

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- June 28
  - GDP (3<sup>rd</sup> 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:** Market sentiment continued to recover on Friday for the fourth session in a row following the unexpected Leave outcome of the June 23<sup>rd</sup> UK referendum. In spite of the improved market sentiment, the GBP came under renewed pressure today following comments by BoE Governor Marc Carney that further monetary policy stimulus will be needed over the summer on the back of the deteriorated UK economic outlook. Looking at today's calendar, focus is on US June ISM manufacturing ahead of the more crucial US non-farm payrolls report due on July 8<sup>th</sup>.

**GREECE:** The German Vice Chancellor and Minister of Economic Affairs and Energy, Sigmar Gabriel, has visited Greece accompanied by dozens of German business executives in order to explore investment opportunities and promote cooperation between Greek and German businesses who are active in the two countries. On the economic data front, according to the Hellenic Statistical Authority, the seasonally adjusted (s.a.) overall retail trade volume index in April 2016 recorded decreases of 0.6%MoM and 1.5%YoY.

### SOUTH EASTERN EUROPE

**ROMANIA:** At its monetary policy meeting yesterday, NBR maintained interest rates unchanged at 1.75% in line with our and the unanimous consensus view.

**SERBIA:** Industrial production growth decelerated sharply in May primarily as a result of the waning impact of favorable base effects, coming in at 0.9%YoY. Separately, retail trade turnover also slowed down in constant prices in May, coming in at 4.0%YoY from 9.6%YoY in the month before.

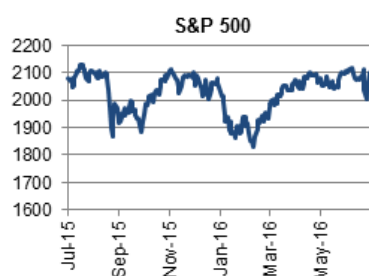
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July 1, 2016

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market sentiment continued to recover on Friday for the fourth session in a row following the unexpected Leave outcome of the June 23<sup>rd</sup> UK referendum. Market participants anticipate major central banks to keep their monetary policy loose for longer to address spillover effects from a UK exit. Reassurances by the G4 major central banks soon after the announcement of the referendum outcome that they stand ready to safeguard financial system stability and EU 27 leaders' agreement at the June 27/28 Summit on the need to revive the EU project, also helped to sooth market sentiment. Yet, in spite of the sense of stability that prevails over the last few sessions, market sentiment remains fragile as there is a long way ahead until there is more clarity about the timeline for the UK's withdrawal from the EU and the nature of the new EU/UK relationship. In spite of the improved market sentiment, the GBP came under renewed pressure today following comments by BoE Governor Marc Carney that further monetary policy stimulus will be needed over the summer on the back of the deteriorated UK economic outlook. The BoE Governor also said that the Monetary Policy Committee will give an initial assessment of the impact of the referendum at the next meeting on July 14<sup>th</sup> and a full assessment will be followed on August 4<sup>th</sup> when the Central Bank will publish its updated Inflation Report. After hitting levels near 1.3500 on Thursday, the GBP/USD resumed its downtrend hovering around 1.3290/95 in European trade at the time of writing, approaching a 30-year trough of 1.3120 marked earlier this week. The GBP's renewed broad based weakness was also reflected on the EUR/GBP axis with the pair trading close to 0.8360/65 at the time of writing, within distance from a 2 ½ year peak of 0.8280 marked in the prior session. Elsewhere, Japanese inflation data revealing that core CPI shrank 0.4%YoY in May, the biggest drop in three years, failed to exert a significant impact on the JPY. The USD/JPY was trading close to 102.50/55 at the time of writing, not too far from a post-Brexit low of 99.10 on the view that the Fed will probably adopt an even more gradual pace of rate tightening as it needs time to assess economic and financial consequences on the US economy from the UK vote. Looking at today's calendar, focus is on US June ISM manufacturing ahead of the more crucial US non-farm payrolls report due on July 8<sup>th</sup>.

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### GREECE

The German Vice Chancellor and Minister of Economic Affairs and Energy, Sigmar Gabriel, has visited Greece accompanied by dozens of German business executives in order to explore investment opportunities and promote cooperation between Greek and German businesses who are active in the two countries. According to press reports, the focus of the visit will be on renewable energy sources projects as well as cooperation for the transfer of know-how in order to boost Greek companies' export potential. On the economic data front, according to the Hellenic Statistical Authority, the seasonally adjusted (s.a.) overall retail trade volume index in April 2016 recorded decreases of 0.6%MoM and 1.5%YoY. With respect to the specialized store categories, on a monthly basis, the largest decreases in the s.a. volume index were recorded in food, beverages and tobacco (-4.1%) and automotive fuel (-1.4%) while an increase was recorded only in clothing and footwear (+2.2%).

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July 1, 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

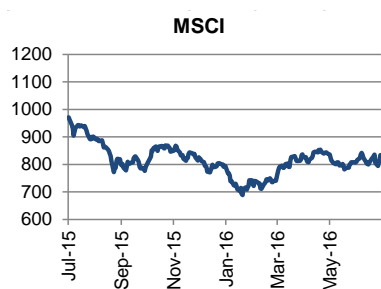
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### ROMANIA

The NBR maintained at its MPC meeting yesterday the key policy rate unchanged at 1.75% and MRRs for FX and RON denominated liabilities at 12% and 8% respectively. The decision was in line with our expectations and the market's median forecast. In the Q&A session held after the meeting, the NBR governor, Mugur Isarescu reiterated that the short-term inflation trajectory will remain in negative territory for a few more months mainly due to the low imported price dynamics, but avoided specifying when inflation will start moving up (vs. a call for July in the previous meeting). Furthermore, both in the press release and the press conference, it was emphasized that that NBR is monitoring carefully the developments on financial markets and also that it would be ready to use all its available tools if needed to address heightened uncertainties exacerbated by the UK EU referendum outcome. From that point of view, the press release underlined that the "external position is sustainable" and the economy has "proper resilience" to external shocks. In the period preceding the UK referendum, NBR was widely anticipated to be ready to act on the right time to initiate its monetary policy normalization. We recall that the first step would be to intervene through narrowing the interest rates' corridor by 25bps from currently  $\pm 150$ bps. Following the UK referendum outcome, we see downside risks for the timing of the beginning of policy normalization beyond November and anticipate NBR to align itself more with the response of the major and regional Central Banks.

