



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, July 08, 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 2nd 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 (2nd 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: US employment-related data surprised positively on Thursday, boding well with a rebound in June non-farm payrolls due for release later today. Market consensus is for a 175k increase in the headline following a meagre rise of 38k in May, the smallest gain since September 2010.

GREECE: IMF Managing Director Christine Lagarde was quoted saying in a TV interview that in case the Fund decides eventually to not participate in the new programme that "does not necessarily lead to a negative outcome for Greece". On the data front, the seasonally adjusted unemployment rate came in at 23.3% in April 2016 compared to 23.7% in March and 25.3% in April 2015.

SOUTH EASTERN EUROPE

ROMANIA: Romania re-taped on Thursday a 10-year T-bond that expires on February 24, 2025. The amount sold amounted to RON 293mn (~€64.92mn) exceeding by RON 93mn (~€20.61mn) that initially planned, while the average accepted yield came in at 3.22%.

SERBIA: At its MPC meeting on Thursday, the National Bank of Serbia (NBS) took markets aback, slashing its key policy rate by 25bps to a new record low of 4.00%, confounding consensus expectations that it would stay put on its monetary policy.

CESEE MARKETS: Emerging Market assets were trading water earlier on Friday, as a recent rally ran out of steam, while investor caution prevailed ahead of the US non-farm payrolls report due for release later on the day.

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Latest world economic & market developments

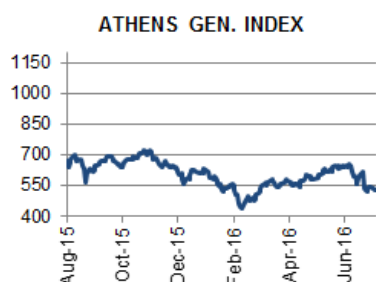
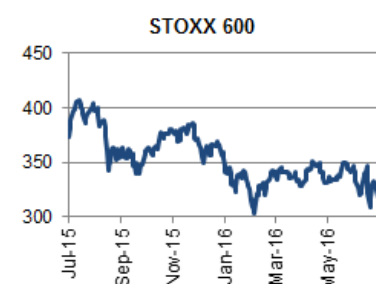
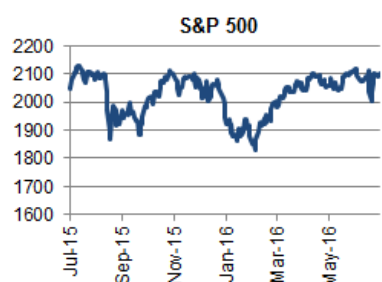
GLOBAL MARKETS

US employment-related data surprised positively on Thursday, boding well with a rebound in June non-farm payrolls due for release later today. The ADP National Employment Report showed that the private sector generated 172k new jobs in June, above expectations for an increase of 159k following a 168k rise in the prior month. Meanwhile, new initial jobless claims unexpectedly declined by 16k to a seasonally adjusted 254k for the week ended July 2, close to a 43-year low of 248k recorded in mid-April. With respect to today's US report, market consensus is for a 175k increase in non-farm payrolls following a meagre rise of 38k in May, the smallest gain since September 2010. An increase well below consensus could reinforce worries over the outlook of the labor market while a firmer than expected report would potentially trigger a hawkish shift in short-term Fed rate hike expectations. With investors adopting a cautious tone ahead of the US' report, the USD was modestly lower in early European trade on Friday with the DXY hovering around 96.155 at the time of writing, 0.2% lower compared to Thursday's session close but still poised for weekly gains to the tune of 0.5%. Market anxiety ahead of the US payrolls report favored the safe-haven appeal of the JPY with the USD/JPY trading close to 100.65/68 in European trade following a short-lived spike near 101.50 at some point in the prior session, though still holding above its post-UK referendum low of 99.08 hit on June 24. Elsewhere, the GBP remained under pressure with the GBP/USD consolidating below the psychologically important level of 1.3000 amid lingering uncertainty on the growth and political front following the referendum vote for an exit from the EU. In the second round of the Conservative party's leadership election on Thursday, Theresa May comfortably won and Andrea Leadsom was second while Michael Gove came last and, hence, was eliminated from the race. The Conservative Party's members will now decide on the next leader of their party and the new Prime Minister. Voting closes on 8 September and the official announcement is due on 9 September.

