

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, June 22, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 22
 - Existing home sales (May)
- June 23
 - Durable goods (May)
 - New home sales (May)
 - PMI manufacturing (Jun, p)
- June 24: GDP (Q1, 3rd est.)
- June 25
 - Personal income (May)
 - Personal spend. (May)
 - Core PCE deflator (May)
 - Initial jobless claims (June 20)
 - PMI services & composite (Jun, p)
- June 26: UoM (Jun, f)

EUROZONE

- June 22: Consumer confidence (Jun, A)
- June 23: PMI (Jun, p)
- June 25-26: EU Summit

GREECE

- June 22
 - Eurogroup
 - Euro Summit
 - CAD (Apr)

SEE

BULGARIA

- June 26: Gross external debt (Apr)

ROMANIA

- June 22: 5.75% 2020 T-bonds auction
- June 25: 6.75% 2017 T-bonds auction

SERBIA

- June 22: June 17: Current account (Apr)
- June 24: Floating bonds auction
- June 25: Real gross wages (May)
- June 26: IMF to approve 1st review under SBA

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European bourses opened higher in early trade on Monday amid market optimism that an agreement will probably be sealed between Greece and its official creditors following news that the Greek government submitted late y-day new reform proposals. Against this environment, yield premiums of EMU periphery sovereign bonds vs. their German counterparts narrowed while the EUR gained some ground.

GREECE: In an attempt to break the impasse at official discussions with official creditors, the Greek government presented late y-day to the EU Commission President, the German Chancellor and the French President, revised reform proposals. The emergency Euro Summit is scheduled to take place at 17:00GMT today and is reportedly expected to conclude four hours later with a press conference. Ahead of that meeting, Greece's Premier is scheduled to meet with ECB President Mario Draghi, IMF Managing Director Christine Lagarde, EU President Jean-Claude Juncker and Eurogroup President Jeroen Dijsselbloem at 09:00GMT. Around 90 minutes later at 10:30GMT euro area finance ministers are scheduled to convene to discuss the Greek government's revised reform proposals, laying the ground for the Euro Summit that will follow.

GREECE: The IMF board approved the combined 5th-6th-7th review of the Cypriot Economic Adjustment Programme.

SOUTH EASTERN EUROPE

BULGARIA: Major domestic stock indices moved broadly lower last week amid growing concerns over the Greek issue.

ROMANIA: The leu came under renewed pressure over the last few sessions in view of mounting concerns over the Greek issue.

SERBIA: The EUR/RSD moved slightly upwards on a weekly basis on Friday, in thin trade volumes.

CESEE MARKETS: Looking into this week, Turkey's MPC meeting and an expected approval of Serbia's 1st review under the country's SBA with the IMF take centre stage in the CESEE region.

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Latest world economic & market developments

GLOBAL MARKETS

Major European bourses opened higher in early trade on Monday amid market optimism that an agreement will probably be sealed between Greece and its official creditors following news that the Greek government submitted late y-day new reform proposals. Against this environment, yield premiums of EMU periphery sovereign bonds vs. their German counterparts narrowed while the EUR gained some ground. After falling to levels near 1.1290 on Friday, the EUR/USD firmed hovering around 1.1350/55 in early European trade at the time of writing, coming close to a one-month peak of 1.1435 marked last week. The perceived more dovish than expected tone FOMC Chair Janet Yellen adopted at last week's post-FOMC meeting press conference, also continues to favor the EUR vs. the USD. All eyes are one outcome of today's Eurogroup and Euro Summit while today's market movements suggest market optimism for a positive outcome at today's official meetings.

