



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, July 13, 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: Taking their cue from gains in Wall Street overnight, Asian and European equity markets were firmer today, helped by increased expectations for a new stimulus package from the Japanese government to support the domestic economy and mounting speculation for a 25bps interest rate cut by the BoE on Thursday. In FX markets, the GBP/USD hit a one-week-high of 1.3336 in early European trade on reduced political uncertainty, while the USD/JPY consolidated near yesterday's 2-1/2-week high of 104.97. On the macro front, Eurozone industrial production for May and US Fed's Beige Book are due later in the day. Speeches by Dallas Fed President Robert Steven Kaplan and Philadelphia Fed President Patrick Harker are also expected to lure market attention.

GREECE: Talking to reporters yesterday after Ecofin, the Greek Finance Minister Euclid Tsakalotos appeared confident that the 2nd programme review due to begin in October 2016 will be concluded swiftly given that it is to the benefit of Greece to avoid delays. The Public Power Corporation (PPC) extended yesterday an invitation for the expression of interest to participate in the tender procedure for the acquisition of a 24% stake in the share capital of ADMIE.

SOUTH EASTERN EUROPE

BULGARIA: CPI fell by 0.1%MoM in June, bringing the year-on-year rate to -1.3% from -2.0% in the prior month, vs. a market's median forecast of -1.7%.

SERBIA: The consumer price index rose by 0.1% on a monthly basis in June, bringing the annual rate of increase to 0.3%, the lowest level since January 2015, from 0.8%YoY in the prior month.

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 13, 2016

Latest world economic & market developments

GLOBAL MARKETS

Wall Street rallied overnight supported by higher crude oil prices, better-than-expected corporate earnings and improved optimism over the growth prospects of the US economy following Friday's upbeat non-farm payrolls report. The Dow Jones Industrial Average index climbed to a historical intraday high, while the S&P 500 index continued its record-breaking route. Oil surged yesterday the most in the last 3 ½ months (WTI +4.6%) as OPEC gave a more upbeat oil market outlook for 2017, highlighting that global crude oil demand is likely to exceed current production pointing to a supply deficit rather than a sizeable surplus that has weighed on prices. Taking their cue from gains in Wall Street overnight, Asian and European equity markets were firmer today, helped by increased expectations for a new stimulus package from the Japanese government to support the domestic economy and mounting speculation for a 25bps interest rate cut by the BoE on Thursday. In FX markets, the GBP/USD hit a one-week-high of 1.3336 in early European trade on reduced political uncertainty as Andrea Leadsom withdrew from the Conservative Party leadership race earlier this week opening the way for Theresa May to become new party leader and, thus, PM later today. Elsewhere, the USD/JPY consolidated near yesterday's 2-1/2-week high of 104.97 as improved global risk sentiment over the last few sessions has trimmed JPY's safe haven appeal. On the macro front, Eurozone industrial production for May and US Fed's Beige Book are due later in the day. Speeches by Dallas Fed President Robert Steven Kaplan and Philadelphia Fed President Patrick Harker are also expected to lure market attention.

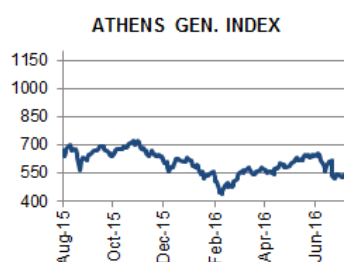
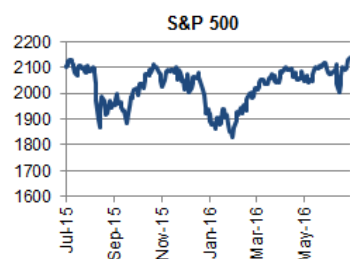
okosma@eurobank.gr

