

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- June 22
 - Existing home sales (May)
- June 23
 - Durable goods (May)
 - New home sales (May)
 - PMI manufacturing (Jun, p)
- June 24: GDP (Q1, 3rd est.)
- June 25
 - Personal income (May)
 - Personal spend. (May)
 - Core PCE deflator (May)
 - Initial jobless claims (June 20)
 - PMI services & composite (Jun, p)
- June 26: UoM (Jun, f)

EUROZONE

- June 22: Consumer confidence (Jun, A)
- June 23: PMI (Jun, p)
- June 25-26: EU Summit

GREECE

- June 22
 - Eurogroup
 - Euro Summit
 - CAD (Apr)

SEE

BULGARIA

- June 26: Gross external debt (Apr)

ROMANIA

- June 22: 5.75% 2020 T-bonds auction
- June 25: 6.75% 2017 T-bonds auction

SERBIA

- June 22: June 17: Current account (Apr)
- June 24: Floating bonds auction
- June 25: Real gross wages (May)
- June 26: IMF to approve 1st review under SBA

Source: Reuters, Bloomberg, Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the positive tone in Wall Street overnight where the Nasdaq index closed at a fresh record high, the majority of European bourses were firmer in early trade on Wednesday amid market optimism for a final agreement between Greece and its official creditors in the coming few sessions. In FX markets, the USD gained across the board assisted by y-day's hawkish comments by Fed Governor Jerome Powell and a flurry of positive US macro data.

GREECE: In an effort to reportedly remove any remaining open issues in the way to reaching a final agreement on the current review in the coming few sessions, Greece's Prime Minister Alexis Tsipras will meet at 10:00GMT in Brussels today ECB President Mario Draghi, IMF Managing Director Christine Lagarde and EU Commission President Jean-Claude Juncker. Euro area finance ministers are expected to convene at 17:00GMT to assess the final outcome of technical talks between the Greek authorities and the Institutions ahead of the two-day EU Summit, which is scheduled to commence tomorrow. In other news, according to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem edged up in May for the eighth month in a row coming in at €116.4bn, the highest level since December 2012.

SOUTH EASTERN EUROPE

BULGARIA: According to a statement released on the Bulgarian National Bank's website, Governor Ivan Iskrov "wishes a prompt election of a successor who should assume office as early as 10 July".

CESEE MARKETS: The majority of **emerging stock assets** moved higher on Tuesday amid optimism that a deal between Greece and the Institutions will eventually be reached.

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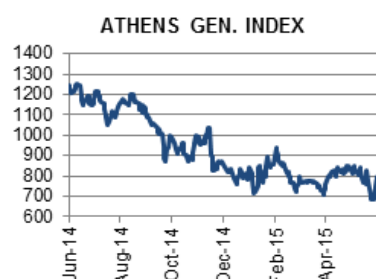
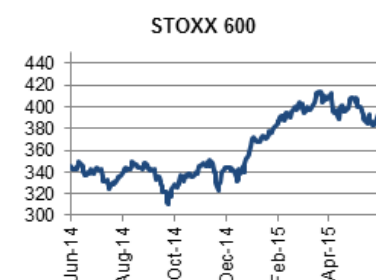
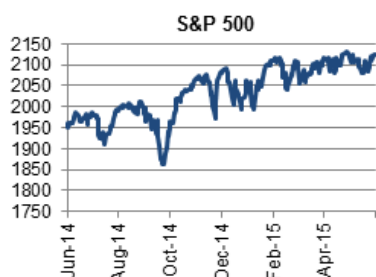
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June 24, 2015

Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from the positive tone in Wall Street overnight where the Nasdaq index closed at a fresh record high, the majority of European bourses were firmer in early trade on Wednesday amid market optimism for a final agreement between Greece and its official creditors in the coming few sessions. In FX markets, the USD gained across the board assisted by y-day's hawkish comments by Fed Governor Jerome Powell and a flurry of positive US macro data which supported the view of higher FOMC interest rates by the end of Q3 2015. The EUR/USD was hovering around 1.1225/30 in European trade at the time of writing, not far from multi-session lows of 1.1140 hit y-day, remaining though within the 1.1000-1.1500 recent range. Technically, strong support stands at last week's 1.1150 low ahead of the more crucial 1.1050 (June 6 trough). On the data front, focus today is on US Q1 GDP final estimate which is expected to be revised from a preliminary -0.7%qoq annualized to -0.2%qoq annualized on the back of higher-than-expected data for the foreign trade and the services sector at the start of the year.