GREECE

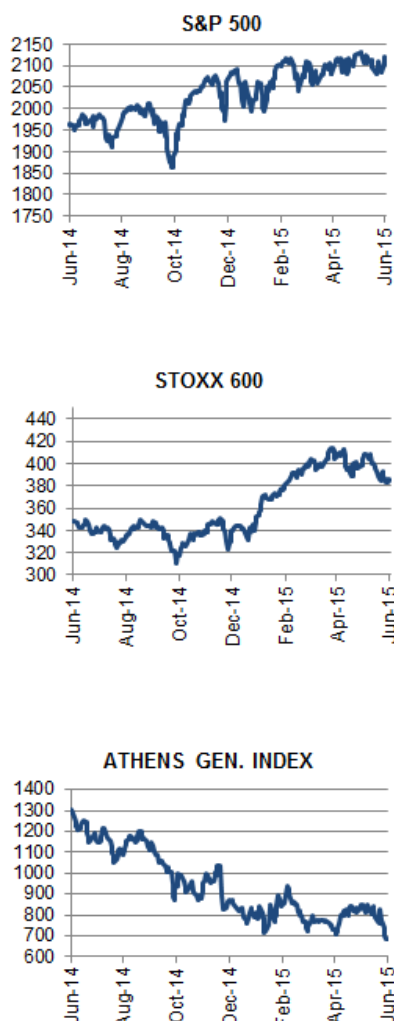
In an attempt to break the impasse at official discussions with official creditors, the Greek government presented late y-day to the EU Commission President, the German Chancellor and the French President, revised reform proposals reportedly including, among others (i) imposition of a special tax on corporate profits above €500mn, rather than €1mn initially proposed; and (ii) adoption of disincentives to early retirement as of July 1st 2015, rather than January 1st 2016, previously. A statement released by the office of Greece's Premier Alexis Tsipras y-day read that "the Prime Minister presented the three leaders Greece's proposal for a mutually beneficial agreement that will give a definitive solution and not a postponement of addressing the problem". The EU Commission welcomed Greece's revised proposals with Martin Selmayr, European Commission President Jean-Claude Juncker's chief of staff, suggesting late y-day that they represent a "good basis for progress at tomorrow's Euro Summit". Along these lines, EU Commissioner for Economic and Financial Affairs Pierre Moscovici said during a radio interview earlier today that the new proposals "are going in the right direction". The emergency Euro Summit is scheduled to take place at 17:00GMT today and is reportedly expected to conclude four hours later with a press conference. Ahead of that meeting, Greece's Premier is scheduled to meet with ECB President Mario Draghi, IMF Managing Director Christine Lagarde, EU President Jean-Claude Juncker and Eurogroup President Jeroen Dijsselbloem at 09:00GMT. Around 90 minutes later at 10:30GMT euro area finance ministers are scheduled to convene to discuss the Greek government's revised reform proposals, laying the ground for the Euro Summit that will follow. According to local press reports, the ECB's Governing Council decided in an unscheduled teleconference on Friday to further raise the ELA funding ceiling for Greek banks by €1.8bn following a €1.1bn increase just a couple of sessions earlier. As per the same sources, the ECB will review the ELA liquidity limit again at 09:00GMT today as deposit outflows have accelerated over the last few sessions putting pressure on banks' liquidity buffers.

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CYPRUS

The IMF board approved the combined 5th-6th-7th review of the Cypriot Economic Adjustment Programme which enabled access to an additional cumulative amount of €280mn. Accordingly, the Eurogroup of Ministers approved the disbursement of another €100mn tranche from the ESM. Up until now, Cyprus had completed successfully four reviews within the programme making use of about €6.75bn out of the €10bn combined package.

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Source: Reuters, Bloomberg, Eurobank Research

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	-0.8
Budget Balance/GDP*	-4.9	-8.8	-1.1
Current Account/GDP	-3.0	-5.1	-3.9

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

Major domestic stock indices moved broadly lower last week amid growing concerns over the Greek issue. The main SOFIX index slumped by 1.17% to 483.88 points, having touched a 3-month low of 478.99 on Tuesday. Meanwhile, external sovereign debt also lost ground as a result of the global risk-off sentiment. The Bulgarian 20-year Eurobond broadly underperformed those of other maturities with the corresponding benchmark yield rising by 19bps on a weekly basis. On the other hand, local government bonds fared better, with corresponding yields registering relatively small increases.

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ROMANIA

The leu came under renewed pressure over the last few sessions in view of mounting concerns over the Greek issue. The pair stood modestly higher on a weekly basis near 4.4900 on Friday, not far from a five month peak of 4.4950 hit earlier in the week, with local selling, possibly enhanced by Central Bank action, appearing to put a lid on the aforementioned uptrend. Although RON liquidity in the money market remains ample, short term rates moved broadly higher on mounting risk aversion. Indicatively, the 1M implied rate from swaps spiked by 30bps over the week to 1.00%, while the 3M rate jumped 20bps to 1.35%. A further upside in local money market rates is possible in the coming sessions, as a new reserve period incepted on Wednesday and local participants are usually reluctant to offer RON over the first few days. That said, any such move is likely to prove limited. Elsewhere, the yield curve of RON-denominated government bonds undertook some further bearish steepening last week. Movements in the short end were limited (the 2Y yield moved only 5-10bps higher), however the long end was sold aggressively. In more detail, the 10Y yield touched a multi-month high of 4.30% on Wednesday, 40bps above the previous week's close, but pulled back towards 4.15% on Friday.

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SERBIA

The EUR/RSD moved slightly upwards on a weekly basis on Friday, in thin trade volumes. That said, the pair has remained within the same 120-121 range for months now, having been unable to break above the upper boundary despite some mild depreciation pressures on the dinar over recent days. / According to local media reports quoting the finance ministry last week, the state budget stood at a deficit of RSD 24.5bn in the first five months of the year, while the general government shortfall was at around RSD 27.2bn over the same period. Meanwhile, public debt rose to 72.7% of GDP at end-May. Government officials have recently expressed optimism that the general government deficit for the whole of the year is likely to come in at around 3% of GDP and outperform the IMF-backed deficit target of 5.9% of GDP (on a consolidated basis).

