



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, June 23, 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: The majority of Asian equity indices edged higher on Thursday and most European equity bourses opened in the black with higher copper prices offering a boost to mining stocks, ahead of today's UK referendum where the British will vote on whether the country will remain a member of the EU. In FX markets, the Sterling surged earlier today after the latest opinion polls favored the Remain camp. The UK referendum takes centre stage today, with the voting closing at 23:00 CET and final results due tomorrow by 8:00 CET. The data calendar today includes the US jobless claims and new home sales for May.

GREECE: The European Central Bank (ECB) Governing Council decided yesterday to reinstate the waiver and thus render eligible as collateral the marketable debt instruments issued or fully guaranteed by the Hellenic Republic. With regard to the purchase of Greek government bonds under the Public Sector Purchase Programme (PSPP), the ECB Governing Council will examine it at a later stage subject to Greek debt sustainability analysis and other risk management considerations.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration accepted all bids for 3-year EUR-denominated bonds at an auction on Wednesday, raising a total amount of €51.36mn.

CESEE MARKETS: Most CESEE assets were trading water earlier on Thursday, with investor caution prevailing as the UK referendum on the country's EU membership is currently underway.

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Latest world economic & market developments

GLOBAL MARKETS

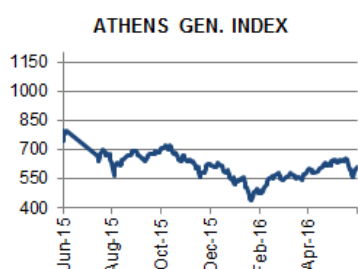
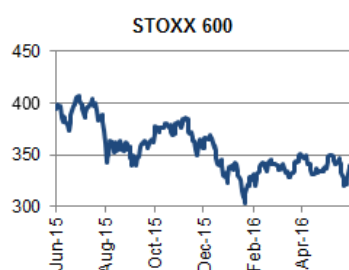
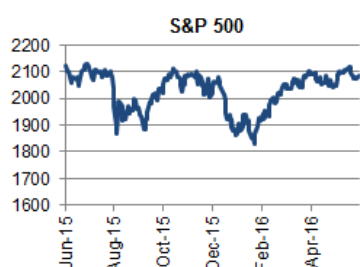
The majority of Asian equity indices edged higher on Thursday and most European equity bourses opened in the black with higher copper prices offering a boost to mining stocks, ahead of today's UK referendum where the British will vote on whether the country will remain a member of the EU. In FX markets, the Sterling surged earlier today after the latest opinion polls favored the Remain camp. Against this background, the GBP/USD rose to a six-month high of 1.4844 earlier today, having risen cumulatively ca. 5.0% over the past week. Elsewhere, the EUR/USD rose to a two-week high of 1.1400 in early European trade, while the US dollar was trending lower against major currency peers for the second consecutive session, with the DXY dollar index falling to a 1½ month low of 93.098 in late Asian trade. On the US data front, existing home sales rose 1.8%MoM to 5.53mn in May, while the FHFA purchase-only home price index increased less than expected in April (+0.2%MoM vs consensus expectations for a rise of 0.6%MoM). Nevertheless, the annual home price appreciation currently stands at 5.9%YoY, pointing to a continuing recovery in the US housing sector. In the Euro area, the flash composite PMI index was broadly in line with consensus expectations, falling to a 17-month low of 52.8 in June from 53.1 in May, with the PMI services index reporting its weakest reading since December 2014. The UK referendum takes centre stage today, with the voting closing at 23:00 CET and final results due tomorrow by 8:00 CET. The data calendar today includes the US jobless claims and new home sales for May.

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GREECE

The European Central Bank (ECB) Governing Council decided yesterday to reinstate the waiver and thus render eligible as collateral the marketable debt instruments issued or fully guaranteed by the Hellenic Republic. The decision comes in the wake of the first disbursement of the second tranche of the ESM loan to Greece and was made on the grounds that the Greek government is committed to implementing the ESM adjustment programme. With regard to the purchase of Greek government bonds under the Public Sector Purchase Programme (PSPP), the ECB Governing Council will examine it at a later stage subject to Greek debt sustainability analysis and other risk management considerations. The waiver was lifted in February 2015 and since then Greek banks had to resort to funding from the Emergency Liquidity Assistance (ELA) mechanism which lends at an interest rate which is approximately 100 basis points above the ECB's benchmark interest rate. In other news, according to data released by the Bank of Greece yesterday, in April 2016 inbound travelers to Greece decreased by 3.5% while receipts from travel services fell by 7%. For the period January – April 2016, inbound travelers decreased by 5.3% while receipts from travel services fell by 3.4%.

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Source: Reuters, Bloomberg, Eurobank Research

June 23, 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

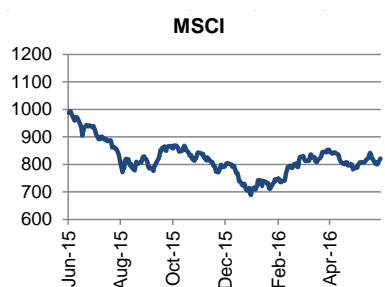
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

The Public Debt Administration accepted all bids for 3-year EUR-denominated bonds at an auction on Wednesday, raising a total amount of €51.36mn, less than €150mn initially planned. The average accepted yield came in at 2.59%, in line with that achieved at a prior tender of similar maturity paper held last week. The issue bears an annual coupon of 2.0% and matures on June 24, 2019.

