

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, July 06, 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
- 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:** Asian and European stock markets kicked off the week on a negative footing amid heightened concerns about the Greek issue. Against this backdrop, EMU peripheral sovereign spreads widened and the euro retreated against major currency peers.

**GREECE:** In the Greek referendum that took place on Sunday, "No" received 61,31% of the vote, while "Yes" received 38,69% of the vote. Following the result of the referendum late on Sunday evening, the Greek PM Alexis Tsipras in his address to the nation confirmed afresh that: "The mandate you give me is not a mandate of a rupture with Europe, but a mandate to strengthen our negotiating position in order to achieve a viable solution." Meanwhile the ECB is expected to hold a conference call this morning and according to media reports, the ECB will likely maintain the ceiling to the provision of emergency liquidity assistance (ELA) to the Greek banks unchanged at its current level estimated at ca €89bn.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equity market closed little changed on a weekly basis on Friday as investors largely shrugged off Greece-related concerns.

**SERBIA:** In **FX markets**, the dinar closed modestly weaker on a weekly basis on Friday, after the Central Bank (NBS) intervened in the FX markets to halt the currency's appreciating momentum.

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## Latest world economic & market developments

### GLOBAL MARKETS

Asian and European stock markets kicked off the week on a negative footing amid heightened concerns about the Greek issue. Against this backdrop, EMU peripheral sovereign spreads widened and the euro retreated against major currency peers. The EUR/USD slid as far as a multi-session low of 1.0967 in Asian trade before recovering some ground towards 1.1059 at the time of writing, remaining though below Friday's settlement of 1.1112. Against the safe-haven yen, the euro suffered the most, with the EUR/JPY easing to a 1-week low near 133.70 earlier in the session, before recouping part of its losses to trade around levels of 135.58/61 in European trade.

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### GREECE

In the Greek referendum that took place on Sunday, "No" received 61,31% of the vote, while "Yes" received 38.69% of the vote. Following the result of the referendum late on Sunday evening, Greek Prime Minister Alexis Tsipras in his address to the nation confirmed afresh that: "The mandate you give me is not a mandate of a rupture with Europe, but a mandate to strengthen our negotiating position in order to achieve a viable solution."

At the time of writing, the Council of the Political Leaders is convening upon invitation by Prime Minister Alexis Tsipras and under the President of the Hellenic Republic. The main opposition party New Democracy is represented at this meeting by Vangelis Meimarakis who will act as interim party leader until his party elects a new leader following the resignation of Antonis Samaras last night. According to press reports, the name of the new Finance Minister who will succeed Yanis Varoufakis who resigned earlier this morning will be announced after the meeting of the Council of the Political Leaders.

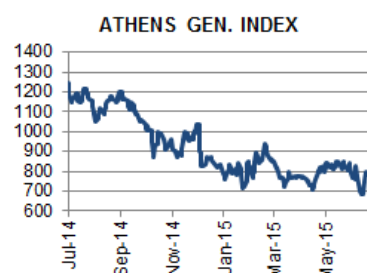
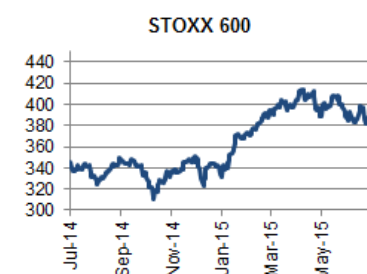
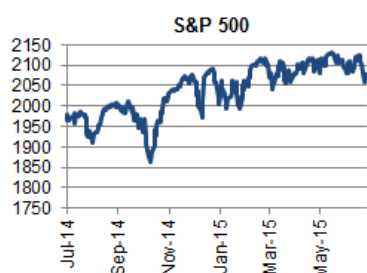
Meanwhile the ECB is expected to hold a conference call this morning and according to media reports, the ECB will likely maintain the ceiling to the provision of emergency liquidity assistance (ELA) to the Greek banks unchanged at its current level estimated at ca €89bn.

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### CYPRUS

Following the approval of the 6<sup>th</sup> review of the Economic Adjustment Programme by the European Stability Mechanism (ESM), the Central Bank of Cyprus (CBC) proceeded with the purchasing of sovereign bonds in the secondary market in the context of the ECB's quantitative easing program (QE) last Friday. According to CBC spokesman Ms Stylianou, the purchases led to a decline of the yields of the bonds by approximately 15 basis points. Even though under the QE program the eligible amount of buy backs seems not to exceed €500mn in the case of Cyprus, it still represents a sizeable proportion of the outstanding tradable public debt stock (around 25%).

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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

The domestic equity market closed little changed on a weekly basis on Friday as investors largely shrugged off Greece-related concerns. Indicatively, the main SOFIX index closed ca 0.3% lower at 480.83 points consolidating near a three-week high hit earlier in the week. Trade volumes remained thin, with block deals lifting weekly turnover to €2.1mn. Meanwhile, Eurobonds lost some modest ground, with the corresponding benchmark yields increasing by 13-18bps across the board in line with the broader negative trend in the region. In a similar vein, the local bond curve moved slightly upwards undertaking some bearish flattening.

