



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, June 17, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- June 15: G20 Finance and Central Bank deputies meet in Turkey

US

- June 15
 - Empire State Index (Jun)
 - Industrial production (May)
 - NAHB Index (Jun)
- June 16
 - Housing starts (May)
 - Housing permits (May)
- June 17: FOMC announcement
- June 18
 - Initial jobless claims (June 13)
 - CPI (May)
 - Philly Fed (Jun)

EUROZONE

- June 15: ECB's Draghi testifies before the EU Parliament's Committee on Economic and Monetary Affairs
- June 17: HICP (May, final)
- June 18: Eurogroup meeting
- June 19: Ecofin meeting

SEE BULGARIA

- June 15
 - CPI (May)
 - U/E rate (May)
- June 17: Current account (Apr)

ROMANIA

- June 15
 - Current account (Apr)
 - 4.75% 2019 T-bonds auction
- June 18: 4.75% 2025 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Global Markets
Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: Addressing the SYRIZA parliamentary group yesterday afternoon, Prime Minister and party leader Alexis Tsipras reportedly defended the government's stance in the negotiations front and attacked creditors' persistence on recessionary measures that, in his opinion, are instigated by political motives. On the other hand, Jean-Claude Juncker, the European Commission President, stated that the Greek side has misrepresented the EU proposals and misleads the Greek public noting that he was in favour of neither a 10% increase in VAT on electricity, nor an increase in taxes on medicines. Y-day's Euro Working Group did not produce a breakthrough, as expected, with press reports suggesting that an extraordinary EU Summit could take place over the weekend where the Greek issue will be the sole issue of discussion.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging stock markets broadly fell on Tuesday amid heightened concerns over the Greek issue, while investor caution prevailed ahead of the conclusion of the FOMC's two-day meeting, due later on Wednesday. Along similar lines, **CESEE currencies** remained under pressure and government bonds broadly extended their recent losses on Tuesday.

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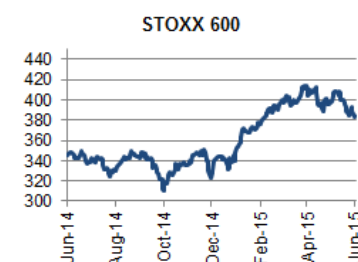
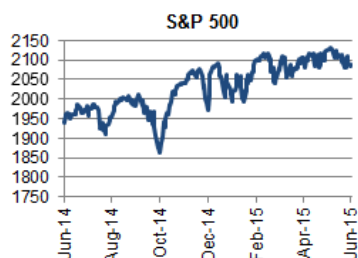
Latest world economic & market developments

GREECE

Addressing the SYRIZA parliamentary group yesterday afternoon, Prime Minister and party leader Alexis Tsipras reportedly defended the government's stance in the negotiations front and attacked creditors' persistence on recessionary measures that, in his opinion, are instigated by political motives. He also stressed that there must be certain conditions for the government to sign up to an agreement, including: no further cuts in wages and pensions and some form of debt restructuring. On the other hand, Jean-Claude Juncker, the European Commission President, stated that the Greek side has misrepresented the EU proposals and misleads the Greek public noting that he was in favour of neither a 10% increase in VAT on electricity, nor an increase in taxes on medicines. Meanwhile, the German Chancellor Angela Merkel reportedly said y-day that she remained firmly committed to keeping Greece in the euro area, pointing out, however, that decisions could only be reached at the Eurogroup if there was a joint proposal between the three institutions with Greece. Furthermore, US Treasury Secretary Jack Lew contacted the Greek PM late y-day and, according to a statement released by the US Treasury, Mr. Lew cautioned Mr. Tsipras that the Greek people and the global economy would suffer if Greece can't reach a deal with its official creditors and he underscored the urgency of the Greek government making a serious move so that to overcome the current impasse in official discussions.

Greek Prime Minister Alexis Tsipras had yesterday one to one meetings with opposition party leaders Stavros Theodorakis (To Potami) and Fofi Gennimata (PASOK) and opposition party member Dora Bakoyianni (New Democracy) to discuss the current state of official negotiations. According to press reports, these meetings also aimed at sounding out the possibility of a consensus in view of the difficult choices ahead. The Greek government rejected press reports suggesting that Greece would not make the payment of c. €1.5bn due to the IMF on June 30, unless an agreement has been reached first.

Meanwhile, y-day's Euro Working Group did not produce a breakthrough, as expected, with press reports suggesting that an extraordinary EU Summit could take place over the weekend where the Greek issue will be the sole issue of discussion.



Source: Reuters, Bloomberg, Eurobank Research

andimitriadou@eurobank.gr

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

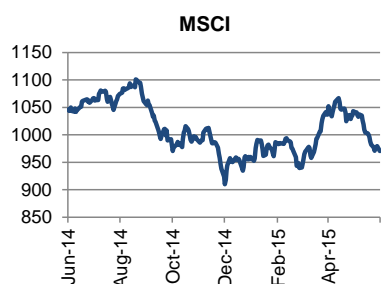
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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

CESEE MARKETS

Emerging stock markets broadly fell on Tuesday amid heightened concerns over the Greek issue, while investor caution prevailed ahead of the conclusion of the FOMC's two-day meeting, due later on Wednesday. Adding to Monday's 0.9% decline, the MSCI Emerging Markets index fell by 0.8% at some point on Tuesday, having erased most of its year-to-date gains and slid to a new 3-month low intraday. In the CESEE space, Bulgaria's SOFIX index led the losses after registering a 1.9% daily fall.

On the flipside, Turkey's BIST 100 bucked the negative trend to close 1.6% higher. The said index marked a partial reversal of a near 2% drop encountered in the prior session as coalition negotiations continue after the ruling AKP party failed to achieve parliamentary majority at the June 7 general elections for the first time in more than a decade. The news has raised concerns about a possible break in policy continuity and fanned worries about the prospect of a prolonged period of domestic political uncertainty. Coalition negotiations are already underway, with the possibility of a minority government or, even, early national elections also being on the cards.

Along similar lines, **CESEE currencies** remained under pressure on Tuesday. Amid lingