

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, July 16, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- July 14: Retail sales (Jun)
- July 15
 - Empire manufact. (Jul)
 - Industrial prod. (Jun)
 - Beige book
- July 15/16: Fed Yellen's semi-annual testimony to Congress
- July 16
 - Initial jobless claims (July 11)
 - Philly Fed (Jul)
 - NAHB index (Jul)
- July 17
 - CPI (Jun)
 - Building permits (Jun)
 - Housing starts (Jun)
 - UoM consumer confidence (Jul, p)

EUROZONE

- July 13/14: Regular Eurogroup/Ecofin meetings
- July 16: ECB MPC meeting

GREECE

- July 13: ECB conf. call on ELA facility
- July 14-15: Vote in Parliament on a first set of measures agreed at the July 12 Euro Summit
- July 16: ECB MPC meeting

SEE

BULGARIA

- July 13: U/E rate (Jun)
- July 14: CPI (Jun)
- July 17: Current account balance (May)

ROMANIA

- July 13: T-Bonds auction
- July 14: Current account balance (May)
- July 16: T-Bonds auction

SERBIA

- July 13: HICP (Jun)
- July 15: €50mn 2% 2017 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Bucking the negative trend in Wall Street overnight, major Asian bourses closed in the black and key European stock markets moved broadly higher earlier today after the Greek parliament approved measures agreed at the 12 July Euro Summit. In FX markets, the US dollar broadly outperformed its major currency peers thanks to Federal Reserve Chair Janet Yellen's comments, which reinforced expectations for higher interest rates later in the year.

GREECE: The Hellenic Parliament voted last night in favour of the draft bill incorporating the conditionality required to formally initiate negotiations between Greece and its official creditors for a 3-year ESM loan facility. The bill received 229 votes in favour and 64 votes against, whereas 6 MPs voted present and 1 MP was absent.

SOUTH EASTERN EUROPE

BULGARIA: The rate of registered unemployment fell for the third month running in June, coming in at 9.6% from May's 10.11% print, recoiling further below an 8-month high of 11.09 hit in January.

SERBIA: The finance ministry sold at an auction on Wednesday €42.1mn, less than €50mn initially planned, in 2-year T-bonds.

CESEE MARKETS: Trailing gains in major Asian and European bourses, **emerging stock markets** opened broadly higher on Thursday, after measures agreed at the July 12, 2015 Euro Summit were endorsed in the Hellenic Parliament overnight. Along similar lines, **regional currencies** and **government bonds** broadly firmed in European trade on Thursday.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS

Bucking the negative trend in Wall Street overnight, major Asian bourses closed in the black and key European stock markets moved broadly higher earlier today after the Greek parliament approved in the early hours of Thursday measures agreed at the 12 July Euro Summit. In FX markets, the US dollar broadly outperformed its major currency peers thanks to Federal Reserve Chair Janet Yellen's comments in the sidelines of her semi-annual testimony to Congress, which reinforced expectations for higher interest rates later in the year. Against this background, the US dollar DXY index reached a 6-week peak near 97.50 in Asian trade. In a similar vein, the EUR/USD hovered around levels of 1.0898/99 at the time of writing, within distance from a 1-month low of 1.0895 hit earlier today. An EUR/USD bounce towards 1.0965 in the wake of the Greek vote proved short-lived as market focus turned back towards the monetary policy divergence between the US and euro area. Elsewhere, most 10-year European peripheral yield spreads over the corresponding German tightened in early European trade. Today, the ECB's monetary policy meeting and ensuing press conference lure investors' attention.

gphoka@eurobank.gr

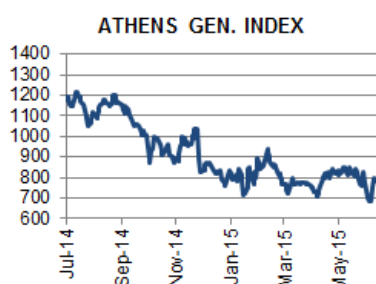
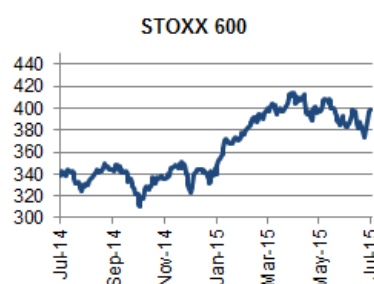
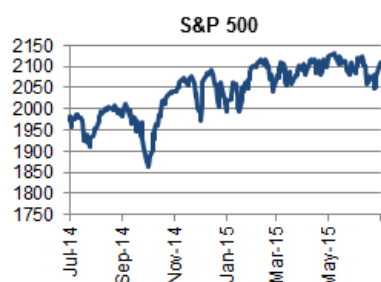
GREECE

