

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 26
 - New home sales (Jun)
 - CB consumer sentiment (Jul)
- July 27
 - Durable goods orders (Jun)
 - Pending home sales (Jun)
 - FOMC policy meeting
- July 28: Jobless claims
- July 29
 - Q2 GDP
 - UM consumer confidence (Aug)

EUROZONE

- July 25: German IFO business climate (Jul)
- July 27: M3 (Jun)
- July 28: Economic sentiment (Jul)
- July 29:
 - Q2 GDP (flash)
 - CPI (Jul)

GREECE

- July 29: Turnover index in Retail Trade (May)

SEE

ROMANIA

- July 25: Money Supply M3 (Jun)
- July 29: ILO Unemployment (Jun)

SERBIA

- July 25: Real gross wage (Jun)
- July 29:
 - Trade balance (Jun)
 - Retail sales (Jun)
 - Industrial production (Jun)

BULGARIA

- July 28: Gross External Debt (May)
- July 29:
 - PPI (Jun)
 - Base Interest Rate (Aug)
- July 29-August 1: Budget Balance (Jun)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets kicked off the week on a firm tone supported by the G-20 Finance Ministers' reassurance that they are determined "to use all policy tools –monetary, fiscal and structural- individually and collectively" to achieve the goal of "sustainable, balanced and inclusive growth" in view of lingering concerns over spillover effects from Brexit. Central bank meetings will be the focus of market attention this week. The Fed is widely expected to leave its monetary policy unchanged at the July 26 /27 policy meeting while market participants anticipate further policy easing by the BoJ at the July 28/29 meeting.

GREECE: Greek Minister of Finance Euclid Tsakalotos stated in an interview on Saturday that the primary surplus targets until 2018 are attainable and the government will not have to activate the automatic spending cuts mechanism. Beyond 2018 and in the medium term, however, the Greek government will pursue through negotiations primary surplus targets below 3.5% of GDP.

SOUTH EASTERN EUROPE

ROMANIA: The EURRON moved lower over the week, in line with regional peers, going from 4.4780 on the previous Friday to 4.4550 by market closing.

SERBIA: The EURRSD remained bound within a 123.00/20 – 123.50/70 trading range in the past week.

BULGARIA: Markets remained quiet in the past week amid lack of any relevant macroeconomic news in the country.

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Latest world economic & market developments

GLOBAL MARKETS

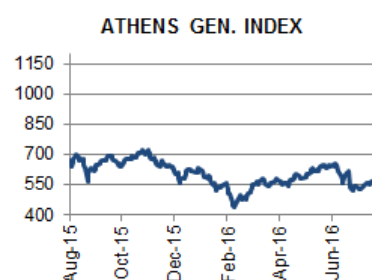
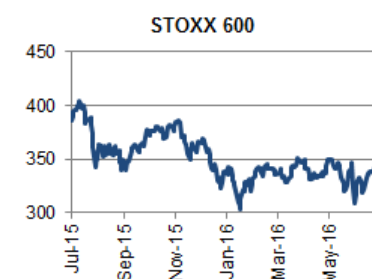
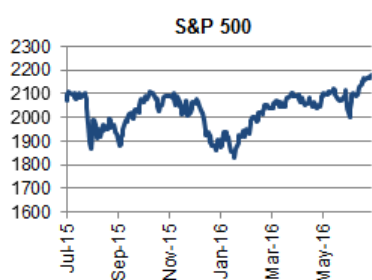
The majority of global equity markets kicked off the week on a firm tone supported by the G-20 Finance Ministers' reassurance that they are determined "to use all policy tools — monetary, fiscal and structural— individually and collectively" to achieve the goal of "sustainable, balanced and inclusive growth" in view of lingering concerns over spillover effects from Brexit. In FX markets, the USD gained some ground supported by increased short-term Fed rate hike expectations following a string of firmer than expected US data over the last few weeks with the DXY index hitting a 4 ½ month high of 97.569 earlier. Central bank meetings will be the focus of market attention this week including the Fed which holds a two-day meeting on July 26/27. In spite of expectations for a rebound in US Q2 GDP growth and the recent stabilization in financial markets, the Fed is widely expected to leave its monetary policy unchanged. The Fed needs some time to assess the impact of the Brexit vote on the domestic economy while, according to the minutes from the June policy meeting, several policy members remain uncertain over the prospect of inflation embarking on a sustained rising path towards reaching the 2% target over the medium term. Focus will be on the accompanying statement for potential clues over the Fed's policy deliberations. The BoJ meets on July 28/29 and the prospect of further policy easing is widely expected after Prime Minister Shinzo Abe vowed during the Upper House election campaign to implement "broad, bold measures" to support domestic economic activity and address persisting deflation woes. Meanwhile, the USD/JPY was hovering around 106.30/35 in European trade while a more hawkish than expected Fed policy statement could potentially push it towards the 107.47 recent peak (July 21) or higher. On the flip side, a less dovish than expected BoJ policy outcome could potentially see the USD/JPY retesting 105.40 recent trough.