GREECE

IMF Managing Director Christine Lagarde was quoted saying in a TV interview that the Fund would commit to participate financially in Greece's 3rd economic adjustment programme provided that two key prerequisites are met: reform implementation and debt sustainability. She also stated that in case the IMF decides eventually to not participate in the new programme that "does not necessarily lead to a negative outcome for Greece". In response to the above, ESM Managing Director Klaus Regling reportedly made clear that European institutions and European ministers of finance do not agree with the IMF for the adoption of imminent debt relief measures for Greece but also revealed that he will present his proposals for short-term debt relief for Greece in the next few weeks. On the data front, the seasonally adjusted unemployment rate came in at 23.3% in April 2016 compared to 23.7% in March and 25.3% in April 2015. The number of unemployed amounted to 1,115,443 while the total number of people at work reached 3,676,880 marking an annual increase of c. 3%.

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Source: Reuters, Bloomberg, Eurobank Research

July 8, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	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	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

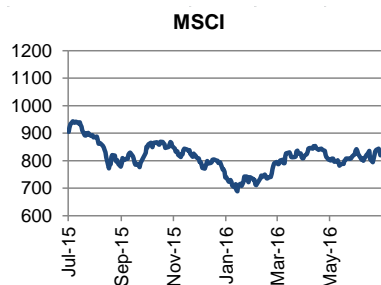
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	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	2015	2016f
Real GDP growth %	-1.8	0.8	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-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	4.00	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

Romania re-taped on Thursday a 10-year T-bond that expires on February 24, 2025. The amount sold amounted to RON 293mn (~€64.92mn) exceeding by RON 93mn (~€20.61mn) that initially planned. The average accepted yield came in at 3.22%, below 3.50% achieved at a prior tender of the same paper in June. The issue bears a coupon of 4.75% and was well received by investors rendering a bid to cover ratio of 2.4.

SERBIA

At its MPC meeting on Thursday, the National Bank of Serbia (NBS) took markets aback, slashing its key policy rate by 25bps to a new record low of 4.00%, confounding consensus expectations that it would stay put on its monetary policy. Yesterday's cut snaps a 4-month streak of stable interest rates and follows a same size reduction in February. Including this change, the NBS has rendered a total of 775bps of monetary easing since May 2013. Behind its latest decision, the Central Bank cited low inflation pressures, ongoing fiscal consolidation and structural reforms implementation as well as reduced external imbalances. Additionally, the NBS narrowed the interest rate corridor relative to the key policy rate to $\pm 1.50\%$ from $\pm 1.75\%$, noting that the amendment "will contribute to further stabilisation of interest rates in the interbank money market, gradual reduction of the spread between the weighted average repo rate and the key policy rate, as well as to the strengthening of transmission through the interest rate channel". We, in line with the market's median forecast, anticipated the Central Bank to hold its horses yesterday as inflation is expected to move towards target in early 2017, while international uncertainties remain elevated, a new government has yet to be formed after the general elections in April this year and planned reforms are being delayed. However, a positive IMF review assessment under the country's economic programme and a sovereign credit rating upgrade by Fitch, both in June, as well as scaled back expectations for Fed tightening ahead, seem to have provided ammunition for one more rate cut - most likely the last - under the Bank's current monetary easing cycle.

CESEE MARKETS

Emerging Market assets were trading water earlier on Friday, as a recent rally ran out of steam, while investor caution prevailed ahead of the US non-farm payrolls report due for release later on the day. In more detail, the MSCI Emerging Markets index stood in a modestly negative territory earlier today poised to end the week in the red, though standing near a 1-month high hit on Monday amid hopes about potential Central Bank action after the Brexit vote. In FX markets, the Hungarian forint gained ground on optimism about a sovereign credit rating upgrade by Moody's due later today after a similar move by Fitch in May. In this context, the EUR/HUF slid as far as a 2-week trough near 314.30 in late Asian trade before recovering some ground towards 314.60 later in the session.

