

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: Mirroring uncertainty about the ongoing negotiations between Greece and the Institutions, Wall Street closed on a slightly negative ground yesterday. Against this backdrop, the picture in European bourses was rather mixed in Tuesday's early trade, ahead of the upcoming Eurogroup and EU Summit later today. Elsewhere, EMU peripheral sovereign spreads widened further while in FX markets, the EUR edged lower against its major currency peers.

GREECE: The Council of the Political Leaders that conferred yesterday issued a joint statement stating that they acknowledge the result of Sunday's referendum as a mandate of the Greek people to the government to continue the effort to achieve a socially just and economically viable agreement and they commit to assist the government to this end. Today the Greek government will present its proposal to the Eurogroup that will convene at 14:00EEST. Following the Eurogroup, a Euro Summit on the 'Greek issue' is scheduled to take place at 19:00EEST.

SOUTH EASTERN EUROPE

BULGARIA: Economy Minister Bozhidar Lukarski was quoted as saying by local media on Monday that there is no risk for the country's financial stability as a result of the Greek issue.

ROMANIA: Romania rejected all bids at yesterday's auction, of RON 300mn (€67mn) June 2021 T-bonds on Monday, amid lukewarm investor demand in view of heightened risk aversion.

SERBIA: In a statement issued by the National Bank of Serbia, the Central Bank reportedly noted that "no withdrawals of assets by parent banks were recorded and no major withdrawals of savings deposits were recorded". In other news, Fitch Ratings has affirmed Serbia's credit rating at "B+" with stable outlook.

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July 7, 2015

Latest world economic & market developments

GLOBAL MARKETS

Mirroring uncertainty about the ongoing negotiations between Greece and the Institutions, Wall Street closed on a slightly negative ground yesterday. Against this backdrop, the picture in European bourses in Tuesday's early trade was rather mixed, ahead of the upcoming Eurogroup and EU Summit later today. Elsewhere, EMU peripheral sovereign spreads widened further while in FX markets, the EUR edged lower against its major currency peers. In particular, the EUR/USD was trading around 1.0970/80 at the time of writing, not far from a 1-week low of 1.0959 hit intraday in early European trade. Against the safe-haven yen, the EUR edged modestly lower on the day. The EUR/JPY was hovering around levels of 134.60 at the time of writing, standing within distance from yesterday's intraday one-month low of 133.70. Today, the focus is on the Eurogroup and the EU Summit, where euro area heads are expected to discuss the situation following the referendum in Greece that was held on 5 July 2015.

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GREECE

The Council of the Political Leaders that conferred yesterday issued a joint statement in which they acknowledged the result of Sunday's referendum as a mandate of the Greek people to the government to continue the effort to achieve a socially just and economically viable agreement and committed to assist the government to this end. In addition, the joint statement declared that the common goal is the pursuit of a solution that will guarantee:

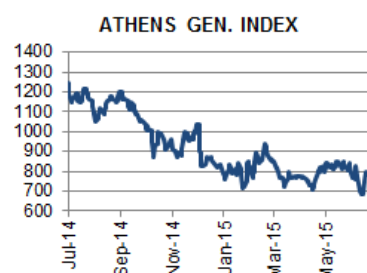
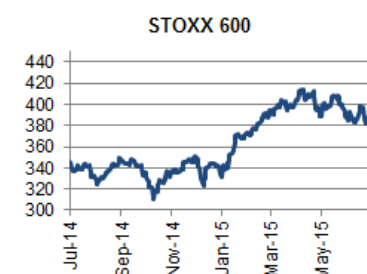
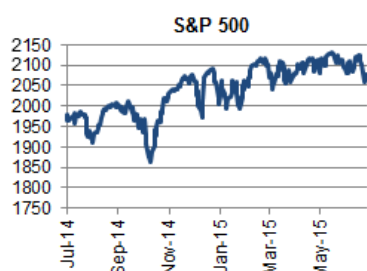
- (i) Adequate financing to meet the country's financing needs.
- (ii) Credible reforms based on the just sharing of burdens and the promotion of growth, with the least possible recessionary effects.
- (iii) A potent, frontloaded growth program, aimed primarily at fighting unemployment and encouraging entrepreneurship.
- (iv) The commitment to embark on a meaningful discussion towards addressing the Greek debt sustainability problem.