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GREECE

According to Greek Minister of Finance Euclid Tsakalotos stated in an interview on Saturday that the annual primary surplus targets for the period 2016 - 2018 are attainable and the government will not have to activate the automatic spending cuts mechanism. Beyond 2018 and in the medium term, however, the Greek government will pursue through negotiations primary surplus targets lower than 3.5% of GDP, as is currently the case. Meanwhile, S&P Global Ratings affirmed its 'B-/B' long- and short-term foreign and local currency sovereign credit ratings on Greece with stable outlook. The S&P rating is based on the rationale that Greece is on track with regard to the current MoU albeit with delays but the economy remains fragile. Furthermore, S&P foresees that Greece's stock of net general government debt will peak at 179% of GDP at the end of 2016 and will subside to 173% of GDP by 2018, whereas, given the specifics of Greece's debt (most of it is lent by Eurozone governments and institutions with favourable terms) the rating agency considers it "affordable" provided that "the country will be able to refinance itself at similarly favourable terms in commercial markets at the end of the programme" and that "the Greek economy will grow consistently and rapidly in real and nominal terms". In other news, a bundle of measures for further relaxation of capital controls was published on Friday at the government Gazette, including: 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, iii) the increase of the cash withdrawal limit from 10% to 30% for money that is deposited from abroad, and iv) the possibility to withdraw €840 at once per 15 days rather than €420 at once per week. On the data front, according to the Bank of Greece, travel receipts and arrivals for the period January-May 2016 fell 6.2% and 1.3% on an annual basis.

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Source: Reuters, Bloomberg, Eurobank Research

July 25, 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

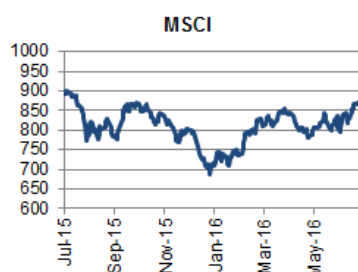
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Romanian markets have already moved to summer trading, with quite days and low trading interest. The EURRON moved lower over the week, in line with regional peers, going from 4.4780 on the previous Friday to 4.4550 by market closing. The RON money market remains very liquid, with the near-end rates close to the NBR deposit rate of 0.25%. The implied rates from swaps remained unchanged up to the 12M tenor. RON government bonds stabilized after the previous weeks' gains, with the yield curve remaining unchanged up to the 5Y maturity. Long-end yields moved around 5bps higher on some off-shore selling flows, possibly related to concerns on the developments in Turkey.

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SERBIA

Last week, the NBS extracted €95mn from the market via intervention which was enough to lift EURRSD from its monthly lows to as high as 123.50 and then fluctuate in the 123.30-40 area. Heavy hard currency flows were generated from combination of big loan disbursements (with the euro index clause) and renewed demand for 7Y RSD denominated bond that attracted 16 bids from abroad. As the pair floats in the range, pivots to look for are 123.00 and 124.00 and NBS intervention is expected on both edges. In return, FX intervention has led to higher short-term interbank rates. The O/N rate is trading around 3.15, 5 basis point higher than a week before. The 2-Week swap rate with NBS rose to 3.32%, 2 bps higher compared to the auction organized last Friday.

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BULGARIA

Activity remained weak on the local equity market last week and shares traded in volumes below the average. The major index SOFIX increased by 1.46% to 456.67 points following a single session hike on Thursday on speculative trades in few blue chips. Meanwhile, the BGN-denominated sovereign curve slightly shifted downwards, while Bulgarian Eurobonds closed practically unchanged from a week earlier. Markets remained quiet amid lack of any relevant macroeconomic news in the country.

