



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, July 20, 2016

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: Asian equity markets traded mixed on Wednesday, following the IMF's downwardly revised global economic outlook. In Europe, the majority of equity indices edged higher in early trade on positive corporate earnings announcements. In FX markets, despite yesterday's upside surprise in UK inflation sterling depreciated across the board on Tuesday amid lingering expectations for further BoE policy easing at the August 4th meeting. Elsewhere, the DXY dollar index hit a 4-month high of 97.323 in Asian trade on Wednesday, following a recent string of positive data which have prompted an upward revision in short-term Fed rate hike expectations. Focus today centres on the July update of the BoE Agents' Summary of Business Conditions. On the macro data front, the Euro area consumer confidence is expected to deteriorate in July amid lingering Brexit jitters.

GREECE: The Greek Minister of Labour Mr. George Katrougalos and the social partners representing workers and employers agreed on key issues in view of the upcoming 2nd programme review, where labour market reform is expected to prevail in the agenda. According to the preliminary Budget Execution data for January-June 2016 published yesterday by the Greek Ministry of Finance, the fiscal balance recorded a deficit of €1.00 bn significantly improved compared to the respective 2016 Budget target (fiscal deficit of €4.49 bn).

SOUTH EASTERN EUROPE

CYPRUS: Cyprus tapped international financial markets for the first time since its exit from its economic adjustment program in late March. The Ministry of Finance raised €1bn selling 7Y bonds with a 3.75% coupon at a 3.8% yield.

CESEE MARKETS: Emerging market assets remained under pressure earlier on Wednesday, in view of the US dollar's renewed strengthening and mounting worries over the domestic political turmoil in Turkey. Turkish assets underperformed peers, weighed down by concerns over a potential escalation of domestic political tensions after news over a widening purge following a failed coup attempt late last week. In other news, Serbia sold at an auction on Tuesday RSD 28.3bn of 7-year RSD-denominated bonds. The average accepted yield came in at 5.98%, well below 10.75% achieved at a prior auction of similar maturity paper in March 2015.

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Latest world economic & market developments

GLOBAL MARKETS

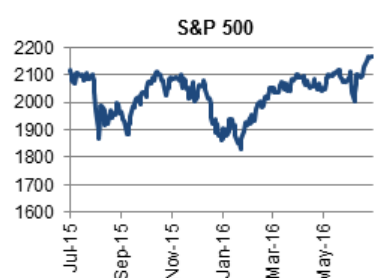
Asian equity markets traded mixed on Wednesday, following the IMF's downwardly revised global economic outlook. Amid concerns that the UK's Brexit vote has created "a sizable increase in uncertainty" that could take a toll on investment and market confidence, the IMF trimmed once again its forecasts on world GDP growth by another 0.1 ppts to 3.1% the slowest in the post-crisis era- and 3.4% in 2016 and 2017, respectively, in the latest WEO that was published on Tuesday. In Europe, the majority of equity indices edged higher in early trade on positive corporate earnings announcements, shrugging off the German ZEW's July decline to its lowest level since November 2012. In FX markets, despite yesterday's upside surprise in UK inflation (CPI: 0.5%YoY in June from 0.3%YoY in May/ Core CPI: 1.4%YoY from 1.2%YoY in May) sterling depreciated across the board on Tuesday amid lingering expectations for further BoE policy easing at the August 4th meeting. The GBP/USD was hovering around levels of 1.3149/50 at the time of writing in European trade today, within distance from yesterday's multi-session low of 1.3111. Elsewhere, the DXY dollar index hit a 4-month high of 97.323 in Asian trade on Wednesday, following a recent string of positive data which have prompted an upward revision in short-term Fed rate hike expectations. According to data released yesterday, US housing starts rose to a higher than expected 1.189mn in June from 1.164mn in the prior month, suggesting that the US housing market continues to expand at a gradual pace. Focus today centres on the July update of the BoE Agents' Summary of Business Conditions, a monthly report compiled by the central bank following discussions with around 700 UK businesses. On the macro data front, the Euro area consumer confidence is expected to deteriorate in July amid lingering Brexit jitters.

