

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 26, 2016

### 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 European equity markets were lower in early trade on Tuesday on investor cautiousness ahead of the Fed and the BoJ monetary policy meetings later this week. Major government bonds firmed while the USD weakened against most of its major currency peers.

**GREECE:** The Greek government decided to withdraw a number of provisions regarding property tax as it reckoned that the total tax bill would become too burdensome for many taxpayers and there were severe difficulties in calculating the taxable value for land plots. According to press reports, these changes are not expected to have a significant impact on total tax revenues and the institutions have not asked for equivalent measures.

### SOUTH EASTERN EUROPE

**CYPRUS:** The residential property price index (RPPI) recorded the lowest decline on an annual basis since Q3-2010.

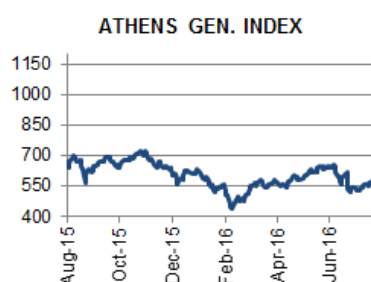
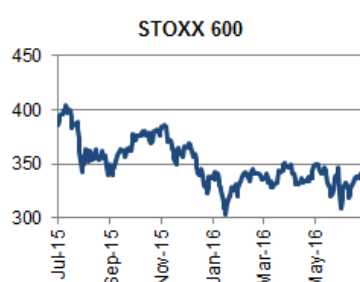
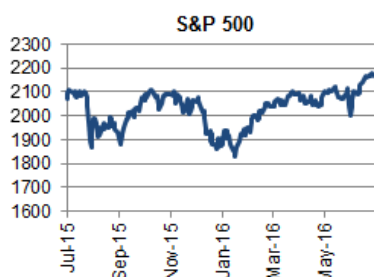
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July 26, 2016

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of European equity markets were lower in early trade on Tuesday on investor cautiousness ahead of the Fed and the BoJ monetary policy meetings later this week. The Fed's two-day meeting commences today and in spite of a flurry of firmer than expected US data over the last few weeks, the central bank is widely expected to stay put on its monetary policy and avoid sending a clear signal for a rate hike in the imminent future. Concerns about the prospect of inflation embarking on a sustained rising path towards reaching the 2% target over the medium term prevail among a number of FOMC policy makers, especially after the recent rally in oil prices has come to a halt. In addition, the Fed needs some time to assess the impact of the Brexit referendum outcome on domestic economic activity. Market cautiousness ahead of the Fed policy meeting pushed the USD lower against most of major currency peers. In spite of expectations of additional policy easing steps by the BoJ at this week's two-day meeting which concludes on Friday, the USD/JPY retreated to a multi-session low of 104.10 earlier today after testing levels close to 106.70 at some point on Monday. Additional BoJ policy easing measures aiming to revive domestic economy and address persisting deflation risks, are anticipated to be coordinated with fiscal measures with a Japanese newspaper reporting that the government is likely to inject JPY6trn in direct fiscal stimulus over the next few years. Meanwhile, major government bonds firmed on Tuesday with the 10-yr Bund yield hitting a multi-session low of -0.064% earlier today supported by market expectations for loose monetary policy for longer from major central banks and lingering uncertainty over the Brexit timeline. Against this environment, the firmer than expected July IFO business climate indicator that was released yesterday, failed to exert a lasting negative impact. Today's calendar focuses on the US where the July Conference Board consumer survey, Case-Shiller home price index for May and June new home sales are all due for release.

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### GREECE

The Greek government decided to withdraw a number of provisions regarding property tax as it reckoned that the total tax bill would become too burdensome for many taxpayers and there were severe difficulties in calculating the taxable value for land plots. As a result, the government plans to: i) exclude plots from this year's supplementary property tax, ii) maintain existing tax exemptions regardless of the level of interest income, and iii) maintain existing tax exemptions based on income and wealth. According to press reports, these changes are not expected to have a significant impact on total tax revenues and the institutions have not asked for equivalent measures. Meanwhile, in an effort to curb tax evasion, the government reportedly decided to increase fines. The relevant bill is expected to be voted by the Hellenic Parliament tomorrow.

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**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

## Latest world economic & market developments in the CESEE region

### CYPRUS

The Central Bank of Cyprus published yesterday the residential property price index (RPPI) for Q1-2016. The RPPI declined by -0.8% on a quarterly basis in Q1-2016 reflecting the combined effect of a rise in the flat apartments by +0.6% and a decline by -1.3% for house prices. On an annual basis, the RPPI declined by -1.6% YoY in Q1-2016 up from -1.8% YoY in Q4-2015, -3.7% YoY in Q3-2015 and -5.0% YoY in Q2-2015. The annual RPPI decline of Q1 was the lowest since Q3-2010. Overall, residential property prices have either remained flat or declined marginally in the past four quarters. The RPPI trajectory in the past quarters, in combination with other high frequency data from the construction industry and real estate transactions, point to stabilization in the real estate sector. According to CYSTAT, the construction output index rose by 7.6% YoY in the first three months of the year, having still remained 60% below the 2010 average.