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July 8, 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	2097.90	-0.1%	2.6%	EUR/USD	1.1073	0.1%	2.0%	UST - 10yr	1.38	0	-89	GOLD	1356	-0.3%	27.8%
Nikkei 225	15106.98	-1.1%	-20.6%	GBP/USD	1.2934	0.2%	-12.2%	Bund-10yr	-0.17	0	-80	BRENT CRUDE	47	0.6%	25.2%
STOXX 600	322.59	0.1%	-11.8%	USD/JPY	100.64	0.1%	19.3%	JGB - 10yr	-0.28	-1	-55	LMEX	2335	-1.2%	6.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	305	-2	2
1-week	3.17	0	-2
1-month	3.32	-1	-19
3-month	3.55	-8	-28
6-month	3.82	-5	-21

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.51	xs	-15
5Y RSD	5.26	0	13
7Y RSD	5.77	0	-192

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.66	1	-50
USD Nov-24	6.25	0	-17

CDS

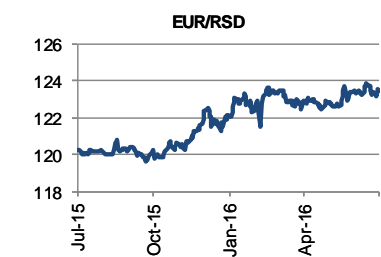
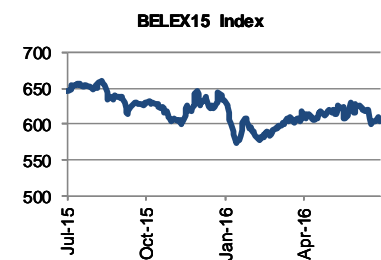
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

STOCKS

	Last	ΔD	ΔYTD
BELEX15	603.2	0.01%	-6.34%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.55	-0.02%	-1.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	-1	-9
1-month	0.61	2	-8
3-month	0.8	2	-22
6-month	1.07	3	-27
12-month	1.21	1	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	-1	-24
5Y RON	2.45	0	-35
10Y RON	3.22	0	-56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.24	-1	-33
USD Jan-24	3.04	3	-74

CDS

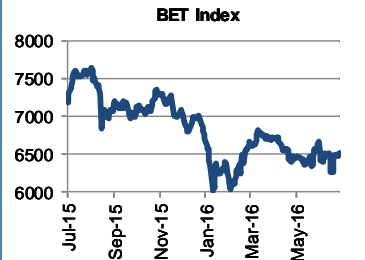
	Last	ΔDbps	ΔYTD bps
5-year	129	-5	-4
10-year	163	-5	-8

STOCKS

	Last	ΔD	ΔYTD
BET	6494.0	0.27%	-7.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5152	0.06%	-0.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.18	0	-33
3-month	-0.06	-1	-32
6-month	0.09	0	-43
12-month	0.44	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	-2	-23
5Y BGN	1.09	-9	-18
10Y BGN	2.36	0	-29

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.11	-10	4
EUR Sep-24	2.08	-22	-34

CDS

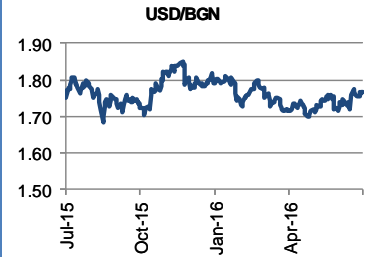
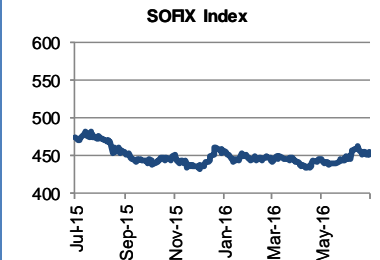
	Last	ΔDbps	ΔYTD bps
5-year	155	-7	-17
10-year	201	-7	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	450.6	-0.76%	-2.23%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7664	-0.01%	1.92%



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

Data updated as of 12:20 EEST

July 8, 2016

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