

### 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:** Major European bourses traded mixed in early trade on Tuesday while in FX markets, NZD and AUD were among the main underperformers amid increased expectations for further policy easing by the RBNZ and the RBA respectively in August.

**GREECE:** The EU Commissioner for Economic and Financial affairs, Pierre Moscovici urged the Greek government to proceed without delay with the implementation of the prior actions due by September 2016 for the release of the €2.8 billion sub-tranche as well as those related to the 2nd review so that the latter can be completed by early November 2016 at the latest. The institutions approved yesterday a bundle of measures proposed by the Bank of Greece for the relaxation of capital controls.

### SOUTH EASTERN EUROPE

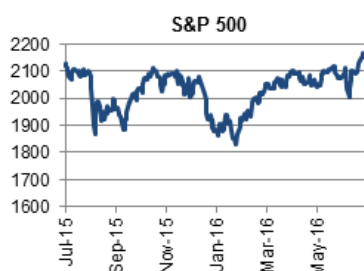
**CESEE MARKETS:** Emerging market assets broadly recoiled earlier on Tuesday as their recent rally seems to have run out of steam, while Brexit jitters, worries over China's growth outlook and domestic political tensions in Turkey weighed on investor sentiment. A decline in global oil prices pressured additionally energy-related shares. **CESEE bourses** and **currencies** were little changed while **government bonds** were mixed earlier on Tuesday. In **other news**, Cyprus is reportedly marketing a €1bn 7-year EUR denominated benchmark bond. Books are currently open and initial price guidance is considered at a yield of 4.0%, according to media reports. Elsewhere, the EU opened two more of the total 35 chapters on Serbia's accession yesterday, namely, Chapter 23 on the judiciary and fundamental rights and Chapter 24 on justice, freedom and security.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European bourses traded mixed in early trade on Tuesday after Japan's Tokyo outperformed earlier today in Asia markets favored by a weaker JPY. In FX markets, NZD and AUD were among the main underperformers amid increased expectations for further policy easing by the RBNZ and the RBA respectively in August. The RBNZ issued a consultation-paper earlier today to further tightening mortgage lending rules in order to contain risks to financial stability arising from the booming housing market. Similarly, the July RBA Board meeting minutes revealed that the Central Bank has left the door open to further easing at its next meeting in August noting that it awaits Q2 CPI (due on July 27) as well as jobs and housing related data before making monetary policy adjustment. Elsewhere, the JPY remained under pressure against the USD amid lingering expectations for further BoJ policy stimulus at the July 28-29 meeting. USD/JPY was hovering around 106.00 in European trade at the time of writing, not far from a 3 ½ week high of 106.32 hit earlier today. Technically, a sustained move above the 55-day MA of 106.30 could open the way for further appreciation towards the June 24th peak of 106.80. Elsewhere, EUR/USD continued to consolidate with the 1.1000-1.1200 recent range. With investors awaiting the ECB policy meeting (Thursday) and preliminary euro area PMI surveys for July (Friday), today's US June housing starts and permits data are unlikely to exert a significant impact on the recent EUR/USD price action.

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### GREECE

The EU Commissioner for Economic and Financial affairs, Pierre Moscovici, visited Athens yesterday and met the Greek PM as well as a number of Ministers who are directly involved in the implementation of the Memorandum of Understanding. The Commissioner urged the Greek government to proceed without delay with the implementation of the prior actions due by September 2016 for the release of the €2.8billion sub-tranche as well as those related to the 2nd review so that the latter can be completed by early November 2016 at the latest. This course of action will allow for discussions regarding Greek public debt and the financial participation of the IMF in the programme to be finalised by Christmas. With regard to the decrease of the primary surplus targets for 2019 and 2020, the Commissioner was negative. Meanwhile, the institutions approved yesterday a bundle of measures proposed by the Bank of Greece for the relaxation of capital controls. These measures include among others: i) the exclusion of "new money" (i.e. money that is currently outside the domestic banking system, possibly in safety boxes or houses) from capital controls, ii) the full lifting of the ban on early loan repayment with the use of deposits that are in the domestic banking system, iii) the increase of the cash withdrawal limit from 10% to 30% for money that is deposited from abroad, iv) the possibility to withdraw €840 at once per 15 days rather than €420 at once per week, v) increase of the limit for purchases abroad as well as from international sites with credit cards that have been issued by Greek banks, vi) increase of the monthly limit for remittances abroad, and vii) increase of the limit for imports from domestic importers. The Governing Council of the ECB is expected to confirm the relaxation of capital controls at its upcoming July 21<sup>st</sup> meeting. In other news, speaking before the Hellenic Federation of Enterprises (SEV), BoG Governor Yannis Stournaras presented the central bank's macroeconomic projections for the period 2016 – 2018 envisaging GDP growth of -0.3%, 2.5% and 3.0% for the years 2016, 2017 and 2018 respectively provided that a number of conditions are met, including the resolution of NPLs and product and services markets reforms that will boost investment and employment.

