

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: In line with market expectations, the ECB stayed put at yesterday's monetary policy meeting. The main interest rates were kept unchanged while ECB President Mario Draghi did not provide any clear hints on potential changes to the technical parameters of the Asset Purchase Programme. The ECB policy meeting did not exert a lasting impact on the EUR and German government bonds.

GREECE: According to press reports, talks between the Single Supervisory Mechanism (SSM) and the Greek banks on NPLs resolution are ongoing with a general target to reduce NPEs from €108.6bn currently to €60bn by 2019. According to data released yesterday by the BoG, travel receipts fell by 6.2% YoY for the period January – May 2016, but SETE President Andreas Andreadis expressed optimism for an increase in travel receipts for 2016.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold at an auction on Thursday RON 313mn (~€70.2mn) of 2021 government bonds, at an average accepted yield of 2.4%, 33bps below that achieved at a tender of same maturity paper in mid-June.

CESEE MARKETS: Emerging markets assets came under pressure earlier on Friday in view of a stronger US dollar and skepticism over whether Central Banks around the globe will provide additional stimulus, as was previously expected, in order to address any negative impact stemming from the Brexit vote. A decline in oil prices weighed further on energy-related shares. Meanwhile, CESEE currencies and government bonds were little changed earlier today, with Turkish assets recovering some ground after coming under significant pressure since last week's failed coup attempt.

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July 22, 2016

Latest world economic & market developments

GLOBAL MARKETS

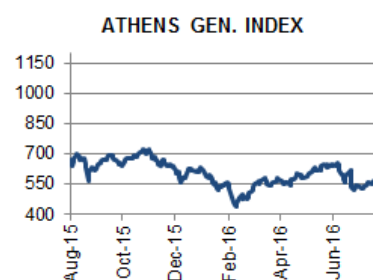
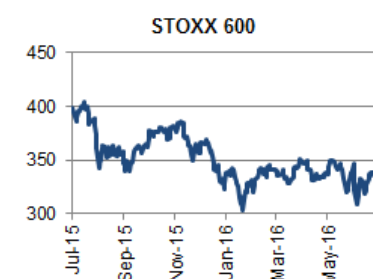
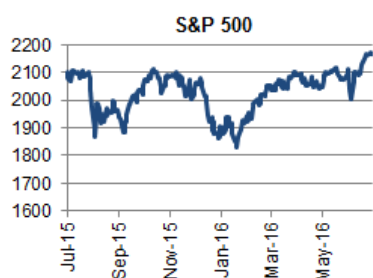
In line with market expectations, the ECB stayed put at yesterday's monetary policy meeting. The main interest rates were kept unchanged while ECB President Mario Draghi did not provide any clear hints on potential changes to the technical parameters of the Asset Purchase Programme. Speaking at the press conference, the ECB President noted that "euro area financial markets have weathered the spike in uncertainty and volatility with encouraging resilience" adding that the economic recovery is expected to proceed at a moderate pace with risks remaining tilted to the downside. Mario Draghi made clear that the Governing Council will continue to monitor economic and financial market developments very closely leaving the door open for further monetary policy easing- if deemed necessary- at the next meeting in September, when they will have more information about Brexit spillover effects to the euro area, including an updated set of macroeconomic projections. As knee-jerk reaction to the less dovish than expected tone adopted by the ECB President, the EUR moved higher hitting a session high of 1.1058 against the USD on Thursday before retreating modestly to levels around 1.1020/25 in early European trade on Friday. Along similar lines, the 10-yr Bund yield hit a post-Brexit peak of 0.030% during yesterday's press conference before returning anew into negative territory and standing close to -0.02% in European trade. Elsewhere, following a spike to a six-week peak of 107.50 at some point on Thursday, the USD/JPY lost some ground hovering around 106.00 at the time of writing in the wake of comments by BoJ Governor Haruhiko Kuroda playing down the prospect of "helicopter money". With market participants eagerly awaiting next week's FOMC monetary policy meeting, the USD failed to capitalize much on a fresh string of positive data released yesterday.

