

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, July 15, 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 15: ECB conf. call on ELA facility

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: Trailing gains in Wall Street overnight, Japan's Topix index closed in the black for a fourth day in a row on Wednesday, following the BoJ's decision to stand pat on its monetary policy. Elsewhere in Asia, China's bourses fell for the second consecutive day largely shrugging off better-than-expected GDP data. In Europe, major equity indices traded mixed earlier on Wednesday, ahead of a key vote in the Hellenic Parliament on a first set of measures agreed at the July 12 Euro Summit. In FX markets, the sterling was the major outperformer after Bank of England Governor Carney's comments in a Parliamentary Committee signaling that the date of the first interest rate hike since the onset of the financial crisis is moving closer.

GREECE: The Greek government submitted yesterday to Parliament a bill incorporating in two legislative articles the first set of prior actions and all the commitments Greece agreed to undertake in accordance with the 12 July Euro Summit agreement. The vote is scheduled to take place late tonight.

CYPRUS: The 8th review of Cyprus's Economic Adjustment Programme began on July 14th. The review's focus is on the issue of an effective implementation of the new personal and corporate insolvency framework, as well as on the facilitation of sales of bank loans by the domestic credit institutions and addressing the issue of untitled property sales by developers.

SOUTH EASTERN EUROPE

BULGARIA: As was broadly anticipated, senior IMF economist Dimitar Radev, backed by ruling GERB party and junior coalition partner the Reformist Bloc, was elected in an extraordinary parliamentary session yesterday as the new Central Bank governor.

ROMANIA: The current account deficit narrowed by ca 26%YoY in January-May coming in at €312mn.

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Latest world economic & market developments

GLOBAL MARKETS

Trailing gains from Wall Street overnight, Japan's Topix index closed in the black for a 4th day in a row on Wednesday, following the BoJ's decision to stand pat on its monetary policy. Elsewhere in Asia, China's bourses fell for the second consecutive day largely shrugging off better-than-expected GDP data. In Europe, major equity indices traded mixed earlier on Wednesday, ahead of a key vote in the Hellenic Parliament on a first set of measures agreed at the July 12 Euro Summit. In FX markets, the sterling was the major outperformer after Bank of England Governor Carney's comments in a Parliamentary Committee signaled that the date of the first interest rate hike since the onset of the financial crisis is moving closer. In more detail, the GBP/USD was trading around 1.5625 at the time of writing, within distance from yesterdays' two week closing high of ca. 1.5635. In addition, the US dollar consolidated near yesterday's levels against the euro and the yen, awaiting Federal Reserve Chair Janet Yellen's semi-annual testimony to Congress. On the data front, focus today is on the US industrial production for June, with the market's consensus being for the first monthly increase since March.

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GREECE

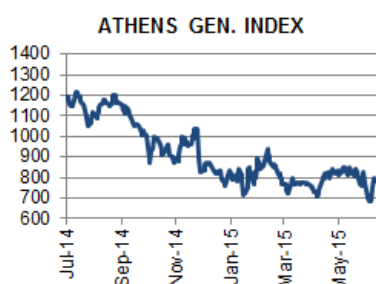
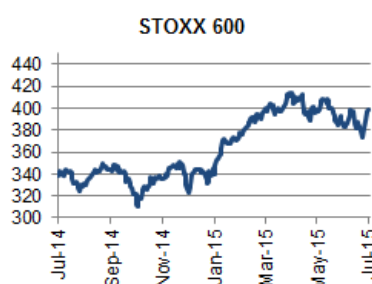
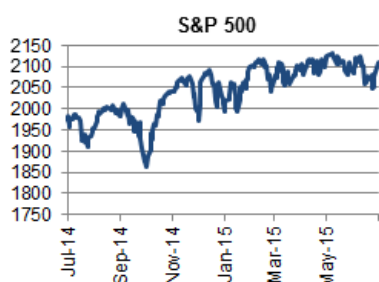
The Greek government submitted yesterday to Parliament a bill incorporating in two legislative articles the first set of prior actions and all the commitments Greece agreed to undertake in accordance with the 12 July Euro Summit agreement. The vote is scheduled to take place late tonight. In the meantime, with regard to the 3-year loan Greece has requested to cover its financing needs estimated between €82bn to €86bn, a European official has reportedly stated that the European Stability Mechanism (ESM) will contribute between €40bn to €50bn and the rest will be covered by the IMF and by potential revenues from the privatization of state assets. Meanwhile, the €7bn bridge financing that Greece requires in order to cover its financing needs until 20 July remains a challenge as there are technical, legal, financial and political issues to consider regarding the appropriate sources for these funds. The European Commission has reportedly suggested that these funds be supplied by the European Financial Stability Mechanism (EFSM) but some non-euro member states are opposing this option. According to press reports a solution is expected to be found at the teleconferences that will be held by the Euroworking Group first and the Eurogroup later today. With regard to Greek banks, according to the Minister of Economy, Infrastructure, Shipping and Tourism, Mr. George Stathakis, they will reopen once financing from the ELA increases, which will happen after the first set of prior actions has been legislated by the Hellenic Parliament and the commencement of negotiations for the new ESM loan to Greece has been ratified by a number of European Parliaments. These procedures are not expected to have been completed before Friday 17 July. With regard to the capital controls, Mr. Stathakis stated that they will likely be lifted in a couple of months as they constitute a more complicated matter.