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July 19, 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

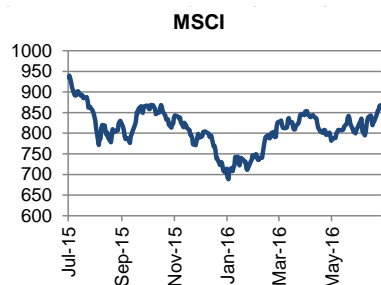
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CESEE MARKETS

**Emerging market assets** broadly recoiled earlier on Tuesday as their recent rally seems to have run out of steam, while Brexit jitters, worries over China's growth outlook and domestic political tensions in Turkey weighed on investor sentiment. A decline in global oil prices pressured additionally energy-related shares. In this context, the MSCI Emerging Markets index stood in the red earlier today, snapping a 7-session rising streak and trimming cumulative gains in excess of 5% over the said time span. Bourses in the CESEE region treaded water in European trade, with Turkey's main BIST 100 index standing in a modestly positive territory after plummeting by 7% on Monday on mounting domestic political turmoil after Friday's coup attempt.

In the FX markets, **regional currencies** were little changed earlier on Tuesday. The Turkish lira was little changed on the day against hard currency peers at the time of writing despite news that Moody's placed the country's sovereign credit ratings on review for a downgrade on worries over the medium-term impact of last week's failed military coup on the domestic economy. In more detail, the USD/TRY hovered around levels of 2.9760 having pulled back from a 6-month peak of 3.0476 hit in US trade on Friday shortly after news about escalating political unrest emerged. Separately, the Serbian dinar hovered around levels of 123.10 against the euro, a tad above 122.99 on Monday's settlement. The domestic currency has retained a firm tone over the last week or so despite repeated Central Bank interventions in order to halt its upside momentum. Only yesterday, the NBS purchased euros at a rate of 123.10. Meanwhile, the Polish zloty fell modestly against the euro as yesterday's rally - instigated by news on Friday that Fitch did not cut the country's sovereign credit rating - seemed to have been overdone. In this context, the EUR/PLN hovered around levels of 4.3755, having advanced from a 2-week trough of 4.3650 hit on Monday.

In the **local rates markets**, government bonds were mixed in early European trade. Turkish paper broadly underperformed its regional peers in view of domestic political unrest. Paper of shorter maturity suffered the biggest losses with the 2-year yield rising by ca 15bps to 8.84%, adding to yesterday's 20bps advance. Meanwhile, Turkish 5-year credit default swaps rose by 5bps to a 3-week peak of 254bps earlier today according to Markit data.

In **other news**, Cyprus is reportedly marketing a €1bn 7-year EUR denominated benchmark bond which was mandated yesterday. Books are currently open and initial price guidance is considered at a yield of 4.0%, according to media reports. The issue matures on July 26, 2023. Elsewhere, the EU opened two more of the total 35 chapters on Serbia's accession yesterday, namely, Chapter 23 on the judiciary and fundamental rights and Chapter 24 on justice, freedom and security. Recall that, Serbia received full EU candidacy status in 2012, with entry negotiations having officially kicked off in January 2014. Two other chapters, number 32 on financial control and 35 on other issues (relations with Kosovo) were opened in mid-December last year, but none is yet closed. The country aspires to become an EU member on 2020.