CESEE MARKETS

Most CESEE assets were trading water earlier on Thursday, with investor caution prevailing as the UK referendum on the country's EU membership is currently underway. The broader MSCI Emerging Markets index stood in the black in Asian trade, having hit a 7-week peak earlier in the session. Although most opinion surveys conducted ahead of the referendum indicate that the outcome appears too close to call, most recent polls showed a lead for the "Remain" camp providing some respite for riskier assets. Along similar lines, dovish Fed Chair Janet Yellen's comments earlier this week and oil prices above \$50/bbl also boosted risk appetite towards emerging market assets.

With all eyes on the UK referendum's outcome, CESEE bourses were little changed at the time of writing. A similar picture was evidenced in the regional FX and sovereign bond markets. The Serbian dinar remained under pressure, as a heavy EUR-denominated bond auctions calendar over recent days has resulted in an increase in euro demand. Along these lines, the EUR/RSD was hovering around levels of 123.73 in European trade, within distance from yesterday's new record high of 123.82.

Looking into the coming days, the UK referendum's outcome will likely set the tone for emerging markets performance in the short-term. Should the "Remain" campaign win, a relief rally in risky assets is likely to follow. The opposite result is likely to lead to a more acute flight to quality. With the economies of Poland and Hungary being amongst those most dependent on EU funds, the zloty and the forint will likely bear the brunt of a Brexit scenario.

On a regional level, the calendar of key data and risk events is relatively light, with a monetary policy meeting in Ukraine and the release of the National Bank of Poland minutes luring market attention. In Hungary, the Central Bank published its updated Inflation Report earlier on Thursday, maintaining its real GDP growth forecast at 2.8% for 2016 and penciling in a 3.0% increase for 2017. The MNB also envisions annual average inflation at 0.5% and 2.6% for this year and the next, respectively, as well as budget deficits of 1.6-1.8% of GDP and 2.4% of GDP in 2016 and 2017, respectively.

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June 23, 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	2092.31	0.2%	2.4%	EUR/USD	1.1316	0.7%	4.2%	UST - 10yr	1.70	-1	-57	GOLD	1267	-0.1%	19.3%
Nikkei 225	16065.72	-0.6%	-15.6%	GBP/USD	1.4738	0.6%	0.0%	Bund-10yr	0.06	1	-57	BRENT CRUDE	51	0.6%	36.6%
STOXX 600	341.94	0.6%	-6.5%	USD/JPY	104.57	0.2%	14.8%	JGB - 10yr	-0.14	0	-40	LMEX	2303	0.3%	4.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	293	1	-10
1-week	3.04	2	-15
1-month	3.19	-1	-32
3-month	3.43	0	-40
6-month	3.62	-2	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.30	#N/A N/A	-29
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.54	-2	-62
USD Nov-24	6.23	-1	-19

CDS

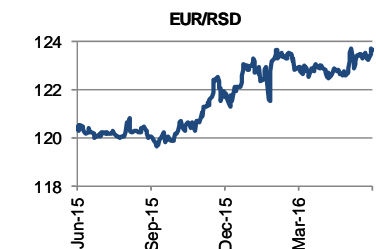
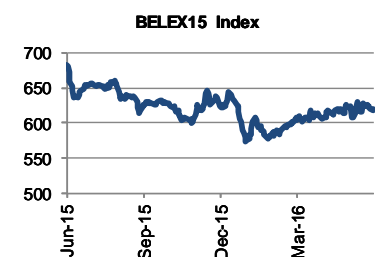
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-25
10-year	293	0	-46

STOCKS

	Last	ΔD	ΔYTD
BELEX15	620.4	0.08%	-3.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.78	-0.06%	-1.77%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	0	-12
1-month	0.58	0	-11
3-month	0.76	1	-26
6-month	1.01	0	-33
12-month	1.18	0	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.79	0	-14
5Y RON	2.70	0	-10
10Y RON	3.56	-1	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.43	-2	-14
USD Jan-24	3.33	-4	-45

CDS

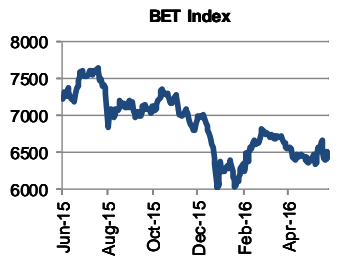
	Last	ΔDbps	ΔYTD bps
5-year	127	2	-6
10-year	168	2	-3

STOCKS

	Last	ΔD	ΔYTD
BET	6490.0	-0.27%	-7.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5265	0.30%	-0.28%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.16	0	-31
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	0	-22
5Y BGN	1.11	0	-16
10Y BGN	2.42	0	-24

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	7	-5
EUR Sep-24	2.26	-11	-16

CDS

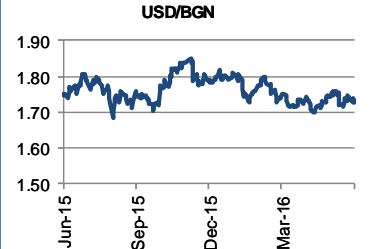
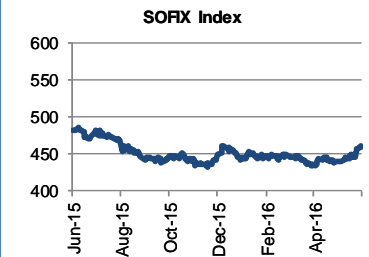
	Last	ΔDbps	ΔYTD bps
5-year	165	0	-7
10-year	213	0	-3

STOCKS

	Last	ΔD	ΔYTD
SOFIX	460.1	0.27%	-0.18%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7285	0.66%	4.15%



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

Data updated as of 17:00 EEST of previous session

June 23, 2016

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