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CYPRUS

The 8th review of Cyprus's Economic Adjustment Programme began on July 14th. The review's focus is on the issue of effective implementation of the new personal and corporate insolvency framework, plus two more issues: the facilitation of sales of bank loans by the domestic credit institutions and addressing the issue of untitled property sales by developers. During the next review, official creditors are also expected to discuss privatization plans of state-owned public utilities.

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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

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

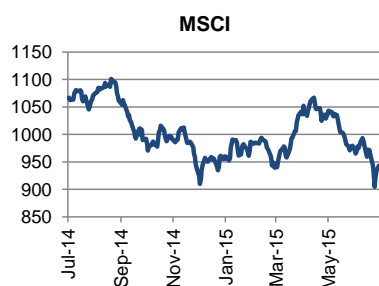
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

As was broadly anticipated, senior IMF economist Dimitar Radev, backed by ruling GERB party and junior coalition partner the Reformist Bloc, was elected in an extraordinary parliamentary session yesterday as the new Central Bank governor. The incoming BNB governor, who was being cited as a favorite by the media, takes over the post from Ivan Iskrov today for a 6-year term in office. Speaking to MPs in Parliament on Tuesday, he reportedly highlighted that he plans to pursue "three sets of policy measures consisting of bank supervision reform, bank-crisis management mechanism and asset quality assessment". He reportedly added that "the central bank will support the government's efforts to join the European bank union, while seeking a balance between rights and responsibilities." His comments come on the heels of last year's banking sector turmoil, following the collapse of the Corporate Commercial Bank in late June 2014, which raised attention on the issues of banking supervision effectiveness and corporate governance. The outgoing Central Bank governor, Mr. Ivan Iskrov, whose regular term expires in October, had expressed his intention to step down as early as when his successor would be elected by Parliament.

On the data front, inflation registered in June the fourth positive yearly reading since August 2013. In more detail, CPI came in at -0.9%/+0.4%MoM/YoY vs. -0.2%/+0.9%MoM/YoY in May, bringing the annual average inflation to 0.0% in the first six months of the year. The slowdown in the rate of annual increase in food prices (+0.5%YoY in June vs. +1.6%YoY in May) in June was the main culprit behind the deceleration in consumer price growth. It was mainly driven by seasonality and further supply side normalization in fruit and vegetable prices, the most volatile items in the food basket. Regulated prices (+4.9%YoY in June vs. +5.0%YoY in May) provided one of the highest contributions to inflation on a yearly basis in June (+0.8pps). Meanwhile, energy deflation receded further from -9.9%YoY in May to -8.8%YoY in June as the ongoing rebound in energy prices resulted in mitigating the negative impact from falling transportation costs (-5.8%YoY in June from -6.6%YoY in the prior month). Looking ahead, the announced 7.5% wholesale gas price cut in July threatens to push inflation back into negative territory later in the year. To some extent, an electricity hike of 2% approved by the electricity regulator effective from August will likely alleviate the negative impact from the said regulated price reduction. In addition, an ongoing recovery in domestic demand, reflected in services inflation (+2.6%YoY in June vs. +3.1%YoY in May), is expected to provide a positive input to consumer prices in the coming months. Unless there is some unforeseen new supply side shock in food and world energy prices, inflation is expected to remain in marginally positive territory bringing the average inflation at +0.3% in 2015 up from -1.4% in 2014.