GREECE

Greece was not on the agenda of the July 11th Eurogroup, nevertheless, talking to reporters yesterday after Ecofin, the Greek Finance Minister Euclid Tsakalotos appeared confident that the 2nd programme review due to begin in October 2016 will be concluded swiftly given that it is to the benefit of Greece to avoid delays. The 3rd Memorandum of Understanding foresees that in the context of promoting competition in the electricity market the Greek government is obliged to privatise at least 20% of the Independent Power Transmission Operator (ADMIE) and launch the relevant tender in July 2016. To this end, the Public Power Corporation (PPC) extended yesterday an invitation for the expression of interest to participate in the tender procedure for the acquisition of a 24% stake in the share capital of ADMIE. The tender procedure will be conducted in two stages, namely the 'qualification' stage and the 'request for binding offers' stage. The deadline for submitting the expressions of interest is 26 July 2016, the selection of the Preferred Strategic Participant will be finalised by 31 October 2016 while the Transaction and the Unbundling Transaction is to be finalised by 28 February 2017. According to press reports, the process of clearing state arrears has begun with the Ministry of Finance having reportedly released c. €450mn for this purpose. As a reminder, €1.8bn from the first sub-tranche of the €7.5bn Greece received in June is reserved exclusively for clearing state arrears. According to the final State Budget Execution data for January – May 2016, the budget balance recorded a deficit of c. €0.81bn, improved relatively to the respective 2016 Budget (B16) target (deficit €3.88bn). The primary balance recorded a surplus of c. €2.28bn, significantly outperforming the B16 target (primary deficit of c. €0.82bn).

andimitriadou@eurobank.gr

tstamatiou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

July 13, 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

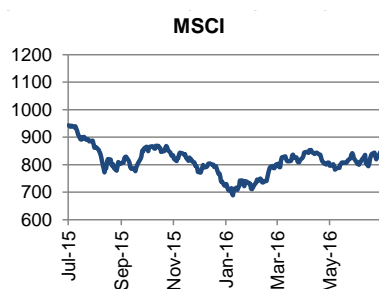
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

CPI fell by 0.1%MoM in June, bringing the year-on-year rate to -1.3% from -2.0% in the prior month and vs. a market's median forecast of -1.7%. The non-foods sub-component fell by 2.2%YoY providing the highest negative contribution, primarily on the back of a 9.8%YoY decline in transport amid low world energy prices. The services sub-index dropped by 1.5%YoY, while food prices, both the largest as well as the most volatile component of CPI, slipped by 0.7%YoY driven lower by declines in meat (-2.0%YoY), milk, cheese and eggs (-1.3%YoY), fruits (-2.4%YoY) and vegetables (-1.1%YoY). Looking ahead, inflation is expected to make a gradual recovery in the coming months and possibly return in a positive territory in late 2016 amid improving domestic demand dynamics in tandem with the waning impact of weak global energy prices. That said, regulatory prices' adjustment in the energy sector also pose downside risks to the inflation outlook.

SERBIA

The consumer price index rose by 0.1% on a monthly basis in June, bringing the annual rate of increase to 0.3%, the lowest level since January 2015, from 0.8%YoY in the prior month. The breakdown of the data showed that a 2.5%YoY decline in the volatile food sub index – driven by falling fruit (-14.3%YoY) and vegetable (-4.6%YoY) prices – was amongst the main culprits of last month's deceleration in the headline index. Transport prices declined by 2.5%YoY on the back of low global energy prices, while the clothing and footwear sub-index fell by 1.1%YoY. On the flipside, alcoholic beverages & tobacco rose by 5.7%YoY and the sub-components of utilities (+3.3%YoY), health (+3.4%YoY), communication (+2.1%YoY), recreation & culture (+4.7%YoY) and education (+2.2%YoY) were amongst those exerting an upward input consumer inflation.

Inflation has remained below the NBS tolerance target band of 4.0 ± 1.5 for more than two years now, in view of low global commodity prices, a restrictive fiscal policy and a negative output gap. Looking ahead, in line with the Central Bank's (NBS) view, we anticipate CPI to gradually move towards the said target range in early 2017 thanks to low-base effects, the recovery in primary commodity prices and rising domestic demand. Also taking into account the Central Bank's surprise rate cut earlier in July - which brought the cumulative amount of monetary easing to 775bps since May 2013 -, elevated international uncertainties, the pending government formation and delays in planned reforms we do not anticipate any further rate easing under the current monetary easing cycle.

