

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 18: NAHB housing market index (Jul)
- July 19
 - Housing starts (Jun)
 - Building permits (Jun)
- July 20
 - Jobless claims (weekly)
 - Philly Fed (Jul)
 - Existing home sales (Jun)

EUROZONE

- July 21: ECB monetary policy meeting and press conference

GREECE

- July 18: EU Commissioner Pierre Moscovici is scheduled to visit Athens
- July 20
 - Quarterly Non-Financial Accounts of General Government (Q1 2016)
 - Turnover Index in Industry (May 2016)

SEE

ROMANIA

- July 21: 3.25% 2021 T-bonds auction
- July 22: Sovereign credit review by Fitch

SERBIA

- July 19: 7-year RSD-denominated T-bonds auction
- July 20: Current account balance (May)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the positive tone in the majority of Asian bourses, European equity markets were firmer in early trade supported by M&A news and a string of positive US data suggesting that the domestic economy ended the second quarter on a firm note. Meanwhile, the NZD was among the main underperformers in FX markets, on increased RBNZ rate easing expectations.

GREECE: EU Commissioner for Economic and Financial Affairs Pierre Moscovici is scheduled to pay an official visit to Athens today to hold discussions with domestic authorities on the progress made so far by in the implementation of the prior actions attached to the release of the next ESM loan-tranche (€2.8bn) as well as the successful completion of the 2nd review which is expected to commence in early October.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market witnessed another quiet week with trading remaining thin. Meanwhile government bond yields declined leading to some flattening of the curve in the long-end and Eurobonds remained supported with yields dropping between 6 and 8 bps.

SERBIA: The EUR/RSD remained under heavy pressure by ample euro liquidity last week. However, the cross was little changed on a weekly basis on Friday due to repeated Central Bank interventions in the FX markets in order to halt the dinar's upside momentum.

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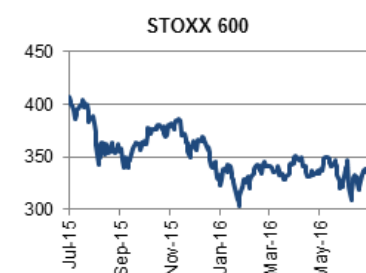
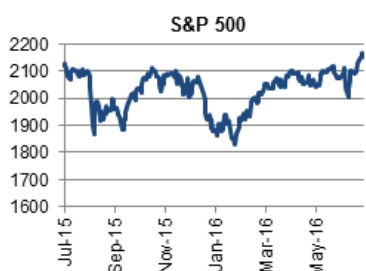
Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the positive tone in the majority of Asian bourses, European equity markets were firmer in early trade supported by M&A news and a string of positive US data suggesting that the domestic economy ended the second quarter on a firm note. Following the upbeat non-farm payrolls report for June, data released late last week revealed that retail sales rose for the third month in a row in June by a stronger-than-expected 0.6%MoM, industrial production advanced by 0.6%MoM, the largest gain in 10 months while core CPI moved higher gaining 0.2%MoM and taking the annual rate to 2.3% from 2.2% in the prior month. In spite of positive US data, major government bond yields were broadly lower on Monday amid market anticipation of loose monetary policy from major central banks for longer to address spill-over effects from Brexit. Meanwhile, the NZD was among the main underperformers in FX markets, on increased RBNZ rate easing expectations following softer-than-expected Q2 CPI data. Elsewhere, the EUR/USD was hovering around 1.1052/55 at the time of writing, trapped within the 1.0900-1.1200 post-Brexit range while the USD/JPY was trading close to today's session high of 106.00 amid lingering market speculation of "helicopter money" by Japanese authorities to stimulate the economy and halt deflation risks. Looking at this week's calendar, the ECB holds its next monetary policy meeting on Thursday which is unlikely to bring any new policy decisions as the Central Bank is expected to wait until September before easing its monetary policy again when the updated staff projections will be released. Focus will be on the post-meeting press conference for hints on potential changes on some of the parameters of the QE programme later this year. On the data front, US housing starts & building permits for June (Tuesday), UK employment data for May (Wednesday) and Eurozone PMI data for June (Friday) represent some of this week's main data releases.

GREECE

EU Commissioner for Economic and Financial Affairs Pierre Moscovici is scheduled to pay an official visit to Athens today to hold discussions with domestic authorities on the progress made so far by in the implementation of the prior actions attached to the release of the next ESM loan sub-tranche (€2.8bn) as well as the successful completion of the 2nd review which is expected to commence in early October. As per the same sources, the EU Commissioner is scheduled to meet Greece's Prime Minister Alexis Tsipras at 12:30 local time before attending a working lunch with the participation of Minister of Finance Euclid Tsakalotos and Minister of Economy, Development and Tourism Giorgos Stathakis. Later, the EU Commissioner will reportedly give a joint press conference with Greece's Minister of Finance at 15:15 local time. The EU Commissioner's visit is scheduled to conclude with a speech at the committees of the Hellenic Parliament's Financial, Production, Trade and European Committees. In other news, recent press reports suggested that, as things stand at this point, privatisation proceeds are not expected to exceed €2.0bn this year, suggesting that the 2016 revenue target of €2.5bn will likely be missed. As per the same sources, the Greek side is likely to request the projected shortfall in 2016 privatisation proceeds to be transferred to the next couple of years, suggesting an upward revision in the 2017 and 2018 privatisation revenue targets. According to the existing MoU, the implementation of the agreed privatisation programme aims to generate annual proceeds (excluding bank shares) for 2017 and 2018 of €2.2 and €1.1bn, respectively.



