



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, June 24, 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: By a margin of 51.9% to 48.1%, the British people voted in favor of their country leaving the EU. In FX markets, the GBP fell sharply across the board while both the CHF and the JPY were the main outperformers favored by their safe-haven appeal. Major bourses were under heavy pressure while major sovereign bonds gained sharply across maturities.

GREECE: Upon request by the Bank of Greece the Governing Council of the ECB set the ELA-ceiling for Greek banks at €65bn up to and including Wednesday June 29th 2016 and at €61.1bn from Thursday June 30th up to and including Wednesday July 6th. The overall reduction of €7bn in the ceiling comes in the wake of the reinstatement of the waiver for the use of GGBs as collateral for banks' liquidity.

SOUTH EASTERN EUROPE

SERBIA: The Public Debt Administration sold on Thursday RSD 4.03bn (~€32.5mn) of 2-year amortizing bonds.

CESEE MARKETS: Emerging market assets fell sharply across the board earlier on Friday after initial results from the UK referendum held yesterday showed that Britain voted in favor of leaving the European Union.

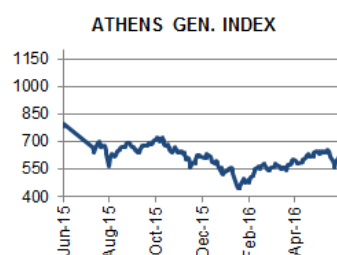
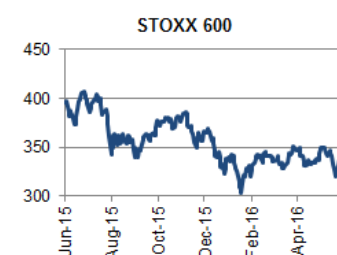
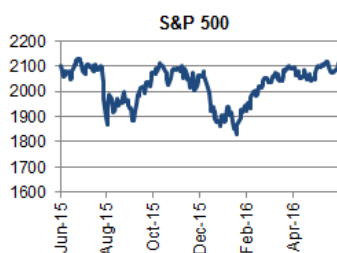
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June 24, 2016

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

By a margin of 51.9% to 48.1%, the British people voted in favor of their country leaving the EU. Turnout was 72.2%, the highest in a UK nationwide election since 1992. The referendum outcome is expected to exert profound implications on the UK economy economically and politically and, to a lesser extent, on the EU and the global economy. PM David Cameron who campaigned in favor of the UK remaining in the EU, announced earlier today his decision to be replaced by a new Premier who would enact the procedure for the country leaving the EU based on the Article 50 of the Lisbon Treaty. Meanwhile, Brexit is likely to lead to another Scottish referendum after Scotland voted 62% in favour of staying in the EU while Northern Ireland's largest Irish nationalist party Sinn Fein said that the referendum outcome intensified the case for a vote on whether to quit the UK. In FX markets, the GBP fell sharply across the board with the GBP/USD recording a session low of 1.3232 earlier today, the lowest since 1985, before recovering modestly to levels around 1.3645/50 at the time of writing. Worries over Brexit repercussions on the future of the euro area weighed on the EUR to fell to a three month low of 1.0914 vs. the USD earlier today before gaining some ground in European trade to hover around 1.1142/45 at the time of writing. Favored by their safe-haven appeal both the CHF and the JPY were the main outperformers. The EUR/CHF fell near 1.0600 for the first time since late July 2015 before gaining to levels around 1.0850/60 on SNB intervention to counter the CHF's upward momentum. Major bourses were under heavy pressure while major sovereign bonds gained sharply across maturities with the 10-yr US Treasury yield trading close to 1.52% at the time of writing after recording session lows near 1.40% earlier today, not far from a record low of 1.38% marked in July 2012. BoE Governor Mark Carney announced that the central bank is ready to provide £250bn of additional funds to support financial markets. An emergency EU Summit is expected to be held over the weekend where the UK PM will formally report the EU referendum result to his European counterparts and prepare negotiations for the first exit of a member state from the EU.

