

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 10, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

- June 7-8: G7 Summit

### US

- June 11
  - Initial jobless claims (June 5)
  - Retail sales (May)
- June 12: UoM consumer sentiment (Jun)

### GREECE

- June 9: industrial production (Apr)
- June 10
  - T-Bills auction
  - CPI (May)
  - HICP (May)
- June 11: U/E rate (Q1)
- June 12: IMF loan repayment (c. €350m)

### CYPRUS

- June 9
  - HICP (May)
  - GDP (Q1, f)

### SEE

#### BULGARIA

- June 8
  - Industrial production (Apr)
  - Retail sales (Apr)
- June 9: Trade balance (Apr)

#### ROMANIA

- June 8
  - Net wages (Apr)
  - 5.95% 2021 T-Bonds auction
- June 10
  - Industrial sales (Apr)
  - Trade balance (Apr)
- June 11: CPI (May)
- June 12: Industrial production (Apr)

#### ROMANIA

- June 11: MPC meeting
- June 12: HICP (May)

Source: Reuters, Bloomberg, Eurobank  
Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GREECE:** Greece's Prime Minister Alexis Tsipras, Germany's Chancellor Angela Merkel and French President Francois Hollande are scheduled to meet late today in Brussels on the sidelines of the EU-Latin America summit. It is yet unclear whether EU Commission President Jean Claude Juncker will participate and it will depend on the extent to which the Greek government's amended proposals are deemed as providing scope for convergence between the two sides on the key contentious issues. Focus today is on the ECB, which holds its weekly non-monetary policy meeting.

### SOUTH EASTERN EUROPE

**ROMANIA:** According to media reports, citing unnamed sources, Romania's lower house of parliament rejected on Tuesday a request filed by the Anticorruption Agency (DNA) to lift immunity of Prime Minister Victor Ponta under a formal investigation against him amid corruption allegations.

**SERBIA:** Speaking on the sidelines of the 15<sup>th</sup> Serbian Economic Summit, finance minister Dusan Vujovic said on Tuesday that public debt (as % of GDP) will likely start falling as early as 2016, outperforming an official 2017 target thanks to recently adopted IMF-backed fiscal consolidation measures.

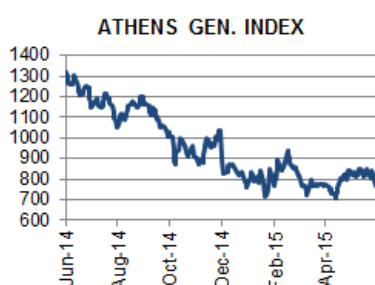
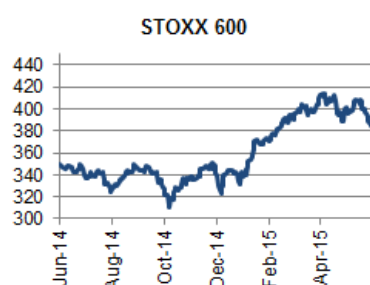
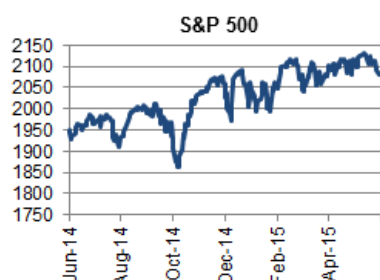
**CESEE MARKETS:** Emerging stock markets closed broadly lower on Tuesday, extending their recent losses as increased expectations about a Fed rate hike sooner rather than later continued to weigh on investor sentiment towards risky assets. In view of mounting risk aversion, **CESEE currencies** remained under pressure on Tuesday.

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## Latest world economic & market developments

### GREECE



Source: Reuters, Bloomberg, Eurobank Research

In an effort to iron out lingering differences and remove major stumbling blocks in the way to reaching an agreement on the current review, **the Greek government submitted to the Institutions early y-day two supplementary documents.** One of them reportedly incorporated, among others, amended proposals on the general government primary surplus target for 2015 & 2016 (0.75% and 1.75% respectively vs. 0.5% and 1.5% in the initial plan), on VAT rates (7%, 12% and 23% vs. 6%, 11% and 23% in the initial plan) and on social security reform area (abolishment of an early retirement scheme aiming to secure savings of c. €100mn in 2015 & increase in the health contributions for pensioners from 4% to 6% on average - in line with official creditors' proposal - aiming to secure savings c. €500mn in 2015). As per the same sources, the second document incorporated debt restructuring proposals including; (i) repayment of the GGBs currently held by the Eurosystem and maturing in July and August 2015 for a c. €6.7bn notional amount cumulatively, with refinancing from the ESM; (ii) availability for use of the remaining funds for bank recapitalization and resolution purposes amounting to €10.9bn; and (iii) increase in the T-bills issue by c. €3bn (from €15bn currently).