Source: Reuters, Bloomberg, Eurobank Research

July 18, 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

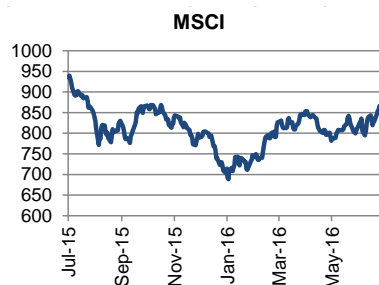
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The domestic equity market witnessed another quiet week with trading remaining thin. In more detail, the main SOFIX closed little changed at 450.10 points on Friday erasing gains recorded earlier in the week. The weekly turnover was lifted to €2.8mn following large block trades, accounting for a 70% share. Meanwhile government bond yields declined leading to some flattening of the curve in the long-end, where the largest drop was of 17 bps for the 6-year paper. Meanwhile, Eurobonds remained supported with yields dropping between 6 and 8 bps.

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SERBIA

The EUR/RSD remained under heavy pressure by ample euro liquidity last week. However, the cross was little changed on a weekly basis on Friday, hovering around levels of 123.05-123.15/35 due to repeated Central Bank interventions in the FX markets in order to halt the dinar's upside momentum. Albeit the factors behind this unprecedented large quantity of hard currency are not yet fully clear, we believe it's a mixture of foreign inflow led by a forthcoming 7Y auction and a large amount of loan disbursements that the banking sector executed at the end of Q2. Along these lines, the National Bank of Serbia intervened six consecutive times purchasing a total amount of €170mn. With new Central Bank action aimed at soothing FX fluctuations appearing highly likely in the coming sessions, the EUR/RSD seems poised to trade near 123.50 over the next month or so and move towards 124.00 in a 3-month time frame. In other news, the Public Debt Administration is expected to auction a 7Y T-bond RSD denominated paper on Thursday, July 19.

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July 18, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	1	-1
1-week	3.17	0	-2
1-month	3.33	0	-18
3-month	3.56	0	-27
6-month	3.82	0	-21

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.18	xs	-41
5Y RSD	4.99	-1	-14
7Y RSD	5.50	0	-220

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.57	0	-59
USD Nov-24	6.29	1	-12

CDS

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

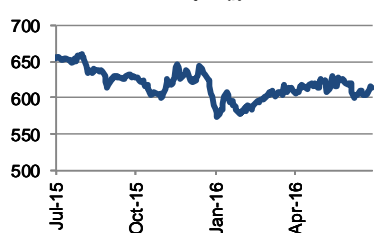
STOCKS

	Last	ΔD	ΔYTD
BELEX15	613.7	-0.43%	-4.71%

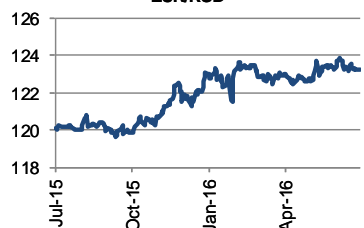
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.25	-0.07%	-1.35%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	2	-9
1-month	0.59	0	-10
3-month	0.8	0	-22
6-month	1.05	0	-29
12-month	1.21	0	-31

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	0	-28
5Y RON	2.38	0	-42
10Y RON	3.17	1	-61

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.13	-1	-43
USD Jan-24	3.01	3	-78

CDS

	Last	ΔDbps	ΔYTD bps
5-year	121	1	-12
10-year	154	0	-17

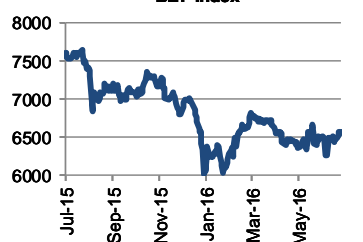
STOCKS

	Last	ΔD	ΔYTD
BET	6602.7	-0.18%	-5.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4703	0.23%	0.98%

BET Index



EUR/RON



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	-43
12-month	0.44	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.34	0	-26
5Y BGN	1.05	0	-22
10Y BGN	2.30	0	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	0	-5
EUR Sep-24	2.12	0	-30

CDS

	Last	ΔDbps	ΔYTD bps
5-year	149	-1	-22
10-year	195	-1	-21

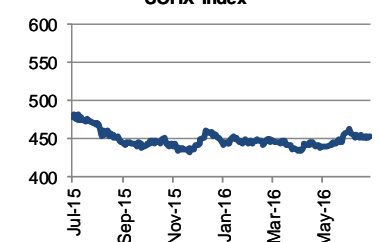
STOCKS

	Last	ΔD	ΔYTD
SOFIX	451.9	0.40%	-1.95%

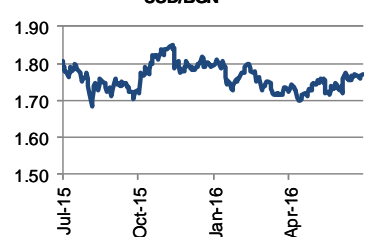
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7707	0.19%	1.67%

SOFIX Index



USD/BGN



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

Data updated as of 12:30 EEST

July 18, 2016

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