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GREECE

The Greek Minister of Labour Mr. George Katrougalos and the social partners representing workers and employers met yesterday to discuss and explore common ground in view of the upcoming 2nd programme review, where labour market reform is expected to prevail in the agenda. According to press reports, in this meeting all sides: i) agreed that the National General Collective Labour Agreement will determine the minimum wage which will apply for all workers, ii) confirmed what was agreed in the previous tripartite meetings that were held under the auspices of the International Labour Organisation, iii) agreed that "best practices" are considered those that are in accordance with the European social model, and iv) acknowledged the need to modernise Law 1262/1982 without, however, putting into question the right to strike and the constitutional protection of union action. According to the preliminary Budget Execution data for January-June 2016 published yesterday by the Greek Ministry of Finance, the fiscal balance recorded a deficit of €1.00 bn significantly improved compared to the respective 2016 Budget target (fiscal deficit of €4.49 bn). The January-June 2016 primary balance was positive – a primary surplus – at €2.48 bn again significantly improved compared to the respective 2016 Budget target (primary deficit of €1.03 bn). Note however, that Ordinary Budget expenditure was lower by €2.47 bn or -9.8% compared to the respective 2016 Budget target. Ordinary Budget revenue recorded an over-performance of €0.79 bn or -3.9% compared to the respective budget target. The over-performance was at the same level with the January-May 2016 respective figure.

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Source: Reuters, Bloomberg, Eurobank Research

July 20, 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

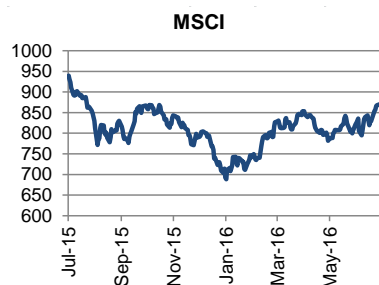
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

Cyprus tapped international financial markets for the first time since its exit from its economic adjustment program in late March. The Ministry of Finance raised €1bn selling 7Y bonds with a 3.75% coupon at a 3.8% yield. Investors' bids were strong so that the issue was oversubscribed 2.5 times. Cyprus became a credible borrower within the first year of its MoU program, making the fastest come-back to international markets among other Euro Area program countries, and thus tapping the markets three times (June 2014, April 2015 and October 2015). Moreover, Cyprus does not face any significant repayment obligations until at least 2019. The amounts to be repaid in 2016, 2017 and 2018 stand at €1.14bn, €453mn and €873mn, respectively, and most of the maturing bonds are held by domestic financial institutions. However, a large portion of the outstanding debt stock- around €4bn or one fifth of the total- is maturing in 2019-2020. As a result, the issuance will allow the Ministry of Finance to buy-back bonds of those maturities streamlining the public debt maturity profile.

Despite rating agencies' aggressive upgrading in the past autumn, the sovereign rating of Cyprus is still below investment grade. Only recently, in late March, both Standard and Poor's and Moody's affirmed their respective long-term - below investment grade - sovereign ratings for Cyprus. Currently, the sovereign rating stands at BB- & B1 by S&P and Moody's, respectively. An upgrade by 3 and 4 notches in their respective grading system would be required in order for the Cypriot government bonds to get investment grade status. As a result, ECB's waiver for government bonds eligibility for Euro system financing has been lifted as of April 1st and Cyprus no longer qualifies for QE. The waiver allowed these instruments to be used in Euro system monetary policy operations, despite the fact that they did not fulfill minimum credit rating requirements.

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CESEE MARKETS

Emerging market assets remained under pressure earlier on Wednesday, in view of the US dollar's renewed strengthening and mounting worries over the domestic political turmoil in Turkey. Turkish assets underperformed peers, weighed down by concerns over a potential escalation of domestic political tensions after news that a purge of the army, police and judiciary is widening to education staff, university deans, the intelligence agency and religious authorities, while media licenses have been revoked. According to media reports, more than 50,000 people have been detained, sacked or suspended following a failed coup attempt late last week. Along these lines, the main BIST 100 index fell in European trade today (-0.4%) for the third session running, posting cumulative losses to the tune of 8.5% so far this week. In FX markets, the Turkish lira slid as far as a 10-month trough of 3.0630 in Asian trade, before recovering some ground shortly after. In the sovereign debt markets, Turkish 2- and 10-year local currency government bond yields bounced by 14bps and 17bps, respectively, on the day at the time of writing, having risen by more than 60bps and 90bps since Friday's settlement. In other news, Serbia sold at an auction on Tuesday RSD 28.3bn of 7-year RSD-denominated bonds. The average accepted yield came in at 5.98%, well below 10.75% achieved at a prior auction of similar maturity paper in March 2015. The issue bears a coupon of 5.75% and matures on July 21, 2023, while the bid to cover ratio came in at 1.47 yesterday reflecting healthy investor demand.