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GREECE

Upon request by the Bank of Greece the Governing Council of the ECB set the ELA-ceiling for Greek banks at €65bn up to and including Wednesday June 29th 2016 and at €61.1bn from Thursday June 30th up to and including Wednesday July 6th. The overall reduction of €7bn in the ceiling comes in the wake of the reinstatement of the waiver for the use of GGBs as collateral for banks' liquidity. Meanwhile, the strategy of the European Bank for Reconstruction and Development (EBRD) for Greece that was published yesterday, sets out the bank's priorities for Greece until the end of 2020 as follows: (i) support the success of private Greek companies and help them realise their export potential, (ii) support the stabilisation of the financial sector, and (iii) support private sector participation in and commercialization of the energy and infrastructure sectors. In this context, according to press reports, the EBRD intends to mobilise funds worth up to €180mn for the support of trade through cooperation agreements with the four systemic banks. In other news, the Greek is expected to submit to the Hellenic Parliament the ratifying bill for the approval of the sale of a 51% stake in the Piraeus Port Authority (OLP) to Cosco Group Limited for €280.5bn. The vote is expected to take place early next week.

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June 24, 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

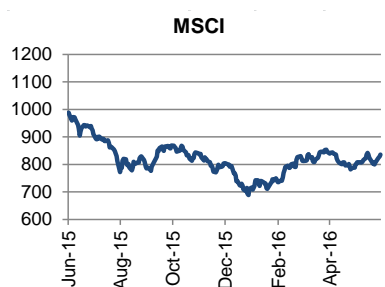
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The Public Debt Administration sold on Thursday RSD 4.03bn (~€32.5mn) of 2-year amortizing bonds. The amount sold was less than the RSD10bn planned, though the bid to cover ratio came in at 1.99. The notes which expire on June 27, 2018, bear a floating coupon of Reference Interest Rate NBS (4.25% presently) + Fixed Spread. The latter was set at 0.25%, below 0.45% achieved at a prior auction of similar maturity paper held on February 11.

CESEE MARKETS

Emerging market assets fell sharply across the board earlier on Friday after initial results from the UK referendum held yesterday showed that Britain voted in favor of leaving the European Union. A drop in commodities exacerbated the downtrend. Although most opinion surveys conducted ahead of yesterday's plebiscite in the UK suggested that the outcome was too close to call, most recent polls indicated that the Remain camp was marginally ahead with a Leave outcome appearing not to have been adequately priced in by financial markets. Along these lines, the MSCI Emerging Markets index fell by 3.1% compared to its level on Thursday's close, while Emerging Markets spreads over USTs on the EMBI Global index widened by 30bps.

CESEE assets bore the brunt of yesterday's Brexit vote as they are more closely (directly or indirectly) related to the EU, in terms of financial, economic and political linkages. Although trade ties between most countries in the CESEE region and the UK seem to be relatively limited, many economies have close links via remittances and in many, such as Hungary and Poland, growth is dependent on European Structural and Investment Funds which may be reduced as a result of lower contributions to the EU budget.

Against this background, Polish assets broadly underperformed their regional peers earlier on Friday. The blue-chip WIG20 index plummeted by more than 11% on the day to a 7-year low and the main WIG index shed 8.6% plunging to its lowest level since late January. In a similar vein, the Polish zloty eased to a 4 ½ year trough of 4.5385/€ in Asian trade before recovering some ground towards 4.4485 later in the session. Elsewhere, the Hungarian forint declined to a 1 ½ year low of 321.84/€ shortly after the UK referendum's outcome announcement, though it bounced back towards 317.10 in European trade. The Serbian dinar, which had already been under depreciation pressures over the last few sessions as a heavy EUR-denominated bond auctions calendar this and last week resulted in an increase in euro demand, lost further ground earlier today. The EUR/RSD rose to a new record high of 124.26 earlier on Friday, before pulling back towards 123.90 later on the day after the Central Bank intervened in the FX markets to halt the domestic currency's depreciation trend.

A similar picture was evidenced in emerging sovereign debt markets in European trade on Friday, with Turkish paper leading the losses in the CESEE region. In more detail, the 2- and 10-year benchmark bond yield bounced by 11 and 25 basis points compared to the prior session's settlement to 8.94% and 9.50%, respectively. In view of the sharp increase in market volatility as a result of the UK referendum outcome, the Polish Ministry of Finance announced earlier today that it would cancel a switch auction scheduled for June 27.

