

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, July 28, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- July 27: Durable goods orders (Jun)
- July 28: CB consumer confidence (Jul)
- July 29
  - Pending home sales (Jul)
  - FOMC meeting
- July 30
  - Initial jobless claims (July 25)
  - GDP (Q2, A)
- July 31
  - Chicago PMI (Jul)
  - UoM Consumer sentiment (Aug)

### EUROZONE

- July 31: HICP (Jul)

### GREECE

- July 27: Credit/deposits (Jun)
- July 30: Confidence indicators (May)

### SEE

#### BULGARIA

- July 28: Gross external debt (May)
- July 31: Budget balance (Jun)

#### ROMANIA

- July 31: U/E rate (ILO, Jun)

#### SERBIA

- July 28: EUR 2025 T-bonds auction
- July 31
  - Industrial production (Jun)
  - Trade balance (Jun)
  - Retail sales (Jun)
  - GDP (Q2, p)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Following the negative tone in Wall Street overnight, most Asian bourses edged lower on Tuesday. Elsewhere, major European bourses received some respite and opened higher on Tuesday, breaking a five-day losing streak. In FX markets, the US dollar firmed ahead of the start of the two-day FOMC policy meeting which concludes on Wednesday.

**GREECE:** According to press reports, talks between domestic authorities and the technical teams of the four institutions (i.e. EC, ECB, IMF and ESM) on a new 3-year ESM loan began earlier today at the State General Accounting Office. Local media report that discussions will focus on the current state of the Greek economy, the banks and the State budget execution.

### SOUTH EASTERN EUROPE

**ROMANIA:** The government reportedly called on Monday an extraordinary 3-day parliamentary session for late August in order to reassess tax cuts planned to come into effect over 2016-2019.

**CESEE MARKETS:** Taking their cue from gains in European stock markets amid upbeat Q2 corporate earnings results and M&A news, **CESEE bourses** moved broadly higher earlier today. Elsewhere, **CESEE currencies** tread water and **government bonds** were mixed in European trade on Tuesday as caution prevailed ahead of the FOMC meeting later in the week.

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## Latest world economic & market developments

### GLOBAL MARKETS

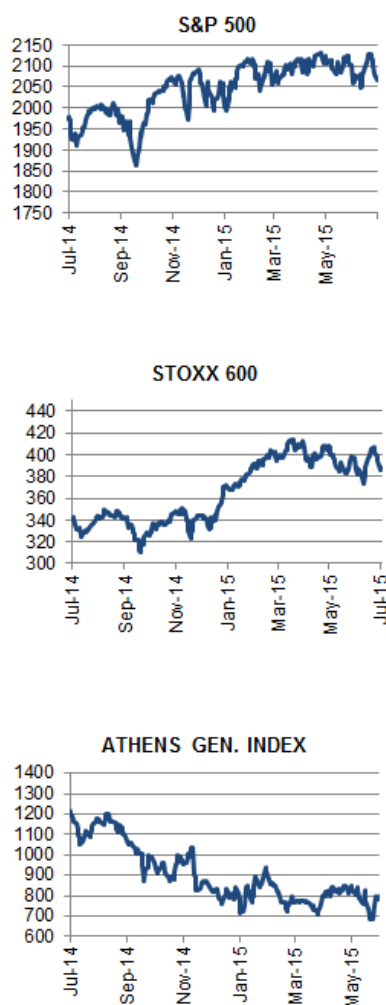
Following the negative tone in Wall Street overnight, most Asian bourses edged lower on Tuesday. More importantly, Chinese equity indices fell for the third consecutive day, with cumulative losses surpassing 11% since Friday. Elsewhere, major European bourses received some respite and opened higher on Tuesday, breaking a five-day losing streak. In FX markets, the US dollar firmed ahead of the start of the two-day FOMC policy meeting which concludes on Wednesday, with the DXY index advancing to levels around 96.750 at the time of writing, from an intraday two-week low of 96.288 hit yesterday. Against this backdrop, the EUR/USD stood ca 0.2% weaker at 1.1069/70 in early trade, following a sharp rise to a two-week high of ca 1.1130 hit at some point yesterday. Along similar lines, the USD/JPY was hovering around levels of 123.67/68 at the time of writing, snapping a three-session falling streak and rising from 123.25 in yesterday's close. On the data front, focus today centered on UK's GDP growth, which accelerated to 0.7%QoQ in Q2 2015 (in line with market's consensus), after a weak start to the year (Q1: 0.4%QoQ). As a result, the GBP was trading higher against its major currency peers, with the EUR/GBP edging lower to ca. 0.70921/0.70930 shortly after the data release in European trade, from a three-week high of 0.71265 hit in yesterday's settlement.

