

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, July 04, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- July 5: Industrial orders (May)
- July 6
  - Trade balance (May)
  - ISM non-manuf. (Jun)
  - Minutes of the June 14/15 FOMC meeting
- July 7
  - ADP employment report (June)
  - Initial jobless claims
- July 8: Non-farm payrolls (June)

#### EUROZONE

- July 7: ECB account on June 2<sup>nd</sup> monetary policy considerations

#### GREECE

- July 7: Labor Force Survey (April)
- July 8
  - Commercial transactions (May, provisional data)
  - Harmonized index of consumer prices & national consumer price index (June)

#### SEE

##### ROMANIA

- July 4: PPI (May)
- July 5: Retail sales (May)
- July 7: Wages Net (May)
- July 8: Q1 GDP (2<sup>nd</sup> est.)

##### SERBIA

- July 7:
  - PPI EU harmonized (Jun)
  - Executive Board meeting

##### BULGARIA

- July 8:
  - Retail sales (May)
  - Industrial production (May)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major global bond markets retained a firm tone in European trade on Monday amid expectations that major central banks will keep their monetary policy loose for longer to address spillover effects from a UK exit following the unexpected Leave outcome of the June 23<sup>rd</sup> EU referendum. UK gilts remained the star performers. In FX markets, the GBP remained under pressure amid prevailing uncertainty on the economic and political domestic front as well as heightened expectations for further BoE policy stimulus in the near future. Looking at this week's calendar, focus is on Friday's US non-farm payrolls report for June.

**GREECE:** The Markit PMI Manufacturing index for Greece, came in at 50.4 in June 2016, against 48. in May 2016, exceeding for the first time this year the no change threshold of 50.0.

### SOUTH EASTERN EUROPE

**ROMANIA:** The BREXIT referendum outcome ignited a strong rally in the domestic government bonds market.

**SERBIA:** The Dinar remained bound within a 122.95/15 – 124.20/40 trading range on NBS interventions on both extremes and closed at 123.25/45.

**BULGARIA:** Sentiment on the local equity market remained weak in line with European bourses.

#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

July 4, 2016

## Latest world economic & market developments

### GLOBAL MARKETS

Major global bond markets retained a firm tone in European trade on Monday amid expectations that major central banks will keep their monetary policy loose for longer to address spillover effects from a UK exit following the unexpected Leave outcome of the June 23<sup>rd</sup> EU referendum. The 10-yr Treasury yield dropped earlier today within distance from 1.3810% record low before bouncing to levels close to 1.46% at the time of writing in European trade, albeit still below levels around 1.70% recorded a day ahead of the UK referendum. In spite of last week's downgrades of the UK's sovereign credit rating by both Fitch and S&P, UK gilts remained the star performers with the 10-yr UK gilt falling to a new record low of 0.268% earlier today pushing the 10-yr UK/US spread to the widest in more than 10 years. In FX markets, the GBP remained under pressure amid prevailing uncertainty on the economic and political domestic front as well as heightened expectations for further BoE policy stimulus in the near future. BoE Governor Marc Carney explicitly stated late last week that further monetary policy stimulus will be needed over the summer on the back of the deteriorated UK economic outlook adding 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> while a full assessment will follow on August 4<sup>th</sup> when the Central Bank will publish its updated Inflation Report. The voting procedure for the election of the new Conservative party leader and hence PM starts this week and is scheduled to conclude by September 9<sup>th</sup>. Against this background, the GBP/USD was hovering around 1.3280/85 at the time of writing, not too far from a 30-year low of 1.3180 marked early last week. Looking at this week's calendar, focus is on Friday's US non-farm payrolls report for June. Market consensus is for a 180k rise in the headline following a 38k anemic increase in April while the unemployment rate is expected to edge higher to 4.8% from 4.7%.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

### GREECE

The Markit PMI Manufacturing index for Greece, came in at 50.4 in June 2016, against 48.4 in May 2016, exceeding for the first time this year the no change threshold of 50.0. According to Markit's report, this increase, which also led to new hires, was due to the effort of manufacturers to cope with the existing backlog. New orders, however, fell for the 22nd consecutive month as were new export orders, a development which is attributed to weak demand and the strikes at the ports of Piraeus and Thessaloniki. The strikes, combined with higher VAT rates and steel prices, led to increased input prices for Greek manufacturers as well as delays in the delivery of inputs. In other news, BoG Governor Yannis Stournaras expressed his optimism in an interview that was published in the local press late last week that Greece could be included in the ECB's QE programme at the end of this year. As a reminder, the June 22nd ECB policy statement laid out explicitly that the issue related to the potential inclusion of Greek government bonds to the Public Sector Purchase Programme (PSPP) would be examined at a later stage "taking into account the progress made in the analysis and reinforcement of Greece's debt sustainability, as well as other risk management considerations".