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### SERBIA

Speaking to local media on Sunday, Finance Minister Dusan Vujovic reportedly said that transaction restrictions for Greek-owned banks in Serbia may be tightened if the situation in Greece worsens after Sunday's referendum. The news comes on the heels of a Central Bank announcement last week that it introduced temporary measures aimed at limiting transactions between subsidiaries and their parent banks in Greece. These measures, which do not contain any restrictions relating to depositors, were adopted in order to avoid any spillovers, "ensure the protection of depositors and preserve the stability of the banking market and the overall financial system." It is worth noting that, Greek-owned banks in Serbia are estimated to worth ca 14% of total banking assets. Additionally, Serbia's banking sector capital adequacy ratio stood at 20% in Q4 2014, well above the regulatory minimum and Tier 1 regulatory capital to risk-weighted assets was at 17.6% over the same period. In the **FX markets**, the dinar closed modestly weaker on a weekly basis on Friday, after the Central Bank (NBS) intervened in the FX markets to halt the currency's appreciating momentum. In more detail, the National Bank of Serbia purchased around €40-50mn cumulatively in several interventions throughout the week, at EUR/RSD levels near 120.00, bringing its year-to-date purchases to about €450mn. In response, the EUR/RSD closed around 120.30 on Friday, having pulled back from a 2-month trough of 119.85 hit earlier on the same day, remaining though well below a multi-session peak around 120.70 hit in a knee-jerk reaction on Monday amid mounting concerns over the Greek issue. Looking ahead, we would stay sidelined on the EUR/RSD amid lingering uncertainty over the Greek issue. However, dips towards levels of 121.10 appear to provide good opportunity for buying dinars.

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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

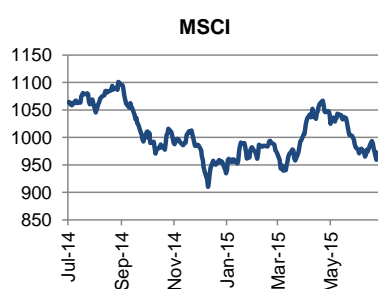
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

\* 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	2076.78	0.0%	0.9%	EUR/USD	1.1051	-0.6%	-8.7%	UST - 10yr	2.31	-7	14	GOLD	1164	-0.4%	-1.7%
Nikkei 225	20112.12	-2.1%	15.3%	GBP/USD	1.5565	-0.1%	-0.1%	Bund-10yr	0.75	-5	21	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	380.42	-0.8%	11.1%	USD/JPY	122.62	0.2%	-2.4%	JGB - 10yr	0.48	-1	15	LMEX	2611	-0.7%	-10.4%

## CESEE MARKETS

## SERBIA

## Money Market

BELBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.84	0	-517
1-month	5.23	0	-482
3-month	5.76	-1	-409
6-month	6.06	-1	-373

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.04	-1	-300
5Y RSD	8.33	0	-185
7Y RSD	8.73	-2	-335

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.56	5	-70
USD Nov-24	6.45	1	-14

## CDS

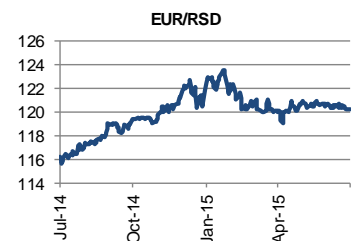
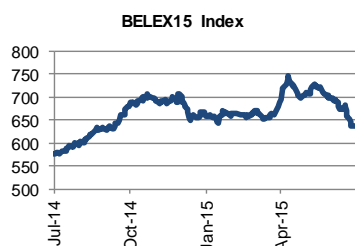
	Last	ΔDbps	ΔYTD bps
5-year	268	1	-22
10-year	311	0	-45

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	636.5	-0.18%	-4.58%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.31	-0.04%	0.87%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.61	2	4
1-month	1	-1	9
3-month	1.28	0	-42
6-month	1.61	5	-40
12-month	1.69	4	-33

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.17	4	-14
5Y RON	2.77	4	6
10Y RON	4.27	6	61

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.01	7	28
USD Aug-23	3.92	6	30

## CDS

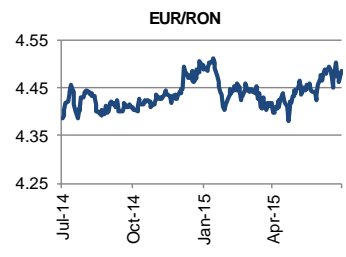
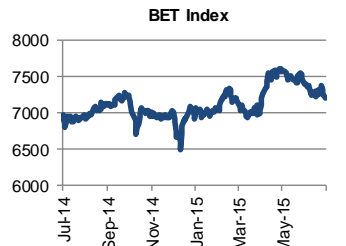
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-8
10-year	168	-3	-19

## STOCKS

	Last	ΔD	ΔYTD
BET	7194.9	-0.96%	1.58%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4847	-0.14%	-0.03%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	1	0
1-month	0.18	0	-4
3-month	0.34	0	-9
6-month	0.69	0	-11
12-month	1.27	0	-24

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.55	-15	-55
5Y BGN	1.12	0	-33
10Y BGN	2.65	-1	-11

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.84	-14	-32
EUR Sep-24	3.18	-183	32

## CDS

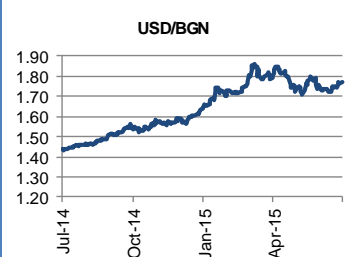
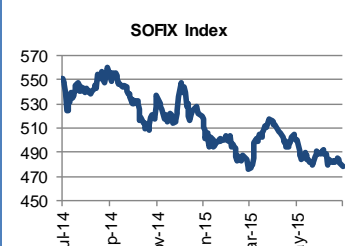
	Last	ΔDbps	ΔYTD bps
5-year	180	0	-11
10-year	232	9	-8

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	478.1	-0.56%	-8.42%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7698	-0.55%	-8.66%



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

Data updated as of 12:50 EET

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