According to the local press, **the immediate reaction by several unnamed EU officials** to the amended proposals was rather cool saying that they are not "sufficient and acceptable". On his part, **European Commission spokesman Margaritis Schinas** stated that the three Institutions are currently assessing Greece's proposals "with diligence and care", abstaining from commenting on the content of the said proposals. Meanwhile, a number of high level EU officials have expressed different levels of optimism about a possible agreement between Greece and official creditors in the coming sessions. Among others, EU Vice President Valdis Dombrovskis said that reaching an accord within days is possible calling though Greek authorities to show "less tactical maneuvering and more work on substance". Adopting a less optimistic tone, Eurogroup President Jeroen Dijsselbloem was quoted saying in a Dutch TV station interview that the Greek government underestimates the complexity of the reforms required to be implemented to support domestic economy.

**Greece's Prime Minister Alexis Tsipras, Germany's Chancellor Angela Merkel and French President Francois Hollande** are scheduled to meet late today in Brussels on the sidelines of the EU-Latin America summit. It is yet unclear whether EU Commission President Jean Claude Juncker will participate and it will depend on the extent to which the Greek government's amended proposals are deemed as providing scope for convergence between the two sides on the key contentious issues.

#### **Focus today is on the ECB, which holds its weekly non-monetary policy meeting.**

According to some local newswires, the Central Bank is expected to renew its approval for the provision of the ELA facility to Greek banks and increase the funding ceiling by €300mn to €81bn. With discussions between Greece and official creditors still ongoing, the ECB is reportedly unlikely to take any decision regarding the haircut currently imposed on the securities Greek banks submit as ELA collateral. As per the same sources, that issue is likely to be discussed at the ECB's next non-policy meeting on June 17.

On the data front, the industrial production index (**not seasonally adjusted data**) **recorded** an annual increase - for the third consecutive month - of 0.4% in April (5.3% in March and 1.9% in February). This change was mainly driven by annual increases in the manufacturing production index by 5.3% and in the water supply production index by 5.7%.

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

### ROMANIA

According to media reports, citing unnamed sources, Romania's lower house of parliament rejected on Tuesday a request filed by the Anticorruption Agency (DNA) to lift immunity of Prime Minister Victor Ponta under a formal investigation against him amid corruption allegations. On his part, the Prime Minister, who has rejected President Klaus Iohannis's calls to resign, highlighted that he is ready to present to prosecutors all necessary evidence to prove his innocence. The Premier was also quoted as saying to foreign media yesterday that he expects his government to survive Friday's no-confidence motion, expressing belief that the tax cut plans penciled in by his cabinet will likely clear Parliament by the end of June, as scheduled. He also added that he anticipates talks with the IMF/EC under the country's programme to run as scheduled in late June/early July.

### SERBIA

Speaking on the sidelines of the 15<sup>th</sup> Serbian Economic Summit, finance minister Dusan Vujovic said on Tuesday that public debt (as % of GDP) will likely start falling as early as 2016, outperforming an official 2017 target thanks to recently adopted IMF-backed fiscal consolidation measures. The finance minister was also quoted as saying by local media that the 2015 fiscal deficit may outperform this year's RSD 191bn shortfall target by ca RSD 77bn and come in at a deficit of RSD 114bn.

### CESEE MARKETS

**Emerging stock markets** closed broadly lower on Tuesday, extending their recent losses as increased expectations about a Fed rate hike sooner rather than later continued to weigh on investor sentiment towards risky assets. Against this backdrop, the MSCI Emerging Markets index fell for the 12<sup>th</sup> session running yesterday, sliding to a new 2½-month trough. The index has recorded cumulative losses in excess of 6% since the inception of the current downtrend and marked its longest losing streak in more than two decades.

Bourses in the **CESEE region** ended mixed with Turkey's BIST 100 index recovering some ground to close ca 0.4% higher on the day, recouping part of the hefty losses encountered over recent sessions amid mounting domestic political uncertainty. Recall that, in Sunday's general elections, albeit coming first, the ruling AK Party fell short of achieving parliamentary majority for the first time since 2002. The news has raised concerns about a possible break in policy continuity and fanned worries about the prospect of a prolonged period of domestic political uncertainty. Note that the said outcome paves the way for potentially lengthy coalition negotiations, with the prospect of a minority government or, even, early national elections also being on the cards.

