



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, July 14, 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:** The majority of Asian equity indices gained on Thursday closing near eight-month highs. In Europe, major equity bourses edged higher in early trade on better-than-expected corporate earnings along with mounting expectations for an interest rate cut by 25bps by the Bank of England later today. In FX markets, the JPY weakened on rising expectation for more monetary stimulus by the BoJ, with the USD/JPY rising to a three-week high of 105.75 earlier today. Elsewhere, the GBP/USD was trading 0.6% higher around levels of 1.3233/34 at the time of writing ahead of the BoE monetary policy meeting. On the US macro data front, jobless claims (initial and continuing) and producer price inflation for June are expected to lure market attention today.

**GREECE:** Speaking yesterday at the Athens Chamber of Commerce and Industry, BoG Governor Yannis Stournaras predicted positive GDP growth in H2 2016 and annual growth of 2.5% and 3.0% for 2017 and 2018 respectively while he spoke of a significant rise in revenue from indirect taxes as a result of an increase in electronic transactions.

### SOUTH EASTERN EUROPE

**ROMANIA:** Industrial production, on a seasonally and working day adjusted basis, declined by 4.0%MoM/1.5% YoY in May16 from +2.1% MoM/+2.5% YoY in April16.

**CESEE MARKETS:** Emerging Market assets extended their recent rally earlier on Thursday on optimism that Central Banks around the globe will act if needed to stem a potential spillover impact from the Brexit vote.

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July 14, 2016

## Latest world economic & market developments

### GLOBAL MARKETS

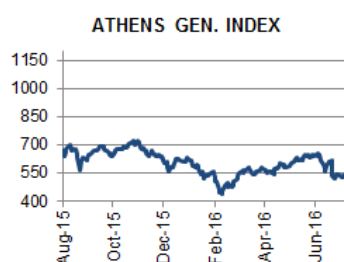
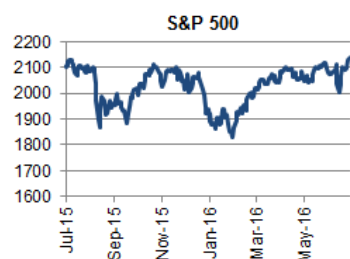
The majority of Asian equity indices gained on Thursday closing near eight-month highs. The Japanese Nikkei-225 Stock Average index outperformed in the region (+0.95%), on news that former Fed Chairman Ben Bernanke expressed the view on perpetual bonds to boost Japan's economy during discussions with one of PM's key advisers. According to Ben Bernanke, helicopter money could act as a useful tool to overcome deflationary pressures in Japan, in the sense that the government issues non-marketable perpetual bonds that the BoJ buys directly. In Europe, major equity bourses edged higher in early trade on better-than-expected corporate earnings along with mounting expectations for an interest rate cut by 25bps by the Bank of England later today, overshadowing the decline in Eurozone's industrial production by 1.2%MoM in May. In FX markets, the JPY weakened on rising expectation for more monetary stimulus by the BoJ, with the USD/JPY rising to a three-week high of 105.75 earlier today. Elsewhere, the GBP/USD was trading 0.6% higher around levels of 1.3233/34 at the time of writing ahead of the BoE monetary policy meeting. On the US macro data front, jobless claims (initial and continuing) and producer price inflation for June are expected to lure market attention today.

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### GREECE

Speaking yesterday at the Athens Chamber of Commerce and Industry, BoG Governor Yannis Stournaras predicted positive GDP growth in H2 2016 and annual growth of 2.5% and 3.0% for 2017 and 2018 respectively while he spoke of a significant rise in revenue from indirect taxes as a result of an increase in electronic transactions. Pierre Moscovici, the European Commissioner for Economic and Financial Affairs is reportedly expected in Athens the coming Monday to discuss with the Greek PM the latest developments in the EU, namely the UK referendum, the health of Italian banks and potential sanctions against Spain and Portugal for failing to take effective action to correct their excessive deficits. According to press reports the economic offer of Ferrovie dello Stato Italiane for the purchase of 100% of TRAINOSE, the company that operates rail transportation in Greece, will be opened later today. Detailed data on international arrivals in Greece's main airports for H1 2016 reveal the negative impact of the refugee crisis as arrivals in the most affected destinations, i.e. Mytilene, Kos and Samos, have sharply decreased. Other destinations, however, predominantly Mykonos, Kalamata, Santorini, Corfu and Heraklion have recorded strong increases, while arrivals in Athens and Thessaloniki have also risen c. 4%.