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GREECE

According to press reports, talks between the Single Supervisory Mechanism (SSM) and the Greek banks on NPLs resolution are ongoing. A target to reduce NPEs from €108.6bn at the end of Q1 2016 to c. €60bn by 2019 was set in late June, but detailed timetables and actions per bank remain to be determined by September 2016. In other news, US Treasury Secretary Jack Lew, during his visit in Athens urged Greece to make progress on reforms mentioning in particular privatisations and financial sector reforms. He added that Greece's debt needs to be put on a sustainable path and that the IMF should remain part of the discussions. Meanwhile, the abolishment of the 50-seat bonus to the first party that was envisioned in the new electoral law that was voted yesterday by the Hellenic Parliament, will not take effect from the next general election as the relevant provision did not gather the necessary 200 in favor votes. Another provision, however, which foresees the lowering of the voting age from 18 to 17 years, will be effective from the next election. On the economic front, according to data released yesterday by the Bank of Greece for the period January – May 2016, the current account deficit reached €3.5bn, down by 20% compared to the same period of 2015. The balance of goods was improved due mainly to a decrease in the imports of oil and ships, whereas imports and exports of goods excluding oil and ships recorded changes of -0.8% and -1.2% respectively. The services balance surplus decreased by 35% due mainly to the deterioration in travel and transport receipts, -6.2% and -4.5.8% respectively. Although tourism data are so far mixed, the President of the Confederation of Greek Tourism Enterprises (SETE), Andreas Andreadis reportedly expressed optimism for an increase in tourism receipts for 2016, subject, however, to how road arrivals and arrivals from Turkey will evolve.

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Source: Reuters, Bloomberg, Eurobank Research

July 22, 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

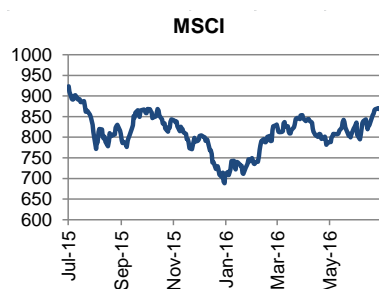
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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-	BB-
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

The finance ministry sold at an auction on Thursday RON 313mn (~€70.2mn) of 5-year government bonds, raising more funds than an initially planned amount of RON 300mn (~€67.1mn). The average accepted yield came in at 2.4%, 33bps below that achieved at a prior auction of same maturity paper held on June 20. Reflecting robust investor demand the tender's bid to cover ratio was at 2.6. The issue which matures on March 22, 2021 bears a coupon of 3.25%.

CESEE MARKETS

Emerging markets assets came under pressure earlier on Friday in view of a stronger US dollar and skepticism over whether Central Banks around the globe will provide additional stimulus, as was previously expected, in order to address any negative impact stemming from the Brexit vote. A decline in oil prices weighed further on energy-related shares. In this context, the MSCI Emerging Markets index fell for the first time in three sessions earlier on Friday poised to end the week little changed, after posting timid gains in the prior two days. That said, the index stands near yesterday's 8-month peak of 872.40 points. Turkey's main BIST 100 index bounced into a marginally positive territory in early European trade, to stand in the black for the first time since last week's failed coup attempt. Over the first four days of the week, the index registered cumulative losses in excess of 12%. In the FX markets, CESEE currencies were little changed earlier today. The Turkish lira led the gains, with the USD/TRY falling by 0.4% on the day to hover around levels of 3.0572, though remaining within distance from a record peak of 3.0955 hit earlier in the week on mounting domestic political tensions which resulted into a downgrade on the country's sovereign credit ratings by S&P and the placement on a review for a downgrade by Moody's. A similar picture was evidenced in regional sovereign debt markets, with local currency government bonds trading water earlier today. Turkish paper recovered some ground after marking significant losses in the prior four sessions. In more detail, the 10-year benchmark yield slid by 13bps earlier today compared to Thursday's settlement, having jumped by 115bps over the previous four days.