In view of mounting risk aversion, **CESEE currencies** remained under pressure on Tuesday. The Hungarian forint bucked the region's trend to close modestly firmer near 312.55/EUR after inflation data for May showed that CPI rose by 0.5%YoY surpassing a market's median forecast of +0.1%YoY, in a swing back into a positive territory for the first time since August 2014. The Turkish lira also recovered some ground, assisted by the US dollar's pull back, with the USD/TRY having slid towards 2.7510 by the session's settlement from a record peak of 2.8085 hit earlier this week.

BULGARIA: Indicators	2013	2014e	2015f
Real GDP growth %	1.1	1.7	1.8
CPI (pa, yoy %)	0.9	-1.4	-0.5
Budget Balance/GDP *	-1.8	-3.7	-3.0
Current Account/GDP	1.0	0.9	0.5
EUR/BGN (eop)	1.9558		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

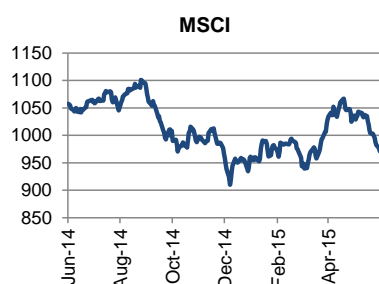
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.50	6.00

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	B3	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

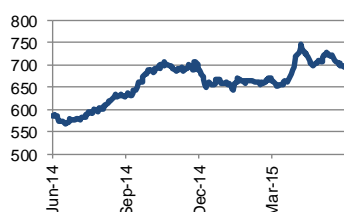
## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2080.15	0.0%	1.0%	EUR/USD	1.1296	0.1%	-6.6%	UST - 10yr	2.44	1	27	GOLD	1182	0.5%	-0.2%
Nikkei 225	20046.36	-0.2%	14.9%	GBP/USD	1.5418	0.2%	-1.0%	Bund-10yr	0.99	4	44	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	383.87	-0.4%	12.1%	USD/JPY	123	1.1%	-2.7%	JGB - 10yr	0.51	5	18	LMEX	2732	0.3%	-6.3%

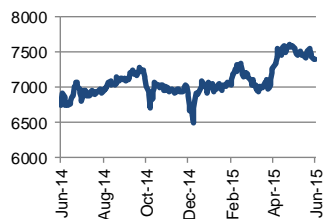
## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	496	-2	-495	O/N	0.63	0	6	LEONIA	0.02	0	0
1-week	5.17	-4	-484	1-month	1.04	0	13	1-month	0.17	0	-5
1-month	5.60	-8	-445	3-month	1.24	0	-46	3-month	0.34	0	-10
3-month	6.03	-13	-382	6-month	1.51	0	-50	6-month	0.67	0	-13
6-month	6.30	-16	-349	12-month	1.56	0	-46	12-month	1.26	0	-25
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	6.50	-1	-258	3Y RON	2.10	0	-21	3Y BGN	0.48	0	-55
5Y RSD	9.25	0	-93	5Y RON	2.76	0	5	5Y BGN	0.90	0	-54
7Y RSD	9.25	0	-283	10Y RON	3.89	0	23	10Y BGN	2.60	0	-15
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.68	0	-58	EUR Sep-20	1.73	0	0	EUR Jul-17	0.80	20	-36
USD Nov-24	6.45	0	-14	USD Aug-23	3.87	2	26	EUR Sep-24	2.92	-9	5
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	199	0	-91	5-year	116	1	-27	5-year	174	1	-17
10-year	248	0	-108	10-year	160	1	-27	10-year	224	2	-17
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	696.3	-0.16%	4.38%	BET	7398.8	0.04%	4.46%	SOFIX	489.5	0.20%	-6.25%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.72	0.03%	0.52%	EUR/RON	4.4758	0.04%	0.17%	USD/BGN	1.7316	0.12%	-6.65%

BELEX15 Index



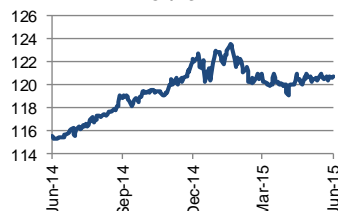
BET Index



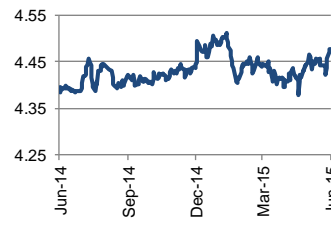
SOFIX Index



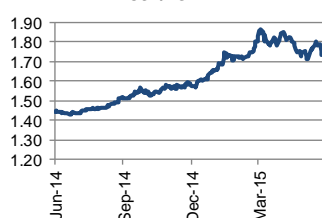
EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 09:50 EET

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