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MSCI



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

July 26, 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	2168.48	-0.3%	6.1%	EUR/USD	1.1008	0.1%	1.4%	UST - 10yr	1.54	-3	-73	GOLD	1321	0.4%	24.4%
Nikkei 225	16383.04	-1.4%	-13.9%	GBP/USD	1.3087	-0.4%	-11.2%	Bund-10yr	-0.06	-2	-69	BRENT CRUDE	45	0.4%	20.5%
STOXX 600	340.71	-0.1%	-6.9%	USD/JPY	104.21	1.5%	15.2%	JGB - 10yr	-0.26	-2	-52	LMEX	2407	-0.2%	9.3%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	2	1
1-week	3.18	1	-1
1-month	3.32	0	-19
3-month	3.57	4	-26
6-month	3.81	2	-22

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.26	xs	-25
5Y RSD	4.99	-1	-14
7Y RSD	5.47	-1	-222

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.51	-3	-66
USD Nov-24	6.29	0	-13

**CDS**

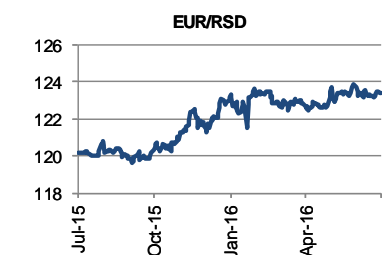
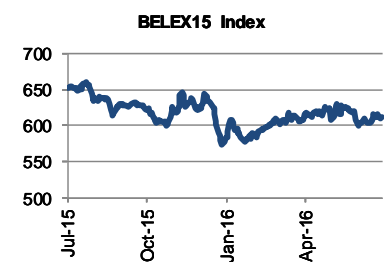
	Last	ΔDbps	ΔYTD bps
5-year	244	0	-30
10-year	289	0	-50

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	612.8	0.40%	-4.86%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.36	0.00%	-1.44%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	0	-4
1-month	0.6	0	-9
3-month	0.82	0	-20
6-month	1.05	0	-29
12-month	1.21	0	-31

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.61	0	-32
5Y RON	2.37	0	-43
10Y RON	3.22	0	-56

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.12	0	-45
USD Jan-24	3.03	2	-76

**CDS**

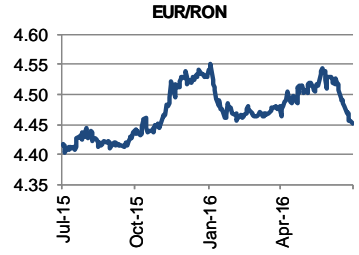
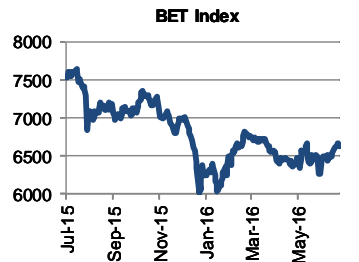
	Last	ΔDbps	ΔYTD bps
5-year	121	1	-12
10-year	154	1	-17

**STOCKS**

	Last	ΔD	ΔYTD
BET	6673.6	0.29%	-4.72%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4515	0.04%	1.40%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.01	0	-2
1-month	-0.13	0	-28
3-month	-0.03	0	-29
6-month	0.12	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.30	0	-30
5Y BGN	0.83	-3	-44
10Y BGN	2.24	0	-41

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.02	0	-9
EUR Sep-24	1.99	-22	-43

**CDS**

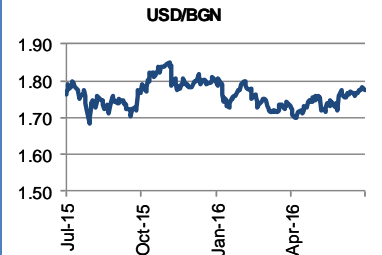
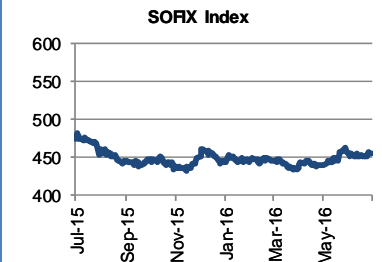
	Last	ΔDbps	ΔYTD bps
5-year	151	1	-20
10-year	197	2	-19

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	455.8	0.00%	-1.12%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.777	0.11%	1.31%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:20 EEST

July 26, 2016

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