



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, June 27, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- June 28
 - GDP (3rd est, Q1 2016)
 - CB Consumer confidence (Jun)
- June 29
 - Personal income/spending (May)
 - Core PCE deflator (May)
 - Pending home sales (May)
- June 30
 - Jobless claims (weekly)
 - Chicago PMI (May)
- July 1: ISM manuf (Jun)

EUROZONE

- June 28/29: EU Summit
- June 30: HICP (flash, Jun)
- July 1: PMI manuf (f, Jun)

GREECE

- June 29: Economic Sentiment (Jun)
- June 30
 - PPI (May)
 - Retail trade (Apr)
- July 1: PMI (Jul)

SEE

ROMANIA

- June 27: RON 500mn 2.5% 2019 T-bonds auction
- June 28: CB Deputy Governor speaks
- July 1
 - ILO U/E rate (May)
 - International reserves (Jun)

SERBIA

- June 30
 - Trade balance (May)
 - Retail sales (May)
 - IP (May)
- July 1: Sovereign credit rating review by S&P

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European equity indices opened in the red on Monday, pressured by heightened uncertainty following the Brexit result of the June 23rd UK referendum. In Spain, the IBEX 35 Index opened in the black rising more than 2.0%, after the victory of Mariano Rajoy's centre-right People's Party (PP) in repeat general elections in Spain on Sunday, which increased its seats in Parliament to 137 from 123 in December's inconclusive poll, albeit still short of a majority in the 350-seat Parliament. Nevertheless, the said index reversed earlier gains falling ca. 0.6% at the time of writing. EMU sovereign debt spreads widened sharply across the board, with the 10-yr Greek/Bund and 10-yr Italian/Bund yield spread increasing by gbps to 878bps and by 3bps to 163bps respectively. In FX markets, the GBP came under renewed pressure, with the GBP/USD plunging to a 31-year low of 1.3188 earlier today. Focus this week centres on the two-day European Council summit in Brussels, where EU leaders are expected to discuss the UK's decision to leave the EU.

GREECE: According to press reports, the Greek government is working to complete by end-July the remaining items in the context of the first programme review that constitute part of the conditionality for the second review, expected to commence in October 2016. According to data released today by the Bank of Greece, in May 2016 total credit to the domestic private sector was negative at €357 million compared to a negative net flow of €156 million in April 2016 and €146 million in March 2016.

SOUTH EASTERN EUROPE

BULGARIA: The Bulgarian stock market closed modestly lower last week, with earlier gains recorded on positive corporate news and low liquidity having been fully erased on Friday after the UK voted in favor of leaving the EU on the June 23rd referendum.

ROMANIA: As was the case around the globe, the UK referendum set the tone for Romanian markets last week.

SERBIA: The EUR/RSD hit a fresh all time high at 124.20/40 last week on increased domestic euro demand and deteriorating global risk sentiment after the UK vote. Along similar lines, the Public Debt Administration sold less than a planned amount of RSD 20bn of 3-year RSD-denominated T-bonds, raising only RSD 6.55bn on Friday's auction.

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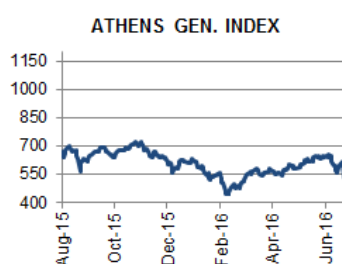
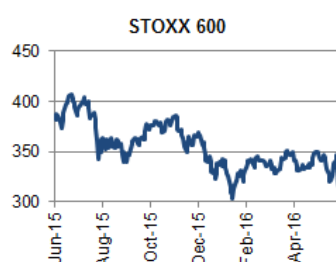
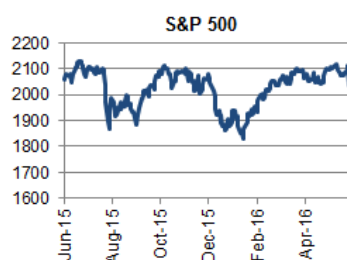
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Latest world economic & market developments