The Hellenic Parliament voted last night in favour of the draft bill incorporating the conditionality required to formally initiate negotiations between Greece and its official creditors for a 3-year ESM loan facility. The bill received 229 votes in favour and 64 votes against, whereas 6 MPs voted present and 1 MP was absent. Among those who did not cast a positive vote were 39 MPs from the governing coalition party SYRIZA, a result which, according to media reports, will most likely trigger a reshuffle of the cabinet taking also into account that three Ministers were among the dissenters. The mandate to commence negotiations on a new ESM loan to Greece according to the 12 July Euro Summit will now also have to be ratified by the Parliaments of Germany, Finland, Austria, the Netherlands, Slovakia and Estonia. Upon completion of these procedures, the Eurogroup will convene anew to give the green light for the initiation of the negotiations for the aforementioned loan.

Greece's bridge funding of €7bn necessary to cover the country's financing needs until July 20 was reportedly approved by the Eurogroup that held a teleconference earlier today on the subject. According to press reports the funds will most likely be drawn from the EFSM, in spite of strong objections raised by a number of non-euro members.

Meanwhile the banking holiday in Greece continues and the daily cash withdrawal limit remains at €60. The Athens Stock Exchange also remains closed by decision of the Hellenic Capital Market Commission.

andimitriadou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

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

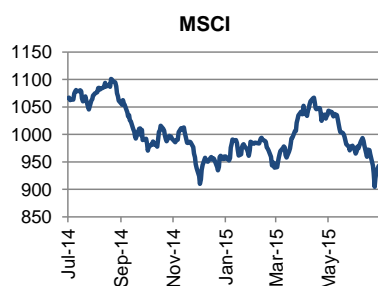
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

The rate of registered unemployment fell for the third month running in June, coming in at 9.6% from May's 10.11% print, recoiling further below an 8-month high of 11.09 hit in January. June marked the first month since October 2011 when the jobless rate last stood in a single-digit figure (9.6%). The said improvement came on the back of an increase in seasonal employment, primarily witnessed in the agriculture, tourism and processing industry. On an annual basis, the number of unemployed individuals dropped by 35,551 in June, marking the biggest decline for the month since 2008. Meanwhile, youth unemployment also fell, with the number of young people under 29 years of age easing below 50,000 (47,781 persons), for the first time since June 2009. Good news adds to last year's employment gains in the labor market and is an early sign of a gradual domestic demand recovery, especially taking into account that fiscal policy restraint is not helping at this point.

igkionis@eurobank.grgphoka@eurobank.gr

SERBIA

The finance ministry sold at an auction on Wednesday €42.1mn, less than €50mn initially planned, in 2-year T-bonds. The average accepted yield came in at 2.85%, marginally higher from a yield of 2.87% achieved at a prior auction of paper with the same maturity held in May. The issue bears a 2% coupon and matures in July, 2017. The tender's bid to cover ratio came in at 1.14%.

CESEE MARKETS

Trailing gains in major Asian and European bourses, **emerging stock markets** opened broadly higher on Thursday, after measures agreed at the July 12, 2015 Euro Summit were endorsed in the Hellenic Parliament overnight. The news favoured CESEE stock markets the most, with Poland's WIG and Romania's BETI leading the gains in the region, each registering a ca 1% increase at the time of writing. Meanwhile, the broader MSCI Emerging Markets index snapped a 2-day losing streak to stand modestly firmer on the day as Chinese shares rebounded. Yesterday's comments by Federal Reserve Chair Janet Yellen, that added to expectations for the inception of the Central Bank's rate-hiking cycle later in the year, appeared to be largely shrugged off.

Along similar lines, **regional currencies** broadly firmed in European trade on Thursday. The Hungarian forint and the Polish zloty posed as the main outperformers. In more detail, the EUR/HUF recoiled to a 1-½ month low near 308.35 in late Asian trade from 309.30 in the prior session's settlement, before recovering some ground towards 308.65 at the time of writing. Meanwhile, the EUR/PLN hovered around levels of 4.1095, having hit a multi-week trough at 4.1065 earlier in the session. On the other hand, the Serbian dinar was little changed trading at 120.00/EUR at the time of writing, after the Central Bank intervened for the fourth day so far this week in the FX markets to halt the currency's appreciating momentum. The NBS purchased euros at an EUR/RSD rate of 119.95 earlier today.

