

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, July 10, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 6: ISM index non-manufacturing (Jun)
- July 7: Trade balance (May)
- July 8: FOMC June 16-17 meeting minutes
- July 9: Initial jobless claims (July 4)
- July 10: Fed Chair Yellen speaks

GREECE

- July 6: ECB emergency meeting
- July 7
 - Extraordinary Eurogroup
 - Euro Summit
- July 8
 - €2bn T-Bills auction
 - ECB non-monetary policy meeting
- July 9
 - CPI (Jun)
 - U/E rate (Apr)
- July 10: Industrial production (May)

CYPRUS

- July 7: HICP (Jun)

SEE

BULGARIA

- July 8
 - Industrial production (May)
 - Retail sales (May)
 - U/E rate (May)
- July 10: Trade balance (May)

ROMANIA

- July 7
 - GDP (Q1, f)
 - Industrial sales (May)
 - Net wages (May)
- July 10
 - Trade balance (May)
 - CPI (Jun)
 - Industrial production (May)

SERBIA

- July 9: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European bourses rallied in morning trade on Friday, as Chinese equities surged for the second consecutive day and Greece's new proposed reform plan raised hopes of a deal between Greece and its creditors over the weekend. In FX markets, the euro rose against its major currency peers on renewed optimism about a Greek deal. Elsewhere, 10-year Bunds eased and most 10-year European peripheral yield spreads over the corresponding German tightened.

GREECE: The Greek government submitted late Thursday evening to the institutions as well as to Hellenic Parliament a detailed package of reforms, following a 3-year loan request to the European Stability Mechanism (ESM) earlier in the week. A debate on the aforementioned measures is scheduled to start in the Hellenic Parliament at 19.00 EEST, with a vote to follow in order to give the government the authorization to commence negotiations with official creditors on the requested loan based on the reforms submitted earlier this week. Tomorrow a Euro Working group is scheduled for 11.00 EEST in order to examine the Greek proposals, while a Eurogroup will be held at 16.00 EEST.

SOUTH EASTERN EUROPE

BULGARIA: According to media reports, Economy Minister Bozhidar Lukarski said on Thursday that "there is no turmoil in the banking system", adding that Greek-owned banks in Bulgaria are "under controls" so that funds are not sent to Greece.

ROMANIA: Consumer inflation came at -2.95% mom/-1.55% yoy in June vs. +0.5% mom/+1.2% yoy in May significantly lower than market consensus (Bloomberg:-2.0% mom/-0.6%yoy).

SERBIA: In line with the market's and our expectations, Serbia's Central Bank (NBS) stayed put on its monetary policy on Thursday's MPC meeting maintaining its key policy rate at a record low of 6.00%.

CESEE MARKETS: Emerging stock markets moved broadly higher in European trade on Friday, in view of a rebound in Chinese equities and optimism about an imminent agreement between Greece and the institutions. A similar positive trend prevailed in **CESEE currencies** and **government bonds** earlier today.

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Latest world economic & market developments

GLOBAL MARKETS

European bourses rallied in morning trade on Friday, as Chinese equities surged for the second consecutive day and Greece's new proposed reform plan raised hopes of a deal between Greece and its creditors over the weekend. In FX markets, the euro rose against its major currency peers on renewed optimism about a Greek deal, with the EUR/USD trading near a multi-session high of 1.1188/90 at the time of writing vs. 1.1036 on Thursday's settlement, bouncing further above a 1-month low of 1.0915 hit earlier in the week. In view of improving risk sentiment, safe haven currencies, such as the JPY and CHF gave back some of their recent gains. Elsewhere, 10-year Bunds eased on an expected positive outcome for the Greek issue, and most 10-year European peripheral yield spreads over the corresponding German tightened by over 20bps in early European trade.

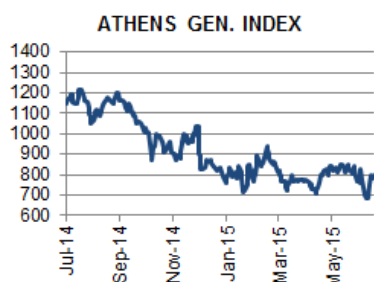
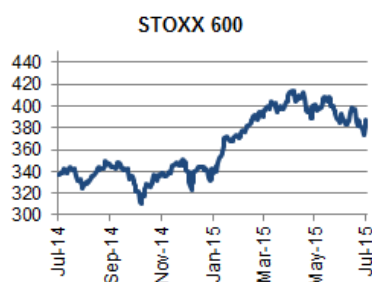
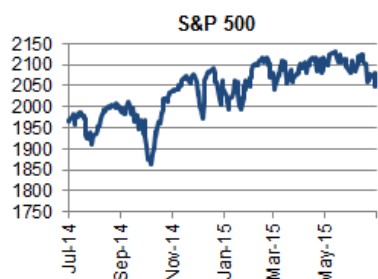
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GREECE