gphoka@eurobank.gr

July 13, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD					
S&P 500	2152.14	0.7%	5.3%	EUR/USD	1.1077	0.2%	2.0%	(yields)	UST - 10yr	1.49	-2	-78	GOLD	1339	0.4%	26.1%
Nikkei 225	16231.43	0.8%	-14.7%	GBP/USD	1.3291	0.3%	-9.8%	Bund-10yr	-0.04	5	-67	BRENT CRUDE	48	-1.6%	28.0%	
STOXX 600	337.36	0.3%	-7.8%	USD/JPY	104.67	0.0%	14.7%	JGB - 10yr	-0.28	-1	-55	LMEX	2418	2.3%	9.7%	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	-2	0
1-week	3.15	-2	-4
1-month	3.31	-2	-20
3-month	3.51	-5	-32
6-month	3.76	-6	-27

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	xs	-21
5Y RSD	5.25	0	13
7Y RSD	5.78	0	-192

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.58	-1	-58
USD Nov-24	6.26	0	-16

CDS

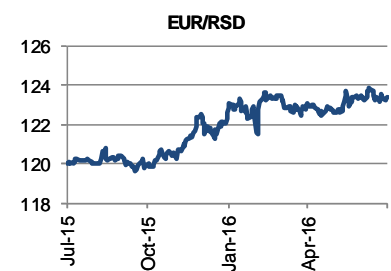
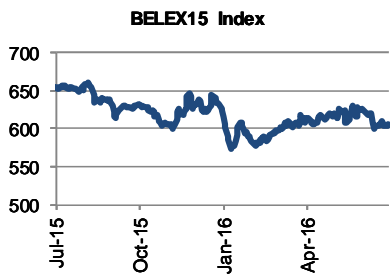
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	288	-1	-51

STOCKS

	Last	ΔD	ΔYTD
BELEX15	605.0	-0.21%	-6.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.33	0.00%	-1.42%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	2	-9
1-month	0.6	0	-9
3-month	0.81	1	-21
6-month	1.05	-1	-29
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	-1	-27
5Y RON	2.41	-1	-39
10Y RON	3.19	-1	-59

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.14	-2	-43
USD Jan-24	2.98	1	-80

CDS

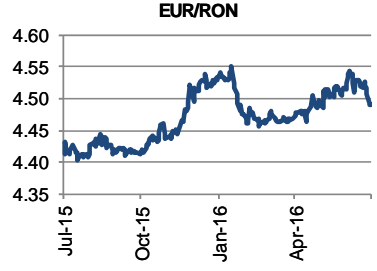
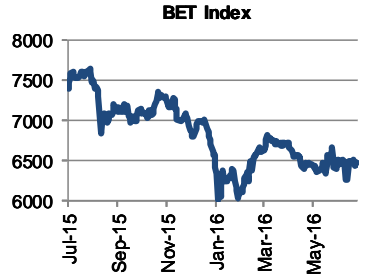
	Last	ΔDbps	ΔYTD bps
5-year	123	0	-10
10-year	157	0	-14

STOCKS

	Last	ΔD	ΔYTD
BET	6558.0	0.42%	-6.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4917	-0.04%	0.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.16	0	-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	0.36	2	-25
5Y BGN	1.02	2	-26
10Y BGN	2.31	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.12	19	-19
EUR Sep-24	2.00	0	-42

CDS

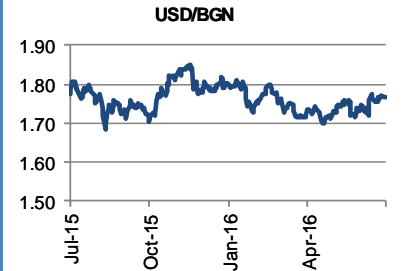
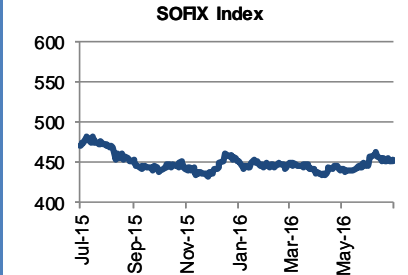
	Last	ΔDbps	ΔYTD bps
5-year	150	0	-22
10-year	196	0	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	451.6	-0.31%	-2.01%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7659	0.15%	1.95%



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

Data updated as of 13:20 EEST

July 13, 2016

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
pptropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

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

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

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

Regional Contributors

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

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
pptropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
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

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>