The restoration of the liquidity to the Greek financial system in collaboration with the ECB was also recognized as a matter of absolute priority.

Today the Greek government will present its proposal to the Eurogroup that will convene at 14:00EEST. According to local media reports, this proposal will largely be based on the last proposal submitted during the previous week by the President of the European Commission Jean-Claude Juncker, with a few modifications. Following the Eurogroup, a Euro Summit on the 'Greek issue' is scheduled to take place at 19:00EEST.

Meanwhile, after discussing a proposal from the Bank of Greece, the ECB's Governing Council decided yesterday on a conference call to keep the ceiling on ELA at its current level of €88.6bn but also to increase the haircut applied to eligible collateral accepted by the bank of Greece for ELA. The ECB did not publicly reveal the scale of its adjustment to the collateral rules. The ECB is expected to review Greek banks' access to ELA on Wednesday.

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Source: Reuters, Bloomberg, Eurobank Research

July 7, 2015

Latest world economic & market developments in the CESEE region

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

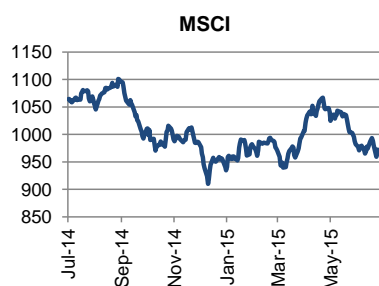
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

BULGARIA

Economy Minister Bozhidar Lukarski was quoted by local media as saying on Monday that there is no risk for the country's financial stability as a result of the Greek issue. However, he added that there will be some impact on the trade between the two countries. His comments came on the heels of those by S&P's European sovereign analyst Moritz Kraemer, who noted that he did not expect any impact on the sovereign credit ratings of other high-debt euro zone countries or Greece's non-euro zone neighbours in south-eastern Europe.

ROMANIA

Romania rejected all bids at yesterday's auction, of RON 300mn (€67mn) June 2021 T-bonds on Monday, amid lukewarm investor demand in view of heightened risk aversion. Bids totaled RON 211mn well below the amount offered. The finance ministry had last issued the same paper in April, achieving an average accepted yield of 2.70%. In the wake of yesterday's tender Deputy Finance Minister Enache Jiru reportedly said that the FinMin may consider altering its debt issuance plan in case of limited demand. So far this year, the finance ministry has sold approximately RON 18.5bn of RON-denominated T-bills and bonds.

SERBIA

In a statement issued by the National Bank of Serbia, the Central Bank reportedly noted that "no withdrawals of assets by parent banks were recorded and no major withdrawals of savings deposits were recorded" over recent days. According to the same reports, the NBS also said there was not major impact from recent developments in Greece on the domestic FX market. In other news, Fitch Ratings has affirmed Serbia's credit rating at "B+" with stable outlook. The agency cited consistent fiscal consolidation and implementation of structural reforms agreed with the IMF. On the other hand, Fitch highlighted that Serbia remains vulnerable to external shocks, but underscored that FDI inflows cover a large share of the country's current account deficit. With regards to economic activity, the agency expressed conviction that the negative impact of fiscal consolidation on domestic demand will prove short-lived, with a positive contribution anticipated from external demand. Furthermore, Fitch noted that the Serbian banking sector is liquid and well-capitalised, adding that although "the presence of Greek-owned banks in the domestic banking system could pose some risks, their status of domestic legal entities, accompanied by preventive measures of the National Bank of Serbia" shields them from Greece-related spill-overs.

