



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 12, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- July 13: Fed's beige book
- July 14: Initial jobless claims
- July 15
  - CPI (Jun)
  - Empire state index (Jun)
  - Retail sales (Jun)
  - IP (Jun)
  - UoM consumer sentiment (Jul, p)

##### EUROZONE

- July 12: Eurogroup/Ecofin meeting
- July 15: HICP (Jun)

##### GREECE

- July 11: IP (May)
- July 12: Building activity (Apr)

##### SEE

##### BULGARIA

- July 11: Trade balance (May)
- July 12: CPI (Jun)
- July 14-15: U/E rate (Jun)
- July 15: CAD (May)

##### ROMANIA

- July 11
  - Trade balance (May)
  - CPI (Jun)
  - 2.50% 2019 T-bonds auction
- July 12: Industrial sales (May)
- July 13: IP (May)
- July 14
  - 3.50% 2022 T-bonds auction
  - CAD (May)

##### SERBIA

- July 12: HICP (Jun)
- July 15: Sovereign credit rating review by Moody's

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Following new record highs in Wall Street overnight, Asian stocks ended higher on Tuesday supported by upbeat US non-farm payrolls data as well as market expectations for accommodative monetary policies from major central banks for longer. In FX markets, the JPY lost some ground pressured by improved market sentiment for riskier assets while the GBP strengthened on reduced UK political uncertainty. Focus today is on the Ecofin meeting where EU finance ministers will vote on the Commissions' proposal for the launch of formal disciplinary procedures against Spain and Portugal.

**GREECE:** Speaking before the Standing Committee on Economic Affairs of the Hellenic Parliament, BoG Governor, Yannis Stournaras, pointed out that following the completion of the 1st programme review a number of important factors are now in place to help the Greek economy return to sustainable growth. These include improved liquidity following the disbursement of the second ESM loan tranche, the reinstatement of the waiver, the potential inclusion of Greek government bonds to the ECB's Quantitative Easing programme by the end of 2016 and the dissolution of uncertainty.

### SOUTH EASTERN EUROPE

**ROMANIA:** Inflation came in at -0.2% MoM/-0.7% YoY in June vs. +0.3% MoM/-3.5% YoY in May driven by the phasing out of last year's food products VAT rate cut.

**CESEE MARKETS:** Emerging Market assets broadly firmed earlier on Tuesday on improved risk appetite. The MSCI Emerging Market index trailed gains in major global bourses, standing for the fourth session running in the black and firming to its highest level in almost three months in Asian trade. In FX markets, CESEE currencies also firmed, with the Turkish lira outperforming regional peers. In the sovereign debt markets, local currency denominated government bonds were a tad weaker possibly on profit taking.

#### 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 12, 2016

## Latest world economic & market developments

### GLOBAL MARKETS

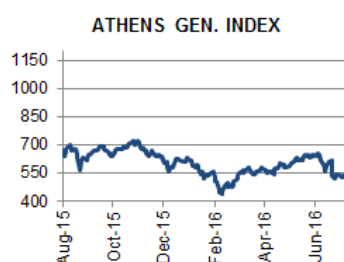
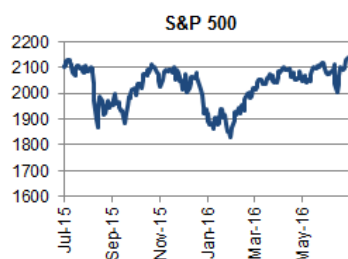
Following new record highs in Wall Street overnight, Asian stocks ended higher on Tuesday supported by upbeat US non-farm payrolls data for June and market expectations for accommodative monetary policies from major central banks for longer to address spillover effects from a UK exit. Expectations for a new stimulus package from the Japanese government to support the domestic economy after the ruling coalition won a landslide victory in the upper house election, also had an impact. In FX markets, the JPY lost some ground pressured by improved market sentiment for riskier assets. After marking an intraday session low of 110.42 on Monday, the USD/JPY rebounded hovering around 103.35/38 in European trade at the time of writing while the prospect of some further appreciation towards 104.00 in the coming sessions cannot be ruled out especially if FOMC officials adopt a more hawkish stance in light of the recent firmer than expected US data and improved asset market performance. Elsewhere, the GBP strengthened on reduced UK political uncertainty after Andrea Leadsom withdrew from the Conservative Party leadership race opening the way for Theresa May to become new party leader and thus PM. Though UK leadership uncertainty is behind us, the GBP is unlikely to embark on a sustained upward move in the near term amid expectations that the BoE will likely further ease its monetary policy, probably as soon as on Thursday, July 14th when the next policy meeting is due. Looking at today's calendar, focus is on the Ecofin meeting where EU finance ministers will vote on the Commission's proposal for the launch of formal disciplinary procedures against Spain and Portugal after both countries failed to reduce their budget deficits in 2014 and 2015 in line with the Stability & Growth Pact recommendations.