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July 20, 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	2163.78	-0.1%	5.9%	EUR/USD	1.0992	-0.3%	1.3%	UST - 10yr	1.55	0	-72	GOLD	1326	-0.4%	25.0%
Nikkei 225	16681.89	-0.2%	-12.4%	GBP/USD	1.3085	-0.2%	-11.2%	Bund-10yr	-0.04	-1	-67	BRENT CRUDE	47	0.1%	25.3%
STOXX 600	338.25	0.3%	-7.5%	USD/JPY	106.28	-0.2%	13.0%	JGB - 10yr	-0.23	-1	-50	LMEX	2443	0.4%	10.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-1	-2
1-week	3.16	-1	-3
1-month	3.30	-3	-21
3-month	3.52	-4	-31
6-month	3.78	-4	-25

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.17	xs	-35
5Y RSD	4.99	13	-14
7Y RSD	5.72	-8	-197

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.56	0	-61
USD Nov-24	6.29	1	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	1	-50

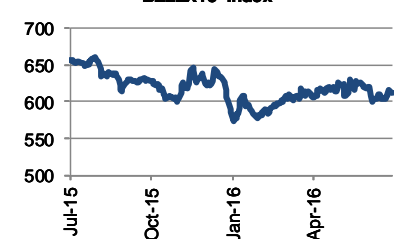
STOCKS

	Last	ΔD	ΔYTD
BELEX15	612.1	-0.07%	-4.97%

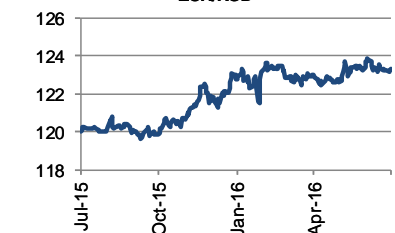
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.34	-0.07%	-1.42%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-10
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	1.63	-1	-30
5Y RON	2.38	0	-42
10Y RON	3.18	0	-60

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.13	0	-43
USD Jan-24	3.01	0	-78

CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	0	-13
10-year	153	0	-18

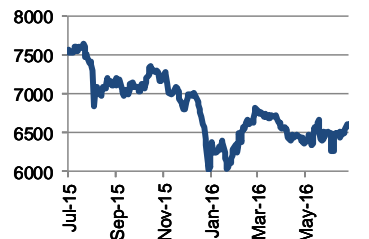
STOCKS

	Last	ΔD	ΔYTD
BET	6660.4	0.23%	-4.91%

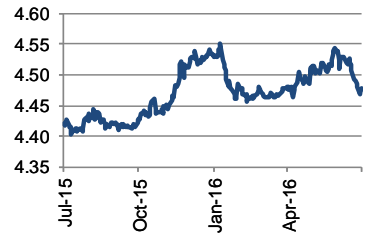
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4778	-0.17%	0.81%

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	0.10	0	-43
12-month	0.44	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.33	0	-27
5Y BGN	0.90	0	-37
10Y BGN	2.30	0	-36

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.20	10	-27
EUR Sep-24	1.98	104	-44

CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	0	-22
10-year	196	0	-21

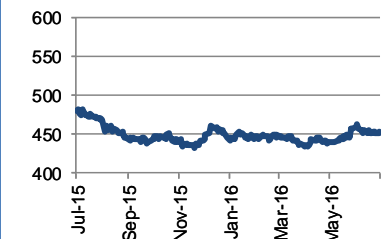
STOCKS

	Last	ΔD	ΔYTD
SOFIX	452.0	0.28%	-1.93%

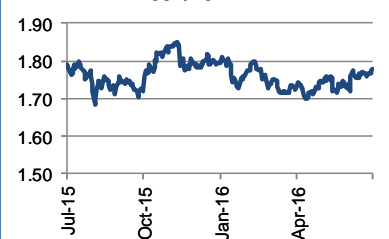
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7797	-0.28%	1.16%

SOFIX Index



USD/BGN



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

Data updated as of 10:50 EEST

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