The Greek government submitted late Thursday evening to the institutions as well as to Hellenic Parliament a detailed package of reforms, following a 3-year loan request to the European Stability Mechanism (ESM) earlier in the week. The size of requested ESM loan facility is €53.5bn. According to media reports citing unnamed EU sources, Eurogroup President Jeroen Dijsselbloem, European Commission President Jean-Claude Juncker, European Central Bank President Mario Draghi and International Monetary Fund Managing Director Christine Lagarde will hold a teleconference on the Greek government's proposal at 14.00 EEST today. Meanwhile, a debate on the aforementioned measures is scheduled to start in the Hellenic Parliament at 19.00 EEST, with a vote to follow in order to give the government the authorization to commence negotiations with official creditors on the requested loan based on the reforms submitted earlier this week. Tomorrow a Euro Working group is scheduled for 11.00 EEST in order to examine the Greek proposals, while a Eurogroup will be held at 16.00 EEST to judge whether to give the "green light" for an agreement. On Sunday, an EU Summit is scheduled at 17.00 EEST and a Euro Summit at 19.00 EEST, which, however, may not be necessary if an agreement is reached at the prior day's Eurogroup.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

According to media reports, Economy Minister Bozhidar Lukarski said on Thursday that "there is no turmoil in the banking system", adding that Greek-owned banks in Bulgaria are "under controls" so that funds are not sent to Greece.

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ROMANIA

Consumer inflation came at -2.95% mom/-1.55% yoy in June vs. +0.5% mom/+1.2% yoy in May significantly lower than market consensus (Bloomberg:-2.0% mom/-0.6%yoy). The sharp drop in food prices (-8.2 mom/-6.4% yoy) was the main driver behind the inflation decline. As it was widely anticipated, the implementation of the front-loaded food VAT rate cut-from 24% to 9% effective from June 1st pushed inflation into negative territory, given the high share of food products in the consumption basket (32%). Under the assumption of a partial pass-through of the VAT rate cut, inflation is now expected to slip and remain into negative territory for most of the 2H-2015 and marginally above zero in the 1H-2016, significantly below the lower bound of NBR target interval (2.5%±1%).

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SERBIA

In line with the market's and our expectations, Serbia's Central Bank (NBS) stayed put on its monetary policy on Thursday's MPC meeting maintaining its key policy rate at a record low of 6.00%. Yesterday's decision snaps a 4-month streak of a 50bps reduction delivered in each MPC meeting since March. The NBS reiterated that it anticipates inflation to return within the 4±1.5% target tolerance band in the coming months, thanks to the impact of recent monetary policy easing, upcoming regulated price hikes and the waning effect of temporary disinflation factors. Additionally, it cited risks associated with the Greek crisis behind its latest decision. With regards to the latest developments in Greece, the Central Bank noted that direct effects on the Serbian economy are relatively small. Yet, it acknowledged the prospect of indirect spillovers from the Greek crisis "on capital flows and the cost of debt servicing by emerging economies". Looking ahead, further monetary easing in the coming months cannot be ruled out. Domestic demand dynamics remain weak and the inflation environment is persistently benign. In support of the latter, recall that annual HICP stood at 1.5%YoY in May, remaining below the lower bound of the Central Bank's official target tolerance band for the 15th month running. On the other hand, lingering external risks, an expected rebound in inflation within its target in H2 2015 and the looming inception of the Fed's rate-hiking cycle suggest that any such action will likely be of rather limited nature.

CESEE MARKETS

Emerging stock markets moved broadly higher in European trade on Friday, in view of a rebound in Chinese equities and optimism about an imminent agreement between Greece and the institutions. Against this backdrop, the MSCI Emerging Markets index firmed by more than 1% earlier today, trimming cumulative losses in excess of 4% registered over the previous four days. A similar positive trend prevailed in **CESEE bourses, currencies and government bonds** at the time of writing. The Hungarian forint and the Polish zloty led the gains in regional FX markets. The former received additional support amid expectations that Moody's will raise Hungary's sovereign credit ratings outlook to 'positive' later on Friday. The EUR/HUF stood ca 1.30% lower in European trade hovering around levels of 311.20, sliding further below a 5-month high of 318.00 hit earlier in the week. At the same time, the EUR/PLN eased ca 0.65% near 4.1855, from Wednesday's multi-month peak of 4.2395.