GLOBAL MARKETS

European equity indices opened in the red on Monday, pressured by heightened uncertainty following the Brexit result of the June 23rd UK referendum. The FTSE 100 Index was losing ca. 1.4% at the time of writing, with Barclays and Royal Bank of Scotland suffering the steepest losses and, finally, being suspended from trading in the London Stock Exchange. In Spain, the IBEX 35 Index opened in the black rising more than 2.0%, after the victory of Mariano Rajoy's centre-right People's Party (PP) in repeat general elections in Spain on Sunday, which increased its seats in Parliament to 137 from 123 in December's inconclusive poll, albeit still short of a majority in the 350-seat Parliament. Nevertheless, the said index reversed earlier gains falling ca. 0.6% at the time of writing. Elsewhere, Japan's NIKKEI 225 Stock Average rose 2.4% after Friday's hefty losses despite the stronger JPY, boosted by Japanese officials' warnings that domestic authorities may intervene in FX markets to halt the currency's upward momentum. Mirroring the risk-off sentiment, safe-haven demand boosted US Treasuries and Bunds, with the 10yr Treasury yield dropping by 9 bps to 1.46% and the 10yr Bund falling by 6bps to -0.109% in European trade at the time of writing. EMU sovereign debt spreads widened sharply across the board, with the 10-yr Greek/Bund and 10-yr Italian/Bund yield spread increasing by 9bps to 878bps and by 3bps to 163bps respectively. In FX markets, the GBP came under renewed pressure, with the GBP/USD plunging to a 31-year low of 1.3188 earlier today. Elsewhere, the safe-haven JPY strengthened, with the USD/JPY falling to 101.45 in early European trade, within distance from a 2.5 year low of 99.02 hit on Friday. Focus this week centres on the two-day European Council summit in Brussels, where EU leaders are expected to discuss the UK's decision to leave the EU.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to press reports, the Greek government is working to complete by end-July the remaining items in the context of the first programme review that constitute part of the conditionality for the second review, expected to commence in October 2016. These include: (i) the transfer to the Hellenic Republic Asset Development Fund (HRADF) of the 5 percent stake the State holds in OTE, (ii) the finalisation of the review of the Boards of the Greek banks for which the Relationship Framework Agreements with the HFSF apply, (iii) the nomination of the Supervisory Board, which will be responsible for selecting the Board of Directors of the new Privatisations Fund, (iv) the appointment of the Board of Directors of the Revenue Agency, and (v) the authorization of the sale of at least 20 percent of ADMIE to a strategic investor and initiation of the respective tender procedure. According to data released today by the Bank of Greece, in May 2016 total credit to the domestic private sector was negative at €357 million compared to a negative net flow of €156 million in April 2016 and €146 million in March 2016.

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June 27, 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

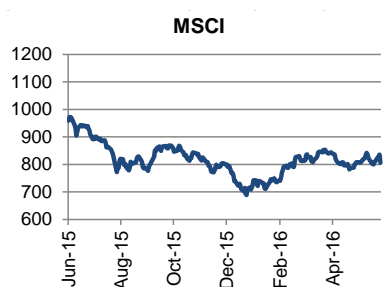
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The Bulgarian stock market closed modestly lower last week, with earlier gains recorded on positive corporate news and low liquidity having been fully erased on Friday after the UK voted in favor of leaving the EU on the June 23rd referendum. Along these lines, the major benchmark SOFIX index closed modestly lower at 456.37 points after snapping a seven-session rising streak of 3.5%. Meanwhile, the sovereign debt markets were little changed with yields moving upwards within 3 bps in the mid and long-end of the curve.

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ROMANIA

As was the case around the globe, the UK referendum set the tone for Romanian markets last week. The EUR/RON fell ahead of the UK poll, going from 4.5425 in the previous Friday down to 4.5050 late on Thursday, to bounce back higher on Friday as the Leave camp won the UK vote. The pair reached an intraday high of 4.5600 on Friday morning, recovering some of the lost ground in the second part of the day and closing near 4.5250, around half a percentage point stronger than the previous week. The money market kept calmer, being supported by ample RON liquidity. The implied RON rate from swaps for the 1M maturity remained unchanged from the previous week at 0.60%, while the 12M rate rose 10 bps to 0.95%. RON government bonds pulled back in the first part of the week as traders tried to limit risk ahead of the crucial vote, with yields moving around 10 bps higher and erasing all gains since 1 June. On Friday, after the vote, the market opened initially significantly wider, with a parallel shift in yields 25-30bps higher based on bids. However, with most investors seeking to buy the dip on expectations of continued global monetary stimulus, while there were almost no sellers, the market quickly recovered some ground. In the end, yields closed only 10 bps higher than the previous day, in a surprisingly strong market reaction after the negative referendum news.