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ROMANIA

The current account deficit narrowed by ca 26%YoY in January-May coming in at €312mn thanks to a near 70%YoY increase to €1,052mn in the secondary income surplus and a modest (2.2%YoY) advance in the services surplus to € 2,41mn. On the financing side, FDI inflows totaled €1,287mn, fully covering the current account shortfall.

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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	2108.95	0.4%	2.4%	EUR/USD	1.1028	0.2%	-8.8%	UST - 10yr	2.41	1	24	GOLD	1155	0.0%	-2.5%
Nikkei 225	20463.33	0.4%	17.3%	GBP/USD	1.5619	-0.1%	0.3%	Bund-10yr	0.88	4	34	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	398.66	0.1%	16.4%	USD/JPY	123.56	-0.1%	-3.1%	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	6.02	-1	-303
5Y RSD	8.31	0	-187
7Y RSD	8.75	0	-333

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.53	-1	-73
USD Nov-24	6.47	0	-12

CDS

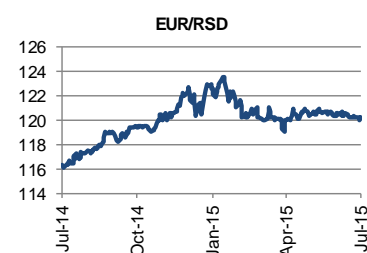
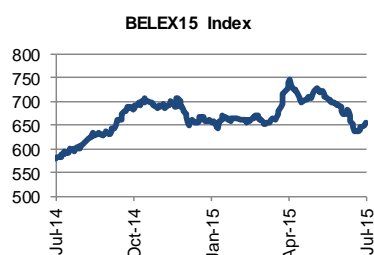
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	323	1	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	655.3	0.15%	-1.75%

FOREX

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



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	3.76	2	14

CDS

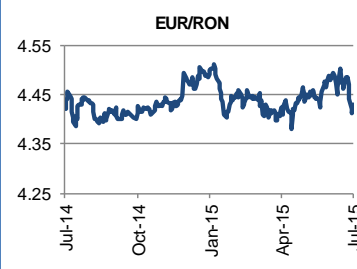
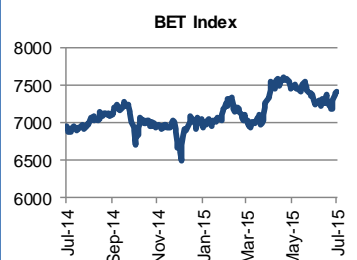
	Last	ΔDbps	ΔYTD bps
5-year	129	10	-13
10-year	174	11	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7416.7	0.30%	4.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4277	-0.33%	1.26%



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	0.61	9	-43
5Y BGN	1.21	7	-24
10Y BGN	2.64	0	-11

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.70	9	-46
EUR Sep-24	3.04	-72	17

CDS

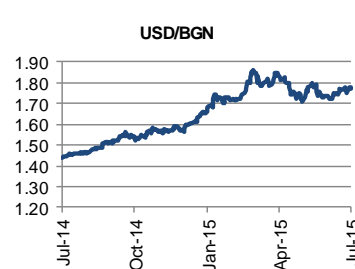
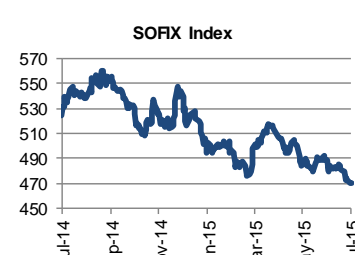
	Last	ΔDbps	ΔYTD bps
5-year	174	-10	-17
10-year	220	-10	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	470.1	-0.11%	-9.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7736	0.17%	-8.86%



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

Data updated as of 12:40 EEST

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