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July 19, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities																																																																
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>S&amp;P 500</td> <td>2161.74</td> <td>-0.1%</td> <td>5.8%</td> </tr> <tr> <td>Nikkei 225</td> <td>16497.85</td> <td>0.7%</td> <td>-13.3%</td> </tr> <tr> <td>STOXX 600</td> <td>337.67</td> <td>-0.1%</td> <td>-7.7%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	S&P 500	2161.74	-0.1%	5.8%	Nikkei 225	16497.85	0.7%	-13.3%	STOXX 600	337.67	-0.1%	-7.7%	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>EUR/USD</td> <td>1.1053</td> <td>0.3%</td> <td>1.8%</td> </tr> <tr> <td>GBP/USD</td> <td>1.3241</td> <td>0.4%</td> <td>-10.1%</td> </tr> <tr> <td>USD/JPY</td> <td>105.5</td> <td>-0.6%</td> <td>13.8%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	EUR/USD	1.1053	0.3%	1.8%	GBP/USD	1.3241	0.4%	-10.1%	USD/JPY	105.5	-0.6%	13.8%	<table border="1"> <thead> <tr> <th>(yields)</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tbody> <tr> <td>UST - 10yr</td> <td>1.56</td> <td>1</td> <td>-71</td> </tr> <tr> <td>Bund-10yr</td> <td>-0.03</td> <td>-4</td> <td>-66</td> </tr> <tr> <td>JGB - 10yr</td> <td>-0.23</td> <td>0</td> <td>-49</td> </tr> </tbody> </table>	(yields)	Last	ΔDbps	ΔYTD bps	UST - 10yr	1.56	1	-71	Bund-10yr	-0.03	-4	-66	JGB - 10yr	-0.23	0	-49	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>GOLD</td> <td>1330</td> <td>-0.6%</td> <td>25.3%</td> </tr> <tr> <td>BRENT CRUDE</td> <td>47</td> <td>-1.8%</td> <td>25.5%</td> </tr> <tr> <td>LMEX</td> <td>2430</td> <td>-0.5%</td> <td>10.3%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	GOLD	1330	-0.6%	25.3%	BRENT CRUDE	47	-1.8%	25.5%	LMEX	2430	-0.5%	10.3%
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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	0	-14
7Y RSD	5.50	0	-219

**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

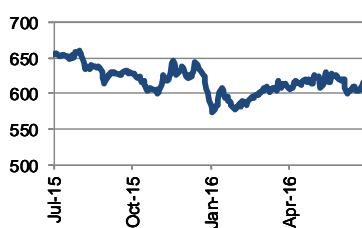
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	611.0	-0.87%	-5.14%

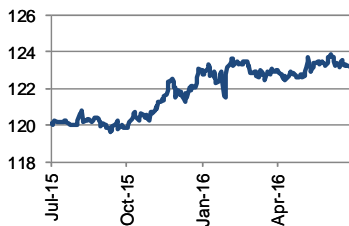
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.20	-0.03%	-1.31%

**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	2.39	0	-41
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

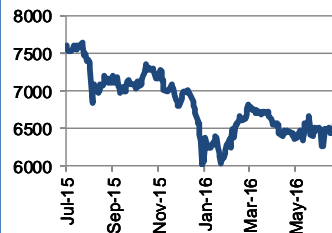
**STOCKS**

	Last	ΔD	ΔYTD
BET	6604.5	-0.15%	-5.71%

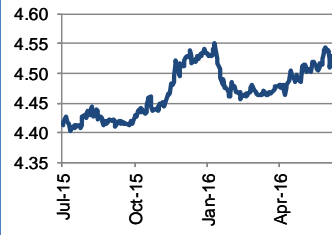
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4705	0.22%	0.97%

**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	0.33	-2	-28
5Y BGN	0.93	-12	-34
10Y BGN	2.29	0	-36

**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

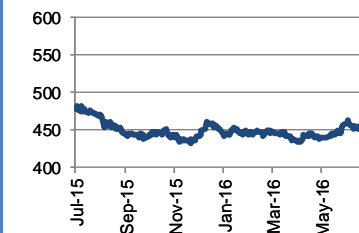
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	451.3	0.27%	-2.08%

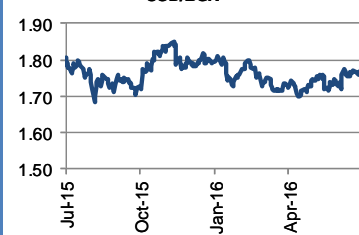
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7696	0.25%	1.73%

**SOFIX Index**



**USD/BGN**



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 16:30 EEST of previous session

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