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Source: Reuters, Bloomberg, Eurobank Research

July 14, 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

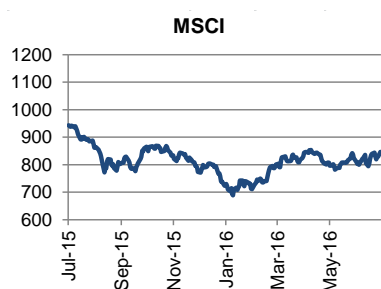
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Industrial production, on a seasonally and working day adjusted basis, declined by 4.0% MoM/1.5% YoY in May from +2.1% MoM/+2.5% YoY in April. The weak reading is the second worst since the recession in 2009, follows strong gains recorded in April and brings year to May performance down to zero. The contraction of the mining & quarrying sectors (-4.0% MoM/-19.6% YoY) is to a large extent the main culprit of the deterioration in the headline index in May. However, manufacturing performance, the key component of industrial production, was also weak (-4.4% MoM/+0.7% YoY). Overall, industry has been demonstrating signs of weakness in Q2 and seems unable to provide meaningful support to growth with the gap being filled by services.

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### CESEE MARKETS

Emerging Market assets extended their recent rally earlier on Thursday, on optimism that Central Banks around the globe will act if needed to stem a potential spillover impact from the Brexit vote. The US non-farm payrolls report for June, released last Friday, alleviated worries over the economy's growth prospects, further supporting investor sentiment towards risky assets. Global financial markets also reacted favorably in the aftermath of a swift replacement of the UK's Prime Minister and the re-election of Japan's Prime Minister Shinzo Abe. Adding to the positive tone over the last few sessions has been an up-move in global oil prices that has benefited the assets of energy-exporting countries the most. Along these lines, the MSCI Emerging Market index stood in the black earlier on Thursday extending yesterday's four-session rising streak, having hit a new multi-month peak intraday. Turkey's main BIST 100 index stood ca 0.8% firmer on the day at the time of writing near a 2-month peak hit intraday, after posting cumulative gains of approximately 5% so far this week.

In FX markets, CESEE currencies also firmed in European trade earlier on Thursday, while regional government bonds were mixed. In the FX markets, the Polish zloty led the winners' pack, with the EUR/PLN sliding near 4.3840, its lowest level since July 1<sup>st</sup>, before pulling back towards 4.8895 at the time of writing. The pair's technical picture suggests that immediate support lies at today's trough, ahead of 4.3642 (July 1 low). On the upside, initial resistance stands at 4.4100 (today's peak) in the way to 4.4190 (14-day moving average). Elsewhere, the Serbian dinar was little changed, with the EUR/RSD hovering around levels of 123.20, a day after the Central Bank intervened in the FX markets in order to stem the domestic currency's gains. In more detail, the NBS bought euros on Wednesday at around 123.20.

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July 14, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities												
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD				
S&P 500	2150.93	-0.1%	5.2%	EUR/USD	1.1112	0.5%	2.4%	(yields)	Last	ΔDbps	ΔYTD bps	GOLD	1338	0.4%	26.1%
Nikkei 225	16231.43	0.8%	-14.7%	GBP/USD	1.3235	-0.1%	-10.2%	UST - 10yr	1.47	-4	-80	BRENT CRUDE	47	-2.7%	26.4%
STOXX 600	336.75	0.1%	-7.9%	USD/JPY	104.39	0.3%	15.0%	Bund-10yr	-0.07	3	-69	LMEX	2418	2.3%	9.7%
								JGB - 10yr	-0.28	-1	-55				

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA			
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	303	-2	0	O/N	0.44	2	-9	LEONIA	-0.01	0	-2
1-week	3.15	-2	-4	1-month	0.6	0	-9	1-month	-0.16	0	-32
1-month	3.31	-2	-20	3-month	0.81	1	-21	3-month	-0.06	0	-32
3-month	3.51	-5	-32	6-month	1.05	-1	-29	6-month	0.09	0	-44
6-month	3.76	-6	-27	12-month	1.21	0	-31	12-month	0.44	0	-53
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	3.46	xs	-21	3Y RON	1.66	-1	-27	3Y BGN	0.36	2	-25
5Y RSD	5.25	0	13	5Y RON	2.41	-1	-39	5Y BGN	1.09	10	-18
7Y RSD	5.78	0	-192	10Y RON	3.19	-1	-59	10Y BGN	2.32	0	-34
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	2.56	-4	-60	EUR Oct-25	2.14	-2	-43	EUR Jul-17	-0.12	19	-19
USD Nov-24	6.26	0	-16	USD Jan-24	2.98	1	-80	EUR Sep-24	2.05	-38	-37
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	244	0	-30	5-year	123	0	-10	5-year	150	0	-22
10-year	288	-1	-51	10-year	157	0	-14	10-year	196	0	-20
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	607.2	0.15%	-5.74%	BET	6569.8	0.60%	-6.20%	SOFIX	453.5	0.09%	-1.61%
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	123.33	0.00%	-1.42%	EUR/RON	4.4904	-0.01%	0.53%	USD/BGN	1.7598	0.49%	2.30%

**BELEX15 Index**

**BET Index**

**SOFIX Index**

**EUR/RSD**

**EUR/RON**

**USD/BGN**

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

Data updated as of 17:50 EEST of previous session

July 14, 2016

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