



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, July 21, 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:** With the EUR having lost some ground since the last ECB policy meeting, a bulk of monetary policy stimulus from the March ECB package still in the pipeline and spillover effects from the Brexit to the euro area still uncertain, the ECB is widely expected to stay put at today's monetary policy meeting. Meanwhile, EUR/USD continued to consolidate while USD/JPY retained a firm tone. On the data front, focus today is on UK June retail sales ahead of the more crucial flash PMIs for July on Friday.

**GREECE:** Greece made total payments of €2.64bn yesterday including an ECB maturing government bond and other maturing government paper held by Eurozone central banks. The State Budget Office of the Hellenic Parliament issued yesterday its latest quarterly report for April – June 2016 in which it stresses the importance of the consistent implementation of the MoU.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** CESEE assets treaded water in early European trade on Thursday as caution prevailed ahead of the conclusion of the ECB meeting later on the day. Turkish assets extended their recent downtrend in view of ongoing domestic political turmoil.

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## Latest world economic & market developments

### GLOBAL MARKETS

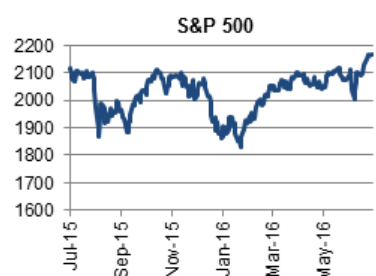
Major European equity markets were little changed in early trade on Thursday as investors adopt a cautious tone ahead of the ECB monetary policy meeting later in the day. With the EUR having lost some ground since the last ECB policy meeting, a bulk of monetary policy stimulus from the March ECB package still in the pipeline and spillover effects from the Brexit to the euro area still uncertain, the ECB is widely expected to stay put. Focus will be on the press conference where ECB President Mario Draghi is likely to adopt a dovish tone highlighting downside risks to the growth and inflation outlook amid heightened uncertainty, leaving the door open for further policy easing in the coming months. The scarcity issue over eligible bonds due to restraining QE parameters is also likely to be addressed at the post-meeting press conference, a development that could favor EMU peripheral government bonds. In FX markets, today's ECB policy meeting is unlikely to exert a significant and long lasting impact on the EUR as investors await Friday's euro area PMIs for more clues over the euro area outlook after the Brexit outcome. Meanwhile, EUR/USD was hovering around 1.1025/28 in European trade at the time of writing after hitting a one-month low of 1.0980 overnight, consolidating within the 1.0900-1.1200 recent range. Elsewhere, USD/JPY remained in an upward trend for the sixth session in a row hitting a multi-week peak close to 107.50 earlier today before retreating to levels close to 106.00 in European trade. The recent positive string of US data and press reports suggesting that FOMC policy members appear now more confidently towards a rate hike by the end of this year, continued to exert a positive impact on the USD. On the flip side, growing expectations for further policy easing by the BoJ at the July 28/29 policy meeting to revive the domestic economy and address persisting deflation jitters, has kept the JPY under pressure. On the data front, focus today is on UK June retail sales ahead of the more crucial flash PMIs for July on Friday.

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### GREECE

Greece made total payments of €2.64bn yesterday including an ECB maturing government bond and other maturing government paper held by Eurozone central banks. In other news, the State Budget Office of the Hellenic Parliament issued yesterday its latest quarterly report for April – June 2016 in which it stresses the importance of the consistent implementation of the MoU in order for Greece to cover its financing needs, achieve a gradual relaxation of capital controls, settle state arrears and benefit from a wide spectrum of reforms and knowhow which will propel growth. On the other hand, the report views the MoU primary surplus targets beyond 2018 as unrealistic whereas it argues that in mid-2018 the debt-relief discussion may re-open subject to Greece's government having fulfilled its obligations deriving from the MoU. On the economic data front, according to data released by the Hellenic Statistical Authority yesterday, the Turnover Index in industry in May 2016 decreased - for a 19th consecutive month - by 13.4%YoY. With respect to the individual industrial sections, mining and quarrying turnover increased by 3.7%YoY while manufacturing turnover decreased by 13.7%YoY. It is worth noting that the Producer Price Index in industry in May 2016 recorded a decrease of 9.3%YoY. The difference between the annual changes of the Turnover and the Producer Price Indices can be used as a proxy for the respective change of the volume index (4%).