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

### GREECE

Speaking before the Standing Committee on Economic Affairs of the Hellenic Parliament, BoG Governor, Yannis Stournaras, pointed out that following the completion of the 1st programme review a number of important factors are now in place to help the Greek economy return to sustainable growth. These include improved liquidity following the disbursement of the second ESM loan tranche, the reinstatement of the waiver, the potential inclusion of Greek government bonds to the ECB's Quantitative Easing programme by the end of 2016 and the dissolution of uncertainty. At the same time, Mr. Stournaras identified Non-performing Exposures (NPEs) as the most significant problem of the banking system considering that the stock of NPEs at the end of Q1 2016 amounted to €108.6bn or 45% of total exposures. Nevertheless, he acknowledged that the formation pace of NPEs is showing signs of deceleration and that Greek banks' capital base remains strong with provisions amounting to 50% of exposures. In addition, the BoG Governor revealed that he brought forward to the institutions a proposal for the relaxation of capital controls which foresees: i) the exclusion of "new money" from capital controls, ii) the full lifting of the ban on early loan repayment, iii) the increase of the cash withdrawal limit from 10% to 30% for money that is deposited from abroad, and iv) the possibility to withdraw €840 at once every two weeks (rather than €420 at once per week). Finally, Mr. Stournaras reiterated the need for a decrease in the primary surplus targets beyond 2018. In other news, according to SETE (Greek Tourism Confederation) provisional data, international arrivals at Greek main airports for the period Jan-June 2016 increased 5% on an annual basis. On the macroeconomic front, the non-seasonally adjusted Production Index in Industry in May 2016 recorded an increase of 2,9%YoY, whereas the s.a. IPI recorded a decrease of 4,06%MoM.

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



Source: Reuters, Bloomberg, Eurobank Research

July 12, 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

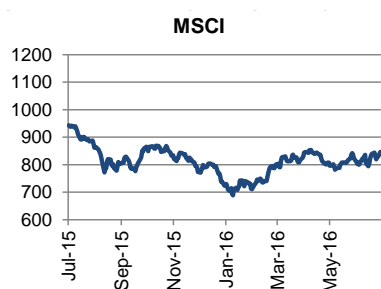
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

CPI came in at -0.2% MoM/-0.7% YoY in June compared to +0.3% MoM/-3.5% YoY in May. The print came out below market expectations (+0.1% MoM/-0.6% YoY). As a result, the average annual inflation eased to -2.6% YoY in June vs. -2.9% YoY in May. On an annual basis, the slowdown in the annual rate of decline is largely explained by the phasing out of last year's food products VAT rate cut - from 24% to 9% effective from June 2015 - compounded by the 4ppts headline VAT rate cut - from 24% to 20% - effective from January 1<sup>st</sup>, which pushed headline inflation into negative territory over recent months especially given the large share of the food component in the consumption basket. The volatile food component of CPI jumped to -0.7% MoM/+0.0% YoY in June vs. +0.6% MoM/-7.6% YoY in May. Non-food items remained almost flat at +0.1% MoM/-1.2% YoY in June compared to +0.1% MoM/-1.2% YoY in May. Services inched down to +0.1% MoM/-0.7% YoY in June compared to +0.1% MoM/-0.6% YoY in May. Overall, given the downbeat readings in the first months of the year, the inflation trajectory has so far been softer than envisaged before. In the NBR's view, inflation will stay in negative territory until July and then gradually pick up pace. According to the updated NBR report, the baseline scenario envisages CPI gradually returning inside the variation target band (2.5% +/-1%) and standing in the upper half of the band at the end of the forecast horizon in Q4-2017. As a result, NBR slashed its 2016 year end inflation forecast to +0.6% YoY vs. +1.4% YoY in the February inflation report compared to +1.0% YoY in that of November. NBR Governor Mugur Isarescu explained in a recent press conference that the transitory effects of the headline VAT rate cut and of other indirect tax cuts as well as the announced reduction of several administrative prices in energy were the main reasons behind the revision.

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

### CESEE MARKETS

Emerging Market assets broadly firmed earlier on Tuesday on improved risk appetite. This positive tone in sentiment came after the US non-farm payrolls for June, released on Friday, alleviated worries over the economy's growth prospects, while optimism prevails that Central Banks around the globe will act in order to sooth any spillover impact from the UK's referendum result. Along these lines, the MSCI Emerging Market index trailed gains in major global bourses, standing for the fourth session running in the black and firming to its highest level in almost three months in Asian trade. In a similar vein, most CESEE stock markets also inched up with Poland's WIG leading the way higher (ca +0.7% on the day in early European trade). In FX markets, CESEE currencies also firmed, with the Turkish lira outperforming regional peers. The USD/TRY slid as far as 2.8840 in late Asian trade approaching anew a multi-session trough of 2.8835 hit late last week, before pulling back towards 2.8895 at the time of writing. The Hungarian forint, also retained a firm tone, with the EUR/HUF trading at 312.85 in European trade, not too far from yesterday's 2-week low of 312.40. In the sovereign debt markets, local currency denominated government bonds were a tad weaker possibly on profit taking. That said, a T-bond auction in Romania held yesterday was well received by investors in view of increased risk appetite. In more detail, the finance ministry sold the planned RON 500mn of 3-year paper yesterday at an average accepted yield of 1.65%, 25bps lower compared to that achieved at a prior tender of same maturity paper held on June 27. The bid to cover ratio came in at 2.25 reflecting healthy investor demand. The issue which matures on April 29, 2019 bears a coupon of 2.5%. Meanwhile, Head of the Romanian Treasury Stefan Nanu said on Monday that the finance ministry may sell more of 5-year EUR-denominated Eurobonds this year, after sales held earlier this year, in February and March, if the Central Bank reduces minimum reserve requirements for FX deposits.