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July 7, 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	2068.76	-0.4%	0.5%	EUR/USD	1.0979	-0.7%	-9.2%	UST - 10yr	2.25	-3	8	GOLD	1168	-0.2%	-1.4%
Nikkei 225	20376.59	1.3%	16.8%	GBP/USD	1.5481	-0.8%	-0.6%	Bund-10yr	0.68	-8	14	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	378.72	0.0%	10.6%	USD/JPY	122.51	0.0%	-2.3%	JGB - 10yr	0.46	-2	13	LMEX	2558	-2.0%	-12.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.84	0	-517
1-month	5.24	1	-481
3-month	5.77	1	-408
6-month	6.07	1	-372

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.04	#N/A N/A	-301
5Y RSD	8.32	0	-187
7Y RSD	8.76	0	-332

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.58	1	-68
USD Nov-24	6.46	1	-13

CDS

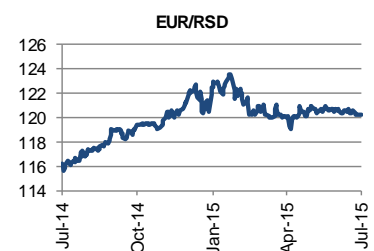
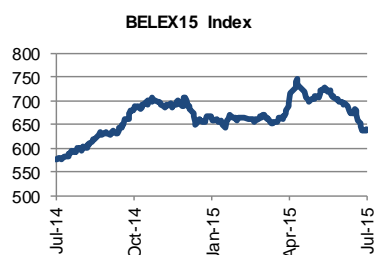
	Last	ΔDbps	ΔYTD bps
5-year	266	-1	-24
10-year	311	0	-45

STOCKS

	Last	ΔD	ΔYTD
BELEX15	642.0	0.87%	-3.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.41	-0.15%	0.78%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.59	-2	2
1-month	0.99	-1	8
3-month	1.28	0	-42
6-month	1.59	-2	-42
12-month	1.68	-1	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.16	-1	-15
5Y RON	2.77	-1	6
10Y RON	4.27	-2	61

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.02	-1	29
USD Aug-23	3.93	-1	31

CDS

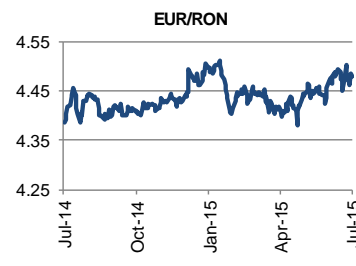
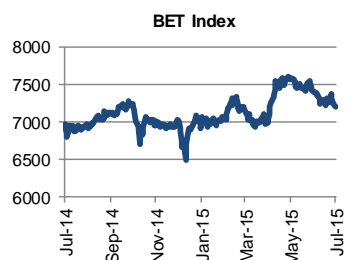
	Last	ΔDbps	ΔYTD bps
5-year	128	2	-15
10-year	170	2	-17

STOCKS

	Last	ΔD	ΔYTD
BET	7207.3	-0.28%	1.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4815	0.11%	0.04%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	0	0
1-month	0.18	0	-4
3-month	0.35	0	-9
6-month	0.69	0	-10
12-month	1.27	0	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.48	-1	-56
5Y BGN	1.13	-1	-32
10Y BGN	2.58	0	-17

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.83	0	-33
EUR Sep-24	3.16	28	29

CDS

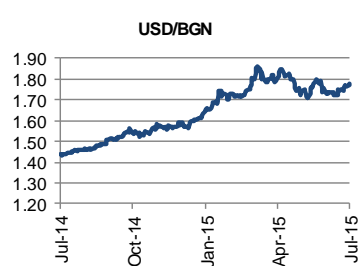
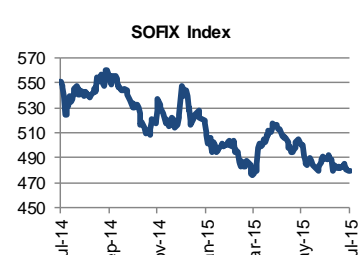
	Last	ΔDbps	ΔYTD bps
5-year	192	7	1
10-year	239	7	-2

STOCKS

	Last	ΔD	ΔYTD
SOFIX	479.5	-0.03%	-8.16%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7816	-0.70%	-9.27%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 13:15 EET

July 7, 2015

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