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CESEE MARKETS

Looking into this week, Turkey's MPC meeting, where the Central Bank is anticipated to stay put on interest rates, and an expected approval of Serbia's 1st review under the country's SBA with the IMF take centre stage in the CESEE region. Meanwhile, any developments on the Greek issue are also likely to set the tone for regional assets in the coming sessions.

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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

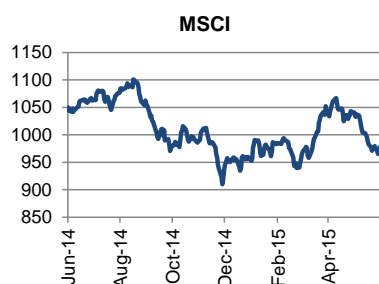
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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	6.00	5.50

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	2117.87	-0.2%	2.9%	EUR/USD	1.1343	-0.1%	-6.2%	UST - 10yr	2.27	-7	10	GOLD	1203	0.1%	1.5%
Nikkei 225	20174.24	0.9%	15.6%	GBP/USD	1.5887	0.1%	2.0%	Bund-10yr	0.74	-6	20	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	385.37	0.3%	12.5%	USD/JPY	122.68	0.2%	-2.4%	JGB - 10yr	0.42	-3	9	LMEX	2638	0.2%	-9.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	451	0	-540
1-week	4.74	-6	-527
1-month	5.24	-3	-481
3-month	5.76	-5	-409
6-month	6.03	-8	-376

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.16	0	-292
5Y RSD	8.32	0	-187
7Y RSD	8.76	0	-332

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.64	-5	-62
USD Nov-24	6.47	0	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	209	-1	-81
10-year	259	0	-97

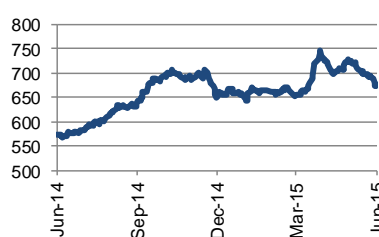
STOCKS

	Last	ΔD	ΔYTD
BELEX15	673.8	-0.53%	1.02%

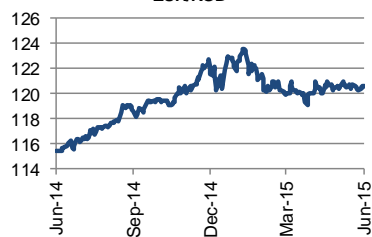
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.65	-0.03%	0.58%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.59	0	2
1-month	1.09	2	18
3-month	1.27	2	-43
6-month	1.55	1	-46
12-month	1.62	1	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.11	-3	-20
5Y RON	2.78	-5	7
10Y RON	4.15	-6	49

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.86	-1	13
USD Aug-23	3.83	-18	21

CDS

	Last	ΔDbps	ΔYTD bps
5-year	131	1	-12
10-year	173	1	-14

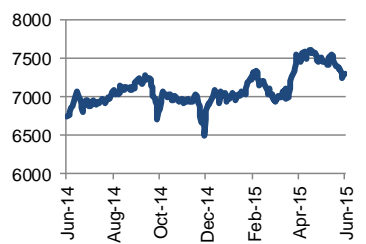
STOCKS

	Last	ΔD	ΔYTD
BET	7299.2	0.27%	3.05%

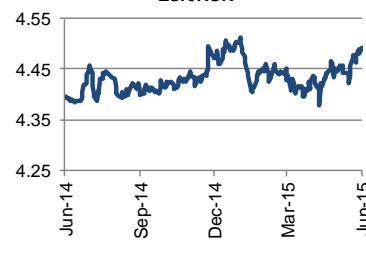
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4933	-0.12%	-0.22%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.35	0	-8
6-month	0.69	0	-11
12-month	1.26	0	-25

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.54	1	-50
5Y BGN	1.05	1	-39
10Y BGN	2.59	0	-16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.95	5	-21
EUR Sep-24	3.16	-44	30

CDS

	Last	ΔDbps	ΔYTD bps
5-year	178	-3	-13
10-year	228	-3	-12

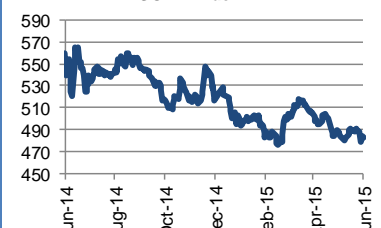
STOCKS

	Last	ΔD	ΔYTD
SOFIX	482.8	-0.23%	-7.54%

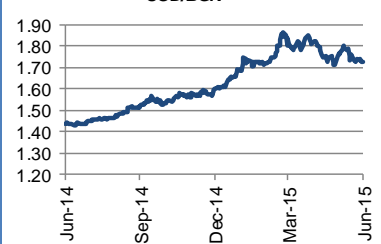
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7243	-0.16%	-6.25%

SOFIX Index



USD/BGN



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