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### GREECE

According to press reports, talks between domestic authorities and the technical teams of the four institutions (i.e. EC, ECB, IMF and ESM) on a new 3-year ESM loan began earlier today at the State General Accounting Office. Local media report that discussions will focus on the current state of the Greek economy, the banks and the State budget execution. Press leaks about a third package of prior actions that will be needed for the release of the first loan disbursement upon final agreement on a new bailout programme, were reportedly categorically rejected by the Minister of Finance, Euclid Tsakalotos. However, the European Commission's spokesperson Mina Andreeva has been quoted saying that although Greece has delivered "in a timely and overall satisfactory manner" the reforms required for discussions to begin, more is needed for the swift disbursement of the first tranche of the new loan. According to media sources, the Greek government aims to conclude the negotiations by mid-August so that it may receive the first loan tranche by August 20 when two GGBs of a total notional amount of €3.2bn are due. In other news, the Athens Stock Exchange (ASE) is expected to reopen upon the issuance of the relevant ministerial decision which must first be approved by the ECB. According to press reports, the ASE may reopen on Thursday.

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Source: Reuters, Bloomberg, Eurobank Research

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

### ROMANIA

The government reportedly called on Monday an extraordinary 3-day parliamentary session for late August in order to reassess tax cuts planned to come into effect over 2016-2019. The said measures were adopted in Parliament in May, but President Klaus Iohannis sent them back to parliament last month citing increased fiscal risks which would render the country more vulnerable to domestic and external shocks. Similar concerns were also cited by Central Bank governor Mugur Isarescu late last week, who reportedly underscored that "from an economic and financial point of view ... I do not see how the tax package can be applied". The President may veto bills approved by parliament only once and the planned tax cuts are expected to pass through Parliament largely unchanged in late August, as the government enjoys parliamentary majority. Despite a very good performance so far this year, the budget balance is expected to increase from a projected deficit of 1.8% of GDP in 2015 to a shortfall around 2.8% of GDP in 2016, due to the planned tax cuts, surpassing a revised 1.2% of GDP official government deficit target. At the same time, EU spring forecasts pencil in the fiscal deficit at 3.5% of GDP in 2016, breaching the 3% Maastricht limit which may subject Romania to a new EDP procedure.

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### CESEE MARKETS

Taking their cue from gains in European stock markets amid upbeat Q2 corporate earnings results and M&A news, **CESEE bourses** moved broadly higher earlier today. Turkey's BIST100 index led the gains in the region, pulling back from yesterday's 1-½-month low hit amid escalating geopolitical jitters after last week's attacks near the country's border with Syria. Domestic political uncertainty has also weighed on the said index after the inconclusive June 7 general elections outcome resulted in lengthy coalition negotiations, while the prospect of early national elections is also on the cards if a government is not formed by late August. On the flipside, Serbia's BELEX15 and Ukraine's PFTS underperformed their regional peers to stand in a modestly negative territory at the time of writing. Elsewhere, **CESEE currencies** tread water and **government bonds** were mixed in European trade on Tuesday as caution prevailed ahead of the FOMC meeting later in the week. In FX markets, the Turkish lira fared better than other regional currencies on a daily basis, with the USD/TRY easing to 2.7600 levels at the time of writing from a 1-½-month high of 2.7770 hit in the prior session on mounting geopolitical woes.