It is worth noting that with the recent rally in emerging market assets having been staged mostly on expectations for loose Central Bank monetary policy for longer, disappointment of this view as well as several risk factors lying ahead suggest that renewed bouts of increased risk aversion may emerge later in the year. Although a potential Brexit would take time to materialize, investors will continue to follow closely any related developments, maintaining a cautious stance in the weeks and months ahead. Another source of political risk in the euro area may be identified in the face of the constitutional Italian referendum in October, which is viewed as a vote of confidence on Matteo Renzi's leadership, while towards the end of the year focus will start centering on the French elections in Q2 2017. Developments in Turkey are also likely to remain in focus for some time, though they seem to be having a rather limited impact on other emerging market peers. In the US, economic activity data releases will also remain in the forefront, as investors seek for any hints on the Fed's future monetary policy deliberations ahead. Furthermore, presidential elections take centre stage in November. Meanwhile, any indications on China's, the world's second largest economy's, growth prospects are also likely to be closely scrutinized by market participants.

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July 22, 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	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	3.47	xs	-19
5Y RSD	4.98	-1	-14
7Y RSD	5.57	0	-213

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.51	-1	-65
USD Nov-24	6.29	0	-13

CDS

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

STOCKS

	Last	ΔD	ΔYTD
BELEX15	612.7	-0.40%	-4.87%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.56	-0.06%	-1.60%

ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-10
1-month	0.58	0	-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	0	-41
10Y RON	3.20	0	-58

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.12	0	-45
USD Jan-24	3.01	2	-78

CDS

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

STOCKS

	Last	ΔD	ΔYTD
BET	6629.2	-0.08%	-5.36%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4633	-0.06%	1.14%

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	0	-28
5Y BGN	0.91	0	-36
10Y BGN	2.26	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.20	14	-27
EUR Sep-24	1.99	0	-43

CDS

	Last	ΔDbps	ΔYTD bps
5-year	150	0	-22
10-year	195	0	-21

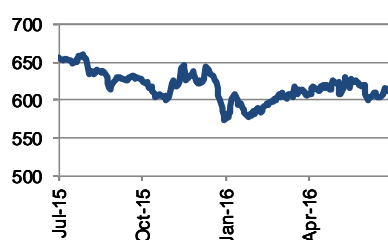
STOCKS

	Last	ΔD	ΔYTD
SOFIX	457.6	1.23%	-0.71%

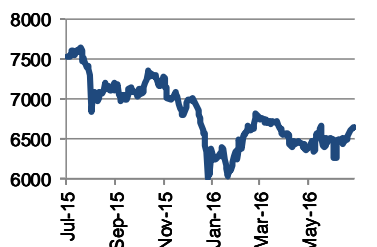
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.774	-0.01%	1.48%

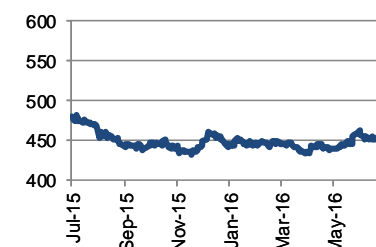
BELEX15 Index



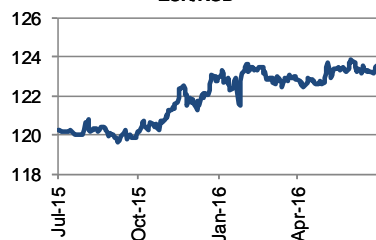
BET Index



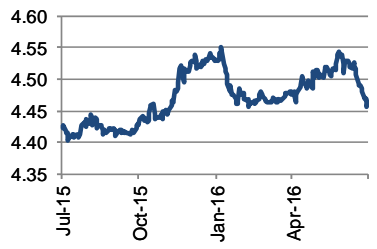
SOFIX Index



EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 10:00 EEST

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