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July 25, 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	2175.03	0.5%	6.4%	EUR/USD	1.0969	-0.1%	1.0%	UST - 10yr	1.58	1	-69	GOLD	1317	-0.4%	24.0%
Nikkei 225	16620.29	0.0%	-12.7%	GBP/USD	1.3136	0.1%	-10.9%	Bund-10yr	-0.02	1	-65	BRENT CRUDE	46	-0.2%	22.3%
STOXX 600	340.33	-0.1%	-7.0%	USD/JPY	106.21	-0.2%	13.0%	JGB - 10yr	-0.24	-2	-51	LMEX	2413	-0.8%	9.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	0	-1
1-week	3.17	1	-2
1-month	3.32	1	-19
3-month	3.53	1	-30
6-month	3.79	1	-24

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.45	xs	-22
5Y RSD	4.99	-1	-14
7Y RSD	5.55	-1	-215

RS Eurobonds

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

CDS

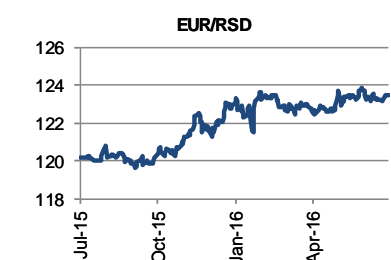
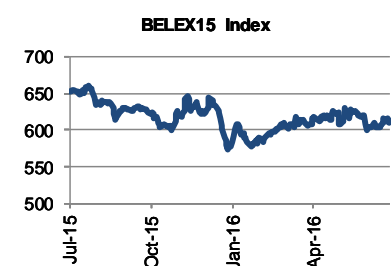
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

STOCKS

	Last	ΔD	ΔYTD
BELEX15	610.3	-0.39%	-5.24%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.46	0.04%	-1.52%



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	3.22	0	-56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.12	0	-45
USD Jan-24	3.02	2	-77

CDS

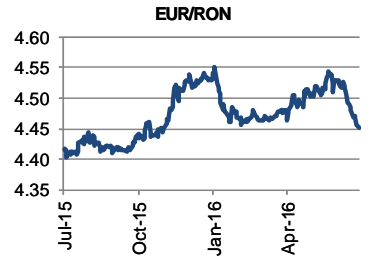
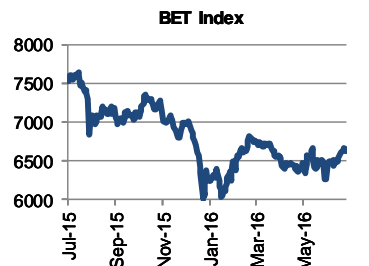
	Last	ΔDbps	ΔYTD bps
5-year	120	0	-13
10-year	153	0	-18

STOCKS

	Last	ΔD	ΔYTD
BET	6643.7	0.08%	-5.15%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.452	0.18%	1.39%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.13	0	-28
3-month	-0.03	1	-29
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	-29
5Y BGN	0.85	0	-42
10Y BGN	2.25	0	-40

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.06	0	-13
EUR Sep-24	1.98	20	-44

CDS

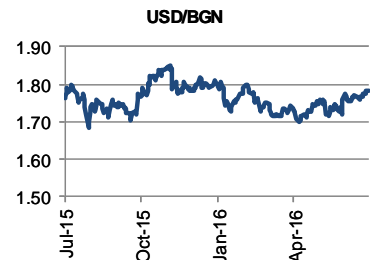
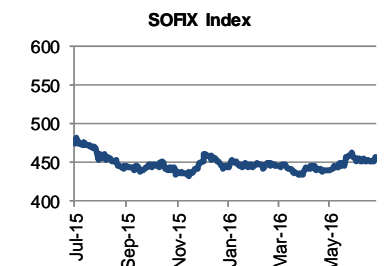
	Last	ΔDbps	ΔYTD bps
5-year	150	0	-22
10-year	195	0	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	454.3	-0.74%	-1.44%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7829	-0.07%	0.98%



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

Data updated as of 10:00 EEST

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