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### SERBIA

Industrial production growth decelerated sharply in May primarily as a result of the waning impact of favorable base effects, coming in at 0.9%YoY. The latter is the slowest pace of increase in a year and follows robust growth readings over the last twelve months. In the period January – May 2016, output rose by 8.0% compared to the same period of 2015, thanks to strong growth (9.9%YoY) over the first four months of the year. The breakdown of the data showed that *the electricity, gas, steam and air conditioning supply* was among the main culprits of May's weak reading, registering a fall of 7.4%YoY, while the sections of *mining & quarrying* and *manufacturing* decelerated to 2.4%YoY and 2.9%YoY from 12.5%YoY and 11.0%YoY, respectively. Separately, retail trade turnover also slowed down in constant prices in May, coming in at 4.0%YoY from 9.6%YoY in the month before and bringing the annual rate of increase over the first five months of the year to 8.6%. On a more positive note, external trade continued to improve in May, with the corresponding deficit narrowing by 10.9%YoY to €1.52bn over the first five months of 2016 as exports rose by 10.5%YoY outpacing a concomitant 4.9%YoY rise in imports.

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July 1, 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	2098.86	1.4%	2.7%	EUR/USD	1.111	0.1%	2.3%	UST - 10yr	1.41	-6	-86	GOLD	1334	0.9%	25.7%
Nikkei 225	15682.48	0.7%	-17.6%	GBP/USD	1.3311	0.0%	-9.7%	Bund-10yr	-0.13	0	-76	BRENT CRUDE	49	-0.6%	32.5%
STOXX 600	330.50	0.2%	-9.7%	USD/JPY	102.47	0.7%	17.2%	JGB - 10yr	-0.25	-4	-52	LMEX	2369	0.4%	7.5%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	0	-5
1-week	3.10	0	-9
1-month	3.28	0	-23
3-month	3.55	0	-28
6-month	3.74	0	-29

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.20	-6	-39
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.69	-2	-48
USD Nov-24	6.25	0	-17

#### CDS

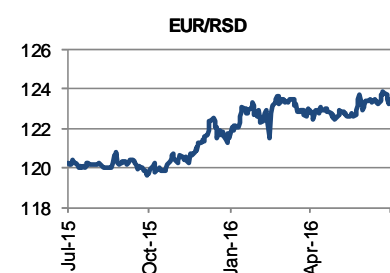
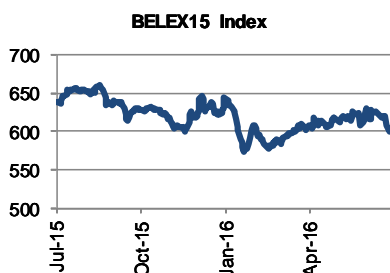
	Last	ΔDbps	ΔYTD bps
5-year	250	0	-25
10-year	291	0	-48

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	604.5	-0.03%	-6.14%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.51	-0.08%	-1.56%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	-3	-4
1-month	0.64	-1	-5
3-month	0.81	0	-21
6-month	1.07	1	-27
12-month	1.23	2	-29

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	-2	-15
5Y RON	2.56	-5	-24
10Y RON	3.36	-4	-42

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.36	0	-20
USD Jan-24	3.20	-12	-59

#### CDS

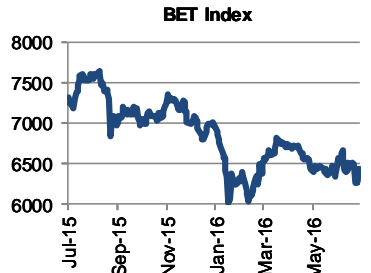
	Last	ΔDbps	ΔYTD bps
5-year	128	8	-5
10-year	162	3	-9

#### STOCKS

	Last	ΔD	ΔYTD
BET	6521.4	0.74%	-6.89%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5138	0.20%	0.00%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	39	-2
1-month	-0.15	0	-30
3-month	-0.03	1	-29
6-month	0.11	0	-41
12-month	0.46	0	-51

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	0	-20
5Y BGN	1.17	0	-10
10Y BGN	2.43	0	-22

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.00	0	-7
EUR Sep-24	2.16	54	-26

#### CDS

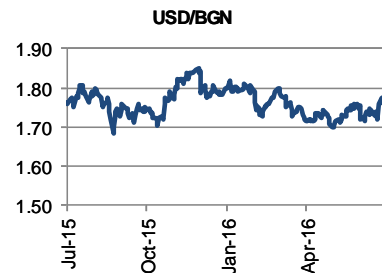
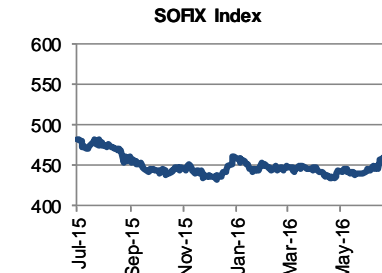
	Last	ΔDbps	ΔYTD bps
5-year	156	-1	-15
10-year	202	-4	-14

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	456.4	0.18%	-0.98%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7606	0.02%	2.25%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:00 EEST

July 1, 2016

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