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

July 4, 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

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 BREXIT vote outcome bodes well for emerging markets as investors discount prolonged stimulative policies from central banks, especially from the US Fed, to cushion the negative effects of an exit. As a result, the referendum outcome ignited one of the strongest rallies in recent months, with Romania being no exception. The RON traded with an appreciation bias against the euro, touching last week's low of 4.5100 on Friday and closing the week around 4.5200, one hundred pps lower than the previous Friday. The RON money market remained very liquid, with the near end rates close to the NBR deposit rate of 0.25%. Implied rates from swaps for 1-12M came back lower over the week, with the 1M dropping 25bps to 0.35% and the 12M decreasing 25 bps to 0.70%. RON government bonds have seen the strongest effects, with the yield curve dropping 30-35 bps over the week. The 5Y yield moved from 2.80 to 2.50%, while the 10Y yield decreased from 3.65% to 3.28%.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

### SERBIA

The dinar returned to positive territory within the past week amid unusual volatility for this market. The pair saw a significant jump following the BREXIT referendum outcome, as the market turned to safety. The National Bank of Serbia has managed to stabilize and even overturn the trajectory of the EUR/RSD pair with a €40mn intervention. The pair started slipping on Tuesday and continued till Thursday inducing NBS to intervene again. To recapitulate the relevant facts, the pair is floating in the new range between 123.0-124.0 where support at 123.00 looks much stronger than resistance at 124.0. In our view, the NBS has more room to deter Dinar over-appreciation given the negative intervention balance of €-820mn year to date. Looking ahead, we see EUR/RSD around 123.50 – 124.00 in 1M, 124.5 in 3M and 125.00 at year-end.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

### BULGARIA

Sentiment on the local equity market remained weak in line with the European bourses. The major benchmark SOFIX declined by another 0.60% to 453.74 points. Market witnessed second week of large block trades mainly reflecting intragroup reallocation that lifted turnover to a seventeen-month high of €6.3mn. All other moves were mainly of insignificant volume. Meanwhile, the local bond market remained relatively quiet. Eurobonds, on the other hand, were well supported with yields dropping between 11 and 17 bps. New 23's and 28's papers are currently trading 29 and 39 bps lower since issuance.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

July 4, 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	2102.95	0.2%	2.9%	EUR/USD	1.1113	-0.2%	2.4%	UST - 10yr	1.44	0	-83	GOLD	1349	0.5%	27.1%
Nikkei 225	15775.80	0.6%	-17.1%	GBP/USD	1.326	-0.1%	-10.0%	Bund-10yr	-0.12	1	-75	BRENT CRUDE	51	0.5%	35.7%
STOXX 600	331.65	-0.2%	-9.3%	USD/JPY	102.68	-0.1%	16.9%	JGB - 10yr	-0.24	1	-51	LME X	2411	1.8%	9.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	2	-3
1-week	3.15	5	-4
1-month	3.30	2	-21
3-month	3.59	4	-24
6-month	3.82	8	-21

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	-6	-39
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-193

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.71	1	-45
USD Nov-24	6.25	0	-17

CDS

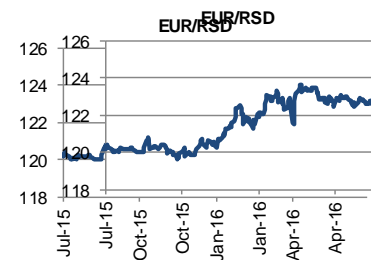
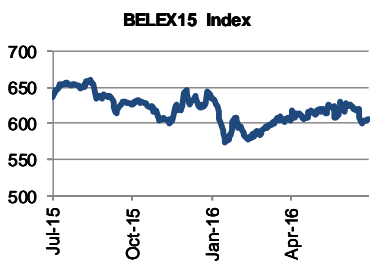
	Last	ΔDbps	ΔYTD bps
5-year	244	-6	-30
10-year	289	-2	-50

STOCKS

	Last	ΔD	ΔYTD
BELEX15	606.5	0.34%	-5.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.31	0.05%	-1.40%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	-1	-5
1-month	0.64	0	-5
3-month	0.8	-1	-22
6-month	1.07	0	-27
12-month	1.23	0	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.76	-1	-17
5Y RON	2.52	-2	-28
10Y RON	3.31	-3	-47

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.30	-6	-26
USD Jan-24	3.18	-1	-60

CDS

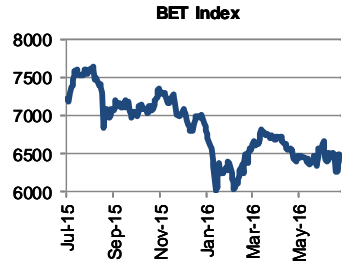
	Last	ΔDbps	ΔYTD bps
5-year	128	0	-5
10-year	163	0	-9

STOCKS

	Last	ΔD	ΔYTD
BET	6438.0	-0.76%	-8.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5187	0.08%	-0.10%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.16	-1	-31
3-month	-0.05	-2	-31
6-month	0.10	-2	-43
12-month	0.43	-3	-54

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.39	0	-22
5Y BGN	1.17	0	-10
10Y BGN	2.43	0	-22

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.13	-14	6
EUR Sep-24	2.17	-10	-25

CDS

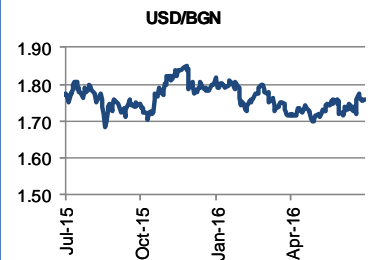
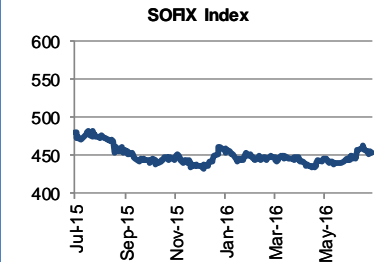
	Last	ΔDbps	ΔYTD bps
5-year	155	-1	-16
10-year	202	1	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	452.6	-0.42%	-1.81%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7601	-0.28%	2.28%



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

Data updated as of 12:15 EEST

July 4, 2016

## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[pmpetropoulou@eurobank.gr](mailto:pmpetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Stylios G. Gogos (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371226  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[pmpetropoulou@eurobank.gr](mailto:pmpetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

Eurobank Economic Analysis and Financial Markets  
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