3

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

July 12, 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	2137.16	0.3%	4.6%	EUR/USD	1.1109	0.5%	2.3%	UST - 10yr	1.49	6	-78	GOLD	1355	0.0%	27.7%
Nikkei 225	16095.65	2.5%	-15.4%	GBP/USD	1.3147	1.1%	-10.8%	Bund-10yr	-0.12	5	-75	BRENT CRUDE	47	1.5%	25.9%
STOXX 600	335.48	0.8%	-8.3%	USD/JPY	103.39	-0.6%	16.1%	JGB - 10yr	-0.27	0	-54	LMEX	2364	0.3%	7.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	-3	-1
1-week	3.16	-1	-3
1-month	3.31	-1	-20
3-month	3.55	0	-28
6-month	3.79	-3	-24

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.14	xs	-38
5Y RSD	5.25	0	13
7Y RSD	5.78	0	-192

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.59	-2	-57
USD Nov-24	6.25	1	-16

**CDS**

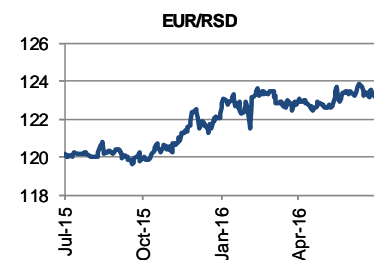
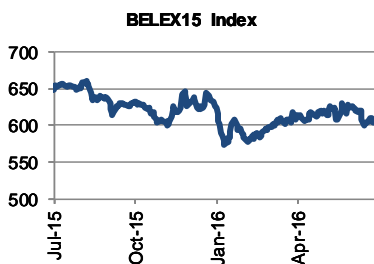
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	606.9	0.38%	-5.78%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.18	0.08%	-1.30%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	-1	-11
1-month	0.6	-1	-9
3-month	0.8	0	-22
6-month	1.06	-1	-28
12-month	1.21	0	-31

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	0	-27
5Y RON	2.42	0	-38
10Y RON	3.19	0	-59

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.15	0	-42
USD Jan-24	3.00	-1	-79

**CDS**

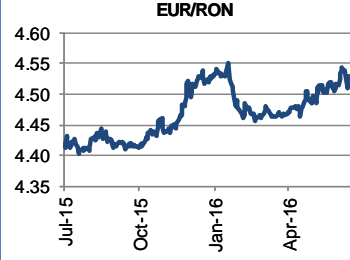
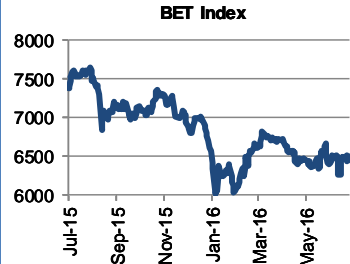
	Last	ΔDbps	ΔYTD bps
5-year	123	-3	-10
10-year	157	-3	-14

**STOCKS**

	Last	ΔD	ΔYTD
BET	6502.6	0.22%	-7.16%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4901	0.08%	0.53%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.17	1	-32
3-month	-0.06	0	-32
6-month	0.09	0	-44
12-month	0.44	0	-53

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.35	-1	-26
5Y BGN	1.08	1	-20
10Y BGN	2.31	0	-35

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.09	0	2
EUR Sep-24	2.12	-76	-30

**CDS**

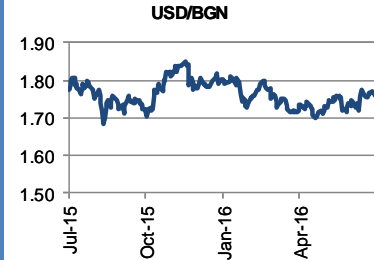
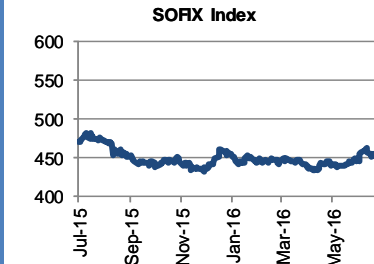
	Last	ΔDbps	ΔYTD bps
5-year	150	-3	-22
10-year	196	-3	-20

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	447.7	-0.76%	-2.87%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.761	0.44%	2.23%



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

July 12, 2016

## Contributors

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

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

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
+30 210 3371228  
[tstamatiou@eurobank.gr](mailto:tstamatiou@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

**Stylianios 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**  
[pptropoulou@eurobank.gr](mailto:pptropoulou@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**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@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>

