



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, June 28, 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: Major Asian equity indices bounced back snapping a two-session declining streak, while most European bourses opened significantly higher endeavoring a recovery from the hefty sell-off in the prior two sessions and shrugging off S&P's and Fitch's downgrade of the UK's sovereign credit rating to AA (and negative outlook) from AAA and AA+, respectively. In FX markets, the British pound trimmed earlier losses, with the GBP/USD hovering around levels of 1.3329/30 in European trade at the time of writing from a 31-year low of 1.3121 hit in yesterday's session. On the calendar today, the EU parliament votes on a resolution on the UK referendum while, later in the day, EU leaders in Brussels start a two-day summit to discuss the Brexit fallout. On the US macro front, the third estimate of Q1 GDP takes centre stage, while ECB President Mario Draghi is due to make an introductory speech at ECB Forum on Central Banking "The future of the international monetary and financial architecture" in Sintra, Portugal.

GREECE: According to press reports, EU officials urge the Greek government to swiftly proceed with the completion of the milestones attached to the second programme review, as foreseen in the updated Memorandum of Understanding. The target is to have the review completed by end of October 2016 and the next loan tranche disbursed during the first fortnight of November.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold on Monday a planned amount of RON 500mn of 3-year treasury bonds, at an average accepted yield of 1.90%.

CESEE MARKETS: Emerging market assets recovered some ground earlier on Tuesday, following a sharp sell-off in the previous two sessions.

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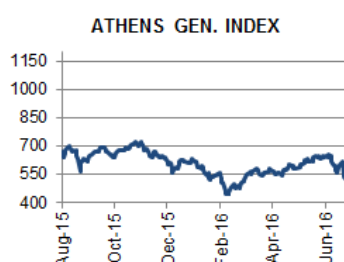
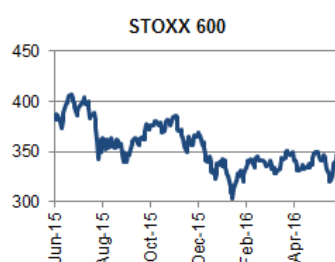
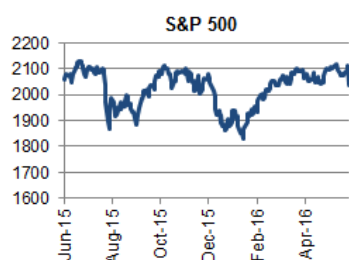
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Latest world economic & market developments

GLOBAL MARKETS

Wall Street closed in the red overnight amid lingering Brexit concerns and weaker than expected US economic data releases. The US Markit Services PMI remained unchanged at 51.3 in June, falling short of market expectations for a rise to 52.0, while the Dallas Fed manufacturing activity index improved less than expected in June to -18.3 from -20.8 in the prior month. Elsewhere, major Asian equity indices bounced back snapping a two-session declining streak, while most European bourses opened significantly higher endeavoring a recovery from the hefty sell-off in the prior two sessions and shrugging off S&P's and Fitch's downgrade of the UK's sovereign credit rating to AA (and negative outlook) from AAA and AA+, respectively. Performance in EMU sovereign debt spreads was mixed, with the 10-yr Spanish/ Bund spread dropping by ca. 22 bps to 146 bps over the last two sessions following Sunday's repeat general elections where Rajoy's party won more seats compared to December's elections. In FX markets, the British pound trimmed earlier losses, with the GBP/USD hovering around levels of 1.3329/30 in European trade at the time of writing from a 31-year low of 1.3121 hit in yesterday's session. Moreover, the EUR/USD gained some ground hovering around levels of 1.1075/76 in early European trade after marking a three-month low of 1.0912 late last week in the aftermath of the UK's decision to leave the EU. On the calendar today, the EU parliament votes on a resolution on the UK referendum while, later in the day, EU leaders in Brussels start a two-day summit to discuss the Brexit fallout. On the US macro front, the third estimate of Q1 GDP takes centre stage, while ECB President Mario Draghi is due to make an introductory speech at ECB Forum on Central Banking "The future of the international monetary and financial architecture" in Sintra, Portugal.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to press reports, EU officials urge the Greek government to swiftly proceed with the completion of the milestones attached to the second programme review as foreseen in the updated Memorandum of Understanding. The target is to have the review completed by end of October 2016 and the next loan tranche disbursed during the first fortnight of November. Officials also reportedly stated that Brexit is not expected to have a particularly grave effect on the Greek economy and hence a relaxation of agreed targets should not be expected. Meanwhile, SETE (Greek Tourism Confederation) released a statement claiming that as a result of the UK's decision to exit the EU, GBP's weakness vs. the EUR and a potential decrease in the UK's GDP may affect both the volume of arrivals of British tourists to Greece and their per capita spending thus hurting Greek tourism for which Britain constitutes the second largest market. Furthermore, SETE claims that "Sun & Sea", Greece's most popular tourism product, may be particularly affected as a significant share of reservations for this product takes place last minute and as a result the anticipated arrivals for the peak season of July and August may now be fewer than anticipated.

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June 28, 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

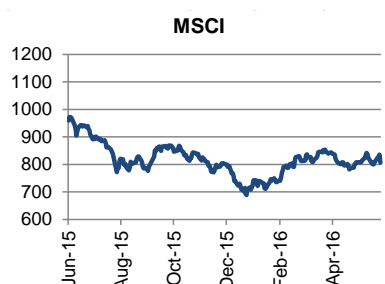
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The finance ministry sold on Monday a planned amount of RON 500mn of 3-year treasury bonds. The average accepted yield came in at 1.90% gbps above that achieved at a prior auction of same maturity paper held in late May, reflecting deteriorating global risk sentiment after the UK referendum. That said, the auction was well received with a bid to cover ratio of 2.03. The issue expires on April 29, 2019 and bears an annual coupon of 2.5%.