Source: Reuters, Bloomberg, Eurobank Research

GREECE

In an effort to reportedly remove any remaining open issues in the way to reaching a final agreement on the current review, Greece's Prime Minister Alexis Tsipras will meet at 10:00GMT in Brussels today ECB President Mario Draghi, IMF Managing Director Christine Lagarde and EU Commission President Jean-Claude Juncker. According to some press reports, despite the significant progress that has been made over the last few sessions towards reaching a long-sought agreement following the submission of new proposals by the Greek government, there are still some objections. As per the same sources, these are raised primarily by the IMF which argues that the new Greek proposal is mainly concentrated on revenue raising measures that could potentially jeopardize Greece's growth prospects. Euro area finance ministers are expected to convene at 17:00GMT to assess the final outcome of technical talks between the Greek authorities and the Institutions before the EU Summit, which is scheduled to commence tomorrow. According to some media reports, the envisaged agreement will likely involve a 6 month extension of the present Greece's Master Financial Assistance Facility Agreement (MFFA). Such an agreement should reportedly come with new official financing aiming to assist the Greek State to meet debt service obligations and, hopefully, some additional expenditure over the said period. A key issue relates to whether any commitment on more debt relief will be provided by official creditors. In other news, according to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem edged up in May for the eighth month in a row coming in at €116.4bn, the highest level since December 2012. Out of this amount, just €38.8bn was raised by the ECB's liquidity provision operations while the main bulk of c. €77.6bn came from the ELA funding facility. According to some press reports, ECB President Mario Draghi has informed domestic authorities that the European Central Bank will support Greek financial institutions until the end of June when Greece's current MFFA is due to expire. The ECB's Governing Council reportedly raised the ELA funding ceiling for Greek banks by c. €1.0bn yesterday, the fourth increase in a week, coming in slightly below c.€89bn.

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June 24, 2015

Latest world economic & market developments in the CESEE region

BULGARIA

According to a statement released on the Bulgarian National Bank's website, Governor Ivan Iskrov "wishes a prompt election of a successor who should assume office as early as 10 July". The said statement also read that Mr. Iskrov has sent a letter to the Speaker and the Members of Parliament ahead of the expiry of his tenure on October 10, 2015 noting that "the law specifies the period 10 July - 10 August as the time frame for electing a new Governor who would assume office from 10 October 2015". The incumbent Governor added that he insists his successor takes office as early as July 10, 2015, and urged that any political differences are set aside in order to facilitate the election process and avoid negatively affecting the Central Bank's reputation. The news suggests likelihood for a smooth transition of power and follows recent government officials' comments and media speculation that the incumbent governor will step down from his post imminently, ahead of the expiry of his tenure. Preliminary hearings have reportedly been scheduled for Wednesday, and Parliament is expected to vote on a new Central Bank Governor on July 10. There are four candidates for the said position, with senior IMF economist Dimitar Radev, backed by the government, currently being cited as a favorite by the media. Among the other candidates are financial expert on the board of the Deposit Insurance Fund Biser Manolov, former deputy economy minister Grigorii Vazov, and Bulgaria's representative at the IMF Victor Yotzov.

CESEE MARKETS

The majority of **emerging stock markets** moved broadly higher on Tuesday amid optimism that a deal between Greece and the Institutions will eventually be reached. Indicatively, the MSCI Emerging Markets index ended higher for the second consecutive session, posting gains to the tune of 0.34% on the day and closing at its highest level in nearly three weeks. Major stock indices in Hungary and Serbia registered daily gains in excess of 1%, trailing a rally in Greek equities. In **FX markets**, most regional currencies firmed on Tuesday on the prospect of a positive outcome on the Greek issue, though a stronger US dollar put a lid on further gains. Against this backdrop, the Hungarian forint strengthened to a multi-week peak of 308.60/EUR intraday. The broadly anticipated 15bps cut in the Central Bank's key policy rate to a new lifetime trough of 1.50% earlier in the session appeared to have been largely priced in by the markets. In the accompanying statement the MNB signaled that the door is open for further small rate cuts ahead. Additionally, it presented yesterday its updated inflation report including some slight revisions in its macroeconomic forecasts. The MNB now envisions real GDP growth at 3.3% in 2015 (vs. 3.2%YoY previously reported), leaving its 2016 growth forecast unchanged at 2.5%. Separately, the Central Bank revised its average inflation projection for 2015 and 2016 to 0.3% and 2.4%, respectively, from 0.0% and 2.6% before. Elsewhere, the Turkish lira bucked the region's positive trend, weighed down by a stronger US dollar and prolonged domestic political uncertainty as coalition negotiations continue after the inconclusive June 7 general elections outcome. Along these lines, the USD/TRY closed 0.5% higher on the day near 2.6780, bouncing above a 1-month low of 2.6580 hit a session earlier. The Central Bank's broadly anticipated decision yesterday to stay put on interest rates, maintaining stable the benchmark repurchase rate at 7.50%, as well as the overnight lending and borrowing rates at 10.75% and 7.25%, respectively, appeared to have a rather limited impact. In **local rates markets**, government bonds closed broadly higher on Tuesday. Paper of longer tenure outperformed, with the corresponding Polish 10-year yield ending ca 2bps lower on the day at 3.18%.