In view of improving risk appetite, **CESEE government bonds** also firmed earlier today. Romanian paper led the rally with the corresponding benchmark 3 and 10-year yields falling ca 11bps each on the day to stand near 2.1% and 4.0% in European trade.

gphoka@eurobank.gr

July 16, 2015

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	2108.74	0.0%	2.4%	EUR/USD	1.0959	-0.5%	-9.4%	UST - 10yr	2.40	0	23	GOLD	1148	-0.7%	-3.1%
Nikkei 225	20463.33	0.4%	17.3%	GBP/USD	1.5597	-0.3%	0.1%	Bund-10yr	0.83	0	29	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	399.76	0.4%	16.7%	USD/JPY	123.88	-0.4%	-3.4%	JGB - 10yr	0.46	-1	13	LMEX	2573	-0.4%	-11.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.83	0	-518
1-month	5.22	-1	-483
3-month	5.69	-1	-416
6-month	6.00	-1	-379

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.14	11	-291
5Y RSD	8.31	0	-187
7Y RSD	8.99	24	-308

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.52	-2	-74
USD Nov-24	6.47	0	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	323	1	-34

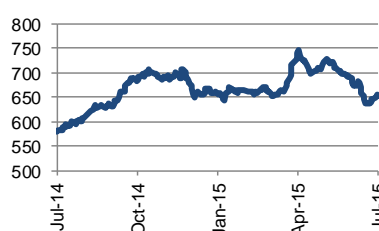
STOCKS

	Last	ΔD	ΔYTD
BELEX15	653.2	-0.18%	-2.08%

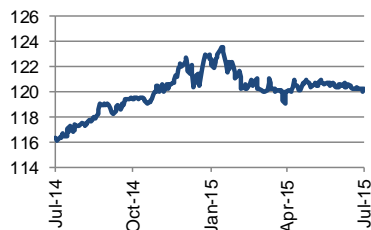
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.15	-0.07%	1.00%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	0	0
1-month	0.95	1	4
3-month	1.3	1	-40
6-month	1.61	1	-40
12-month	1.68	-1	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.03	-1	-28
5Y RON	2.56	1	-15
10Y RON	3.98	0	32

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.84	-7	11
USD Aug-23	3.87	12	25

CDS

	Last	ΔDbps	ΔYTD bps
5-year	129	10	-13
10-year	174	11	-12

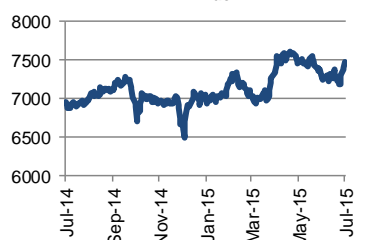
STOCKS

	Last	ΔD	ΔYTD
BET	7467.5	0.99%	5.43%

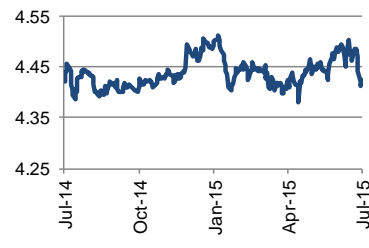
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4247	-0.26%	1.33%

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	0.33	0	-10
6-month	0.64	0	-15
12-month	1.23	0	-28

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.56	4	-47
5Y BGN	1.18	4	-26
10Y BGN	2.63	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.70	9	-46
EUR Sep-24	3.02	-56	15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	174	-10	-17
10-year	220	-10	-21

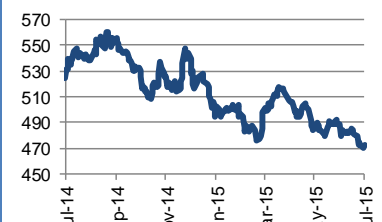
STOCKS

	Last	ΔD	ΔYTD
SOFIX	472.4	0.40%	-9.51%

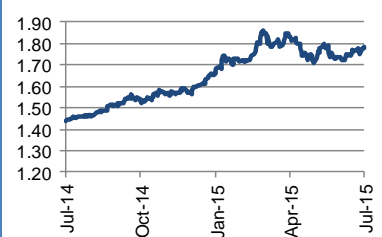
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7848	-0.46%	-9.43%

SOFIX Index



USD/BGN



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

Data updated as of 17:00 EEST of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 3371 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3371 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3371 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 3371 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371 228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial
Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