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June 24, 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	2113.32	1.3%	3.4%	EUR/USD	1.1069	-2.8%	2.0%	UST - 10yr	1.51	-24	-76	GOLD	1321	5.1%	24.5%
Nikkei 225	14952.02	-7.9%	-21.4%	GBP/USD	1.3737	-7.7%	-6.8%	Bund-10yr	-0.08	-18	-71	BRENT CRUDE	48	-5.4%	29.2%
STOXX 600	321.42	-7.2%	-12.1%	USD/JPY	102.6	3.5%	17.0%	JGB - 10yr	-0.17	-3	-44	LMEX	2338	1.0%	6.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	4	-5
1-week	3.09	3	-10
1-month	3.24	3	-27
3-month	3.48	3	-35
6-month	3.68	5	-35

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.25	-5	-29
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.77	24	-39
USD Nov-24	6.26	3	-16

CDS

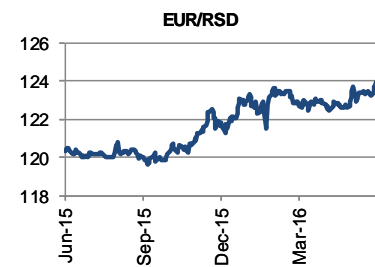
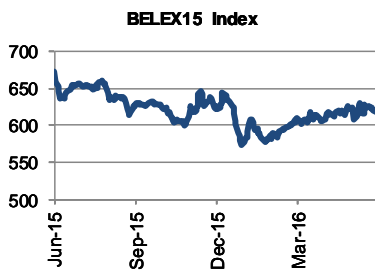
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-25
10-year	291	0	-48

STOCKS

	Last	ΔD	ΔYTD
BELEX15	606.5	-2.03%	-5.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	124.06	-0.12%	-2.00%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	15	4
1-month	0.69	10	0
3-month	0.85	9	-17
6-month	1.07	6	-27
12-month	1.25	7	-27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.88	10	-5
5Y RON	2.81	12	1
10Y RON	3.68	13	-10

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.43	2	-14
USD Jan-24	3.46	14	-33

CDS

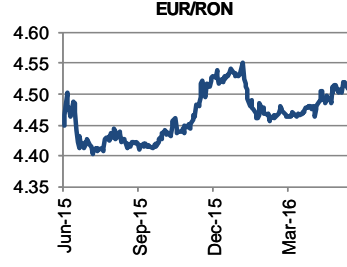
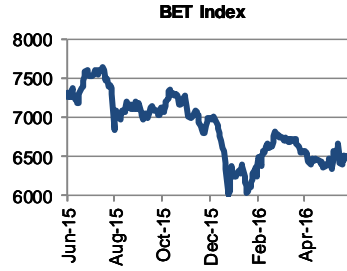
	Last	ΔDbps	ΔYTD bps
5-year	123	-3	-10
10-year	165	-2	-7

STOCKS

	Last	ΔD	ΔYTD
BET	6292.6	-3.12%	-10.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5365	-0.64%	-0.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.16	0	-31
3-month	-0.04	0	-30
6-month	0.10	0	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	2	-20
5Y BGN	1.15	3	-12
10Y BGN	2.43	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.21	0	14
EUR Sep-24	2.30	0	-13

CDS

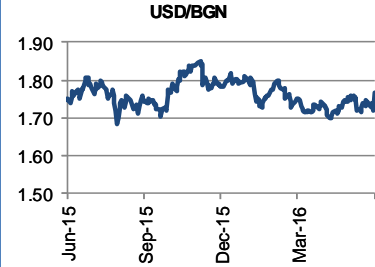
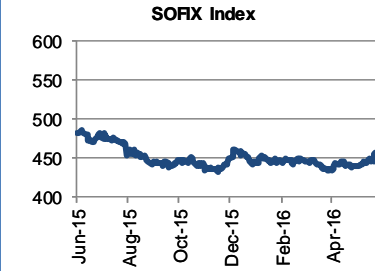
	Last	ΔDbps	ΔYTD bps
5-year	153	-4	-19
10-year	200	-4	-16

STOCKS

	Last	ΔD	ΔYTD
SOFIX	451.2	-2.26%	-2.11%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.767	-2.76%	1.88%



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

Data updated as of 13:20 EEST

June 24, 2016

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