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

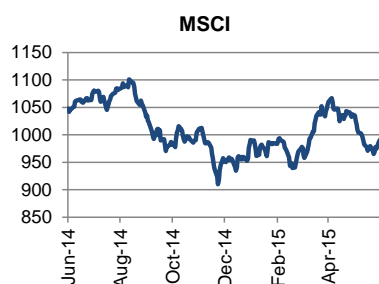
ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

June 24, 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	2124.20	0.1%	3.2%	EUR/USD	1.1204	0.3%	-7.4%	UST - 10yr	2.39	-2	21	GOLD	1179	0.0%	-0.5%
Nikkei 225	20868.03	0.3%	19.6%	GBP/USD	1.5786	0.4%	1.3%	Bund-10yr	0.85	-2	31	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	398.83	1.2%	16.4%	USD/JPY	123.92	0.0%	-3.4%	JGB - 10yr	0.46	0	13	LMEX	2651	1.8%	-9.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	450	-6	-541
1-week	4.80	-5	-521
1-month	5.27	-6	-478
3-month	5.81	4	-404
6-month	6.11	9	-368

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.09	-1	-300
5Y RSD	8.32	0	-187
7Y RSD	8.76	0	-332

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.50	0	-75
USD Nov-24	6.43	-1	-16

CDS

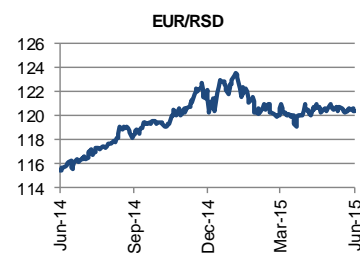
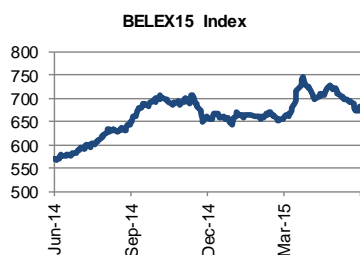
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-82
10-year	258	0	-98

STOCKS

	Last	ΔD	ΔYTD
BELEX15	682.3	1.04%	2.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.43	0.00%	0.76%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.51	0	-6
1-month	1.19	0	28
3-month	1.3	0	-40
6-month	1.55	0	-46
12-month	1.63	0	-39

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.03	0	-28
5Y RON	2.65	0	-6
10Y RON	3.95	0	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.73	2	0
USD Aug-23	3.72	1	10

CDS

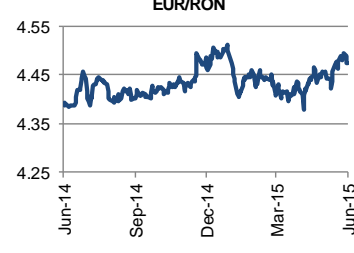
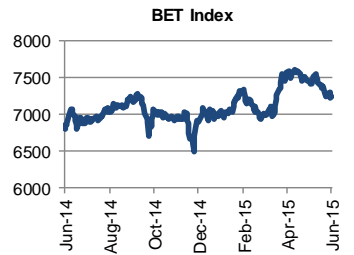
	Last	ΔDbps	ΔYTD bps
5-year	121	-11	-22
10-year	164	-12	-23

STOCKS

	Last	ΔD	ΔYTD
BET	7239.2	0.16%	2.20%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4735	0.07%	0.22%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-3
3-month	0.35	0	-8
6-month	0.69	0	-11
12-month	1.27	0	-24

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.54	0	-50
5Y BGN	1.05	0	-39
10Y BGN	2.63	0	-12

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.84	0	-32
EUR Sep-24	2.98	0	11

CDS

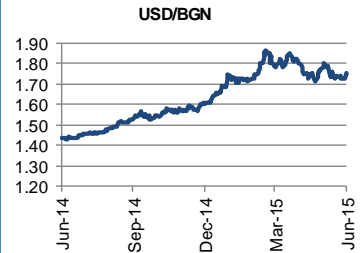
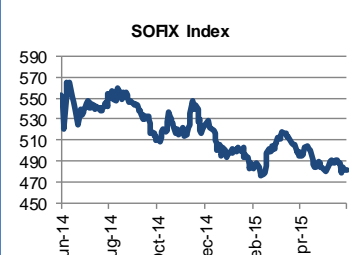
	Last	ΔDbps	ΔYTD bps
5-year	172	-3	-19
10-year	224	-2	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	482.2	0.00%	-7.65%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7459	0.30%	-7.41%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 09:40 EET

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