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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

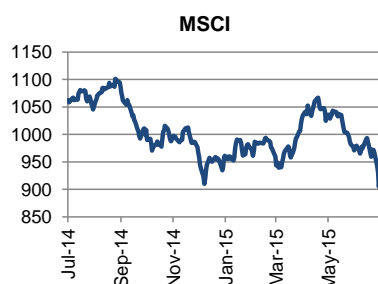
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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	2051.31	0.2%	-0.4%	EUR/USD	1.1193	1.4%	-7.5%	UST - 10yr	2.36	4	19	GOLD	1163	0.3%	-1.9%
Nikkei 225	19779.83	-0.4%	13.3%	GBP/USD	1.5521	0.9%	-0.4%	Bund-10yr	0.84	12	30	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	387.39	1.7%	13.1%	USD/JPY	122.37	-0.8%	-2.2%	JGB - 10yr	0.45	0	12	LMEX	2576	2.2%	-11.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.84	1	-517
1-month	5.24	1	-481
3-month	5.77	1	-408
6-month	6.06	0	-373

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.02	0	-306
5Y RSD	8.31	0	-187
7Y RSD	8.76	0	-332

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.52	-4	-74
USD Nov-24	6.47	0	-12

CDS

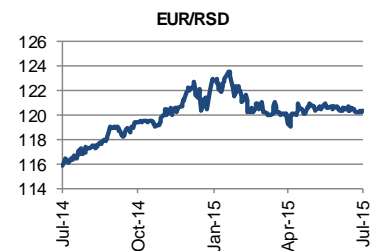
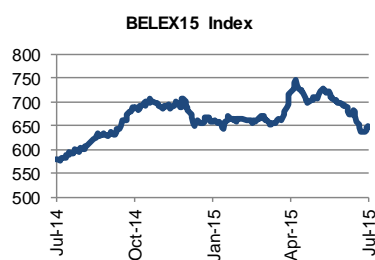
	Last	ΔDbps	ΔYTD bps
5-year	277	-1	-13
10-year	323	-1	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	648.2	0.28%	-2.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.28	-0.05%	0.89%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.6	-1	3
1-month	0.96	-2	5
3-month	1.3	0	-40
6-month	1.61	2	-40
12-month	1.69	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.08	-4	-23
5Y RON	2.66	-6	-5
10Y RON	4.08	-8	42

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.90	-10	17
USD Aug-23	3.75	-13	13

CDS

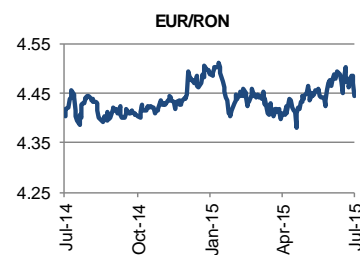
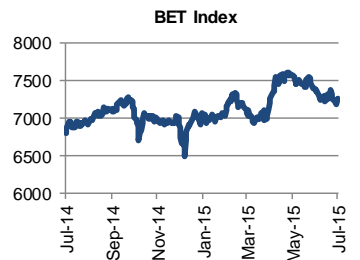
	Last	ΔDbps	ΔYTD bps
5-year	130	-3	-13
10-year	175	-2	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7252.5	1.02%	2.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4445	0.62%	0.88%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	-1	-4
3-month	0.33	-2	-10
6-month	0.65	-4	-15
12-month	1.23	-4	-27

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.52	-3	-52
5Y BGN	1.19	-5	-26
10Y BGN	2.63	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.76	19	-40
EUR Sep-24	3.06	155	20

CDS

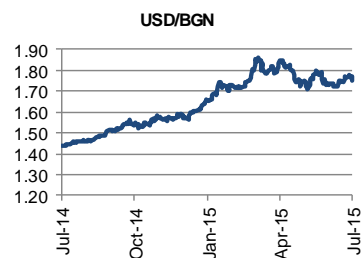
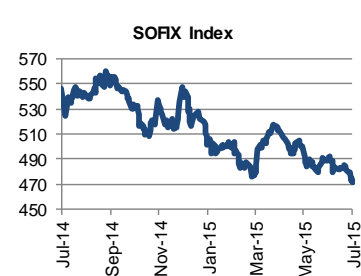
	Last	ΔDbps	ΔYTD bps
5-year	193	-5	2
10-year	241	-4	0

STOCKS

	Last	ΔD	ΔYTD
SOFIX	471.5	-0.68%	-9.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7475	1.42%	-7.50%



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

Data updated as of 13:45 EEST

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