paper on Tuesday at an average accepted yield of 1.18%. The issue bears a coupon of 1.5% and matures on June 13, 2018. With three EUR-denominated auctions having been held over the last few days, increased euro demand pushed the EUR/RSD to a new record high of 123.82 in early European trade today. Yesterday's Central Bank intervention in the FX markets (€15mn sale) seemed to have a rather limited impact on the dinar. So far this year the NBS has sold a total amount of €815mn to bolster the domestic currency.

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June 22, 2016

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	2088.90	0.3%	2.2%	EUR/USD	1.1293	0.5%	4.0%	UST - 10yr	1.69	-1	-58	GOLD	1265	-0.2%	19.2%
Nikkei 225	16065.72	-0.6%	-15.6%	GBP/USD	1.4667	0.1%	-0.5%	Bund-10yr	0.05	0	-58	BRENT CRUDE	51	0.9%	37.0%
STOXX 600	340.09	0.0%	-7.0%	USD/JPY	104.54	0.2%	14.8%	JGB - 10yr	-0.14	0	-40	LMEX	2303	0.3%	4.6%

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	293	1	-10	O/N	0.41	0	-12	LEONIA	-0.40	0	-41			
1-week	3.04	2	-15	1-month	0.58	0	-11	1-month	-0.16	0	-31			
1-month	3.19	-1	-32	3-month	0.76	1	-26	3-month	-0.05	0	-31			
3-month	3.43	0	-40	6-month	1.01	0	-33	6-month	0.10	0	-43			
6-month	3.62	-2	-41	12-month	1.18	0	-34	12-month	0.45	0	-52			
RS Local Bonds				RO Local Bonds				BG Local Bonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	3.52	0	-14	3Y RON	1.79	0	-14	3Y BGN	0.38	0	-22			
5Y RSD	5.26	0	13	5Y RON	2.70	0	-10	5Y BGN	1.09	-2	-18			
7Y RSD	5.77	0	-193	10Y RON	3.57	0	-21	10Y BGN	2.42	0	-24			
RS Eurobonds				RO Eurobonds				BG Eurobonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	2.54	-2	-63	EUR Oct-25	2.43	-2	-14	EUR Jul-17	0.25	-17	18			
USD Nov-24	6.23	-1	-19	USD Jan-24	3.29	-8	-50	EUR Sep-24	2.21	20	-21			
CDS				CDS				CDS						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	250	0	-25	5-year	127	2	-6	5-year	165	0	-7			
10-year	293	0	-46	10-year	168	2	-3	10-year	213	0	-3			
STOCKS				STOCKS				STOCKS						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	619.9	0.00%	-3.75%	BET	6520.9	0.20%	-6.90%	SOFIX	456.4	-0.53%	-0.98%			
FOREX				FOREX				FOREX						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	123.65	0.05%	-1.67%	EUR/RON	4.5309	0.20%	-0.37%	USD/BGN	1.7319	0.46%	3.95%			

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 13:30 EEST

June 22, 2016

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