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Source: Reuters, Bloomberg, Eurobank Research

July 21, 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

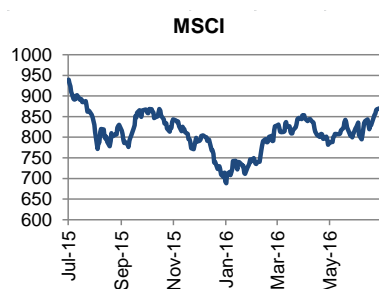
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

CESEE assets treaded water in early European trade on Thursday as caution prevailed ahead of the conclusion of the ECB meeting later on the day. Turkish assets extended their recent downtrend in view of the ongoing domestic political turmoil, continuing to underperform their emerging market peers. Following last week's coup attempt, a widening purge of suspected coup supporters, news about an S&P downgrade on Turkey's foreign currency sovereign credit ratings to "BB/B" with negative outlook and the imposition of a state of emergency for three months weighed on investor sentiment towards the country's assets. Along these lines, the main BIST 100 index plummeted 4% compared to the prior session's settlement, sliding to its lowest level since mid-February and bringing this week's cumulative losses in excess of 11%. In a similar vein, the lira remained under pressure with the USD/TRY hovering near yesterday's lifetime peak of 3.0955. In the sovereign debt markets, local currency government bonds were mostly weaker ahead of expected auctions in Romania and Hungary. Turkish paper led the losers' pack with the corresponding 2- and 10-year benchmark yields having bounced by 21bps and 12bps, respectively, on the day at the time of writing, having risen by ca 86bps and 112bps since Friday's settlement.

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July 21, 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	2173.02	0.4%	6.3%	EUR/USD	1.1025	0.1%	1.6%	UST - 10yr	1.57	-1	-70	GOLD	1323	0.5%	24.6%
Nikkei 225	16810.22	0.8%	-11.7%	GBP/USD	1.3194	-0.1%	-10.5%	Bund-10yr	-0.01	0	-64	BRENT CRUDE	47	-0.1%	26.4%
STOXX 600	339.37	-0.4%	-7.2%	USD/JPY	105.58	1.2%	13.7%	JGB - 10yr	-0.22	2	-48	LMEX	2433	-0.4%	10.4%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	0	-1
1-week	3.16	-2	-3
1-month	3.31	-2	-20
3-month	3.52	-4	-31
6-month	3.78	-5	-25

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.03	xs	-34
5Y RSD	4.99	13	-14
7Y RSD	5.59	-1	-211

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.52	-4	-65
USD Nov-24	6.29	1	-12

**CDS**

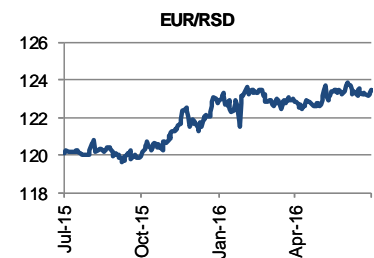
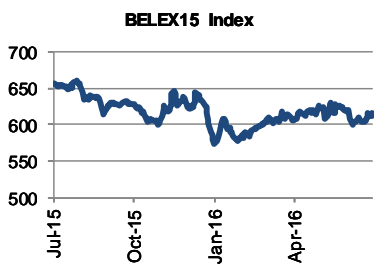
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	614.0	-0.20%	-4.68%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.49	-0.11%	-1.54%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	2	-10
1-month	0.58	-1	-11
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	1.62	0	-31
5Y RON	2.39	1	-41
10Y RON	3.19	1	-59

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.12	-2	-45
USD Jan-24	2.98	3	-80

**CDS**

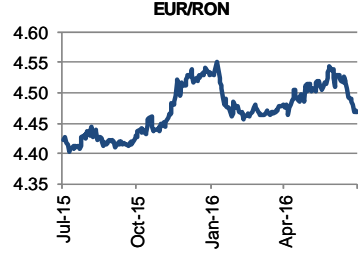
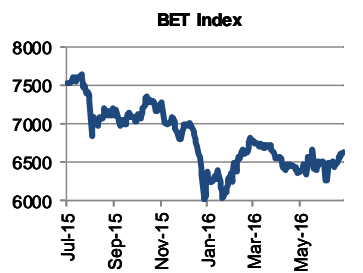
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-13
10-year	153	0	-18

**STOCKS**

	Last	ΔD	ΔYTD
BET	6664.8	0.00%	-4.85%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.469	0.04%	1.01%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.13	1	-28
3-month	-0.04	0	-30
6-month	0.12	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.32	-1	-28
5Y BGN	0.89	#N/A	N/A
10Y BGN	2.27	0	-38

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.04	0	-11
EUR Sep-24	2.12	0	-30

**CDS**

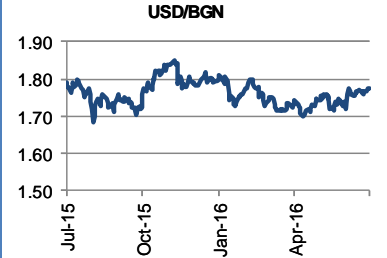
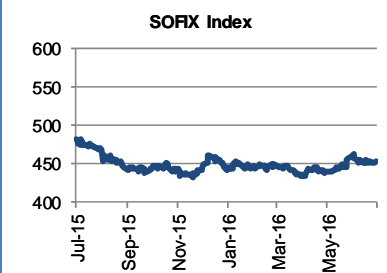
	Last	ΔDbps	ΔYTD bps
5-year	150	0	-22
10-year	196	0	-21

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	453.5	0.33%	-1.60%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.774	0.10%	1.48%



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

Data updated as of 12:50 EEST

July 21, 2016

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