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SERBIA

The EUR/RSD retained a bullish momentum throughout most of last week, being primarily driven by local demand rather than global developments. That said, the pair's upside trend was exacerbated on Friday after the UK referendum result, with the EUR/RSD reaching a fresh all time high at 124.20/40. A swift Central Bank reaction via the sale of euros in the FX markets pushed the cross towards 123.70/90 in European trade on Friday. In view of the deteriorating global risk sentiment, the Public Debt Administration failed to sell by a significant margin the planned RSD 20bn (~€0.16bn) amount of 3-year RSD-denominated T-bonds, raising only RSD 6.55bn (~€0.05bn) on Friday's auction. Despite low investor demand, the average accepted yield fell to 5.37% from 5.95% achieved at a prior tender of similar maturity paper in February.

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June 27, 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	2037.41	-3.6%	-0.3%	EUR/USD	1.1016	-0.9%	1.5%	UST - 10yr	1.48	-8	-79	GOLD	1329	1.0%	25.2%
Nikkei 225	15309.21	2.4%	-19.6%	GBP/USD	1.3219	-3.4%	-10.3%	Bund-10yr	-0.10	-6	-73	BRENT CRUDE	48	-0.6%	29.1%
STOXX 600	312.52	-2.9%	-14.6%	USD/JPY	101.67	0.5%	18.1%	JGB - 10yr	-0.19	-2	-46	LMEX	2302	-1.6%	4.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	0	-5
1-week	3.09	0	-10
1-month	3.27	3	-24
3-month	3.53	5	-30
6-month	3.74	6	-29

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.53	0	-14
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.81	1	-35
USD Nov-24	6.26	0	-16

CDS

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

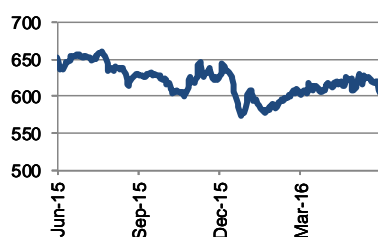
STOCKS

	Last	ΔD	ΔYTD
BELEX15	604.4	-0.59%	-6.16%

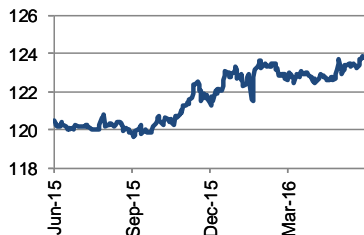
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.81	-0.03%	-1.80%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-2	2
1-month	0.68	-1	-1
3-month	0.84	-1	-18
6-month	1.06	-1	-28
12-month	1.22	-3	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.89	0	-4
5Y RON	2.79	-3	-1
10Y RON	3.64	-4	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.47	4	-10
USD Jan-24	3.39	1	-39

CDS

	Last	ΔDbps	ΔYTD bps
5-year	139	16	6
10-year	180	15	8

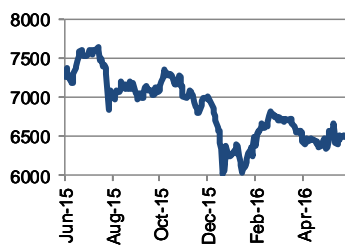
STOCKS

	Last	ΔD	ΔYTD
BET	6266.7	0.01%	-10.53%

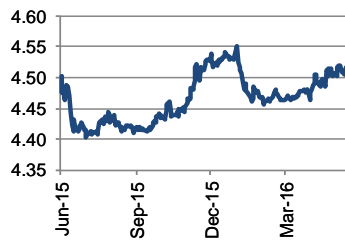
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5179	0.25%	-0.09%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.40	0	-41
1-month	-0.15	0	-31
3-month	-0.03	1	-29
6-month	0.11	1	-42
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	1	-19
5Y BGN	1.15	0	-12
10Y BGN	2.45	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.20	-19	13
EUR Sep-24	2.29	-10	-13

CDS

	Last	ΔDbps	ΔYTD bps
5-year	162	10	-9
10-year	211	11	-5

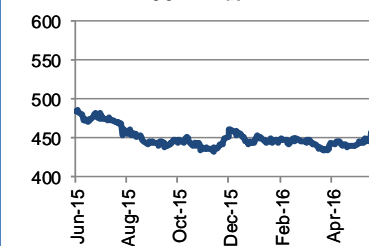
STOCKS

	Last	ΔD	ΔYTD
SOFIX	453.5	-0.64%	-1.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7752	-0.86%	1.41%

SOFIX Index



USD/BGN



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

Data updated as of 14:00 EEST

June 27, 2016

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