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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

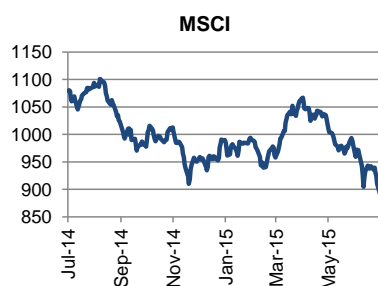
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

\* 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	2067.64	-0.6%	0.4%	EUR/USD	1.1063	-0.2%	-8.6%	UST - 10yr	2.26	4	9	GOLD	1096	0.2%	-7.5%
Nikkei 225	20328.89	-0.1%	16.5%	GBP/USD	1.5591	0.2%	0.1%	Bund-10yr	0.72	3	18	BRENT CRUDE	53	-1.2%	-7.8%
STOXX 600	389.20	0.9%	13.6%	USD/JPY	123.73	-0.4%	-3.3%	JGB - 10yr	0.41	0	8	LMEX	2432	-1.0%	-16.6%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	460	0	-531
1-week	4.82	0	-519
1-month	5.21	-1	-484
3-month	5.68	0	-417
6-month	5.99	-1	-380

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.08	-1	-296
5Y RSD	8.30	0	-188
7Y RSD	8.83	0	-325

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.51	1	-75
USD Nov-24	6.49	0	-10

## CDS

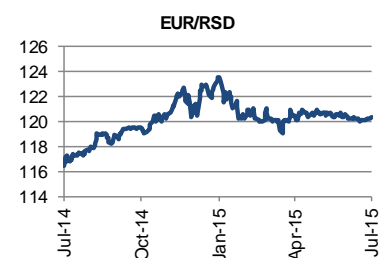
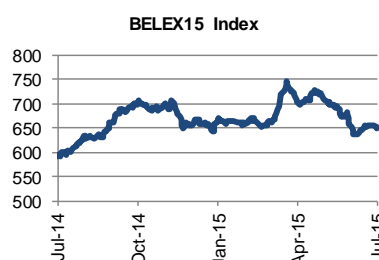
	Last	ΔDbps	ΔYTD bps
5-year	271	1	-19
10-year	316	0	-41

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	650.9	-0.26%	-2.42%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.23	0.07%	0.93%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.87	6	30
1-month	1.05	1	14
3-month	1.28	0	-42
6-month	1.53	0	-48
12-month	1.64	1	-38

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.96	0	-35
5Y RON	2.47	2	-24
10Y RON	3.74	0	8

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.57	1	-16
USD Aug-23	3.74	4	13

## CDS

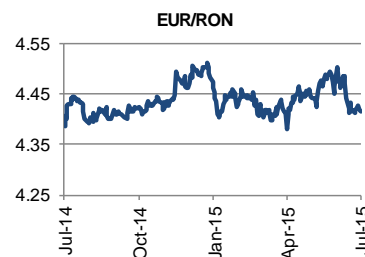
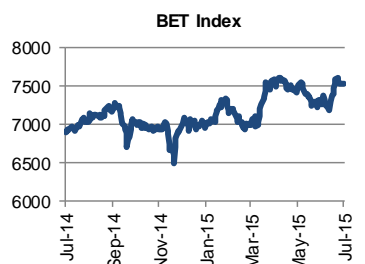
	Last	ΔDbps	ΔYTD bps
5-year	130	3	-13
10-year	174	3	-13

## STOCKS

	Last	ΔD	ΔYTD
BET	7528.6	0.04%	6.29%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4157	0.00%	1.54%



## 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	1.22	0	-28

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.56	0	-48
5Y BGN	1.21	2	-23
10Y BGN	2.65	0	-10

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.61	-19	-55
EUR Sep-24	2.97	25	10

## CDS

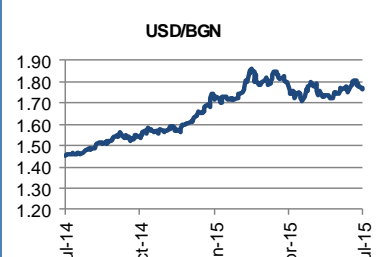
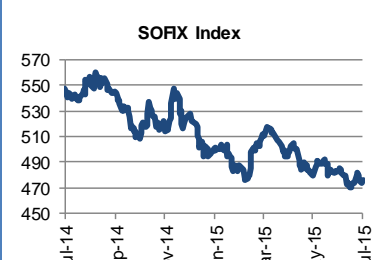
	Last	ΔDbps	ΔYTD bps
5-year	175	2	-16
10-year	220	3	-21

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.5	0.57%	-8.74%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.768	-0.23%	-8.57%



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