CESEE MARKETS

Emerging market assets recovered some ground earlier on Tuesday, following a sharp sell-off in the previous two sessions. Hopes about policy response and scaled back expectations over further Fed rate hikes in the coming months provided support to risky assets that had come under significant pressure after the UK referendum.

Along these lines, the MSCI Emerging Markets Index rose earlier today, snapping a 2-session losing streak that resulted to cumulative losses of nearly 5%. In the CESEE region, stock markets staged a relief rally having borne the brunt of the Brexit vote over the last couple of sessions as these economies are more closely (directly or indirectly) related to the EU, in terms of financial, economic and political linkages. Many CESEE countries enjoy close links with the UK via remittances while for several growth is dependent on European Structural and Investment Funds which may be reduced as a result of lower contributions to the EU budget. That said, the region enjoys strong fundamentals compared to other EM peers, with fiscal and external positions having largely improved over recent years.

In this context, the Hungarian BUX led the winners' pack rising by more than 2.0% in European trade, while gains in excess of 1.5% were recorded by major indices in Turkey, Poland and Romania. In the FX markets, the Polish zloty led the recovery, with the EUR/PLN hovering around levels of 4.4280 at the time of writing, ca 0.8% lower compared to Monday's settlement, sliding further below a 4 1/2 year peak of 4.5385 hit on Friday shortly after the announcement of initial UK referendum results. In the sovereign debt markets, local currency bonds also firmed, with the yields of the Turkish 2- and 10-year benchmark paper sliding by approximately 20bps each to 8.60% and 9.17% respectively, outperforming other peers.

Looking into this week's CESEE calendar, CPI in Poland for June and the MPC meeting in Romania take centre stage on Thursday. PMI data for June due for release on Friday in several countries in the region, also lure market attention as a first indication of the impact of the UK referendum outcome on business sentiment. S&P's credit rating reviews for Poland and Serbia, also on Friday, also feature high on this week's agenda.

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June 28, 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	2004.91	-1.6%	-1.9%	EUR/USD	1.1002	-1.0%	1.3%	UST - 10yr	1.47	-9	-80	GOLD	1327	0.8%	25.0%
Nikkei 225	15309.21	2.4%	-19.6%	GBP/USD	1.3212	-3.4%	-10.3%	Bund-10yr	-0.11	-6	-74	BRENT CRUDE	47	-2.0%	27.2%
STOXX 600	310.07	-3.7%	-15.2%	USD/JPY	101.56	0.6%	18.2%	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	2.82	2	-34
USD Nov-24	6.26	0	-16

CDS

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

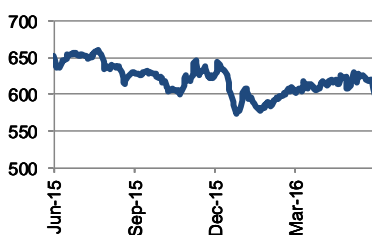
STOCKS

	Last	ΔD	ΔYTD
BELEX15	600.0	-1.32%	-6.84%

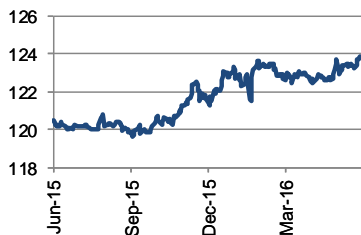
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.75	0.01%	-1.75%

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	1.88	-1	-5
5Y RON	2.76	-5	-4
10Y RON	3.61	-7	-17

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

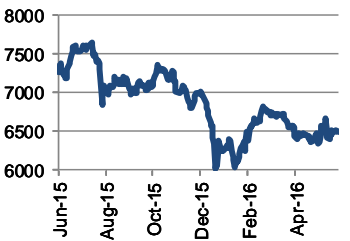
STOCKS

	Last	ΔD	ΔYTD
BET	6282.0	0.25%	-10.31%

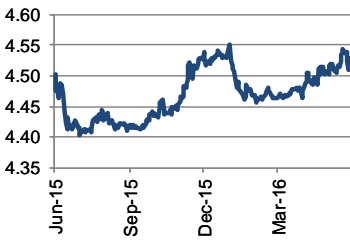
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5194	0.22%	-0.12%

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	0.42	2	-19
5Y BGN	1.19	4	-9
10Y BGN	2.45	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.20	-19	13
EUR Sep-24	2.26	15	-16

CDS

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

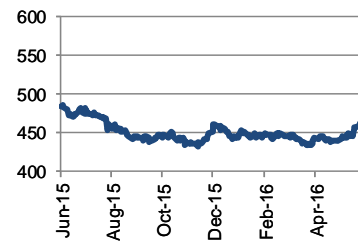
STOCKS

	Last	ΔD	ΔYTD
SOFIX	454.0	-0.52%	-1.50%

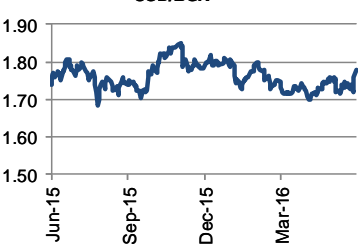
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7772	-0.97%	1.30%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:30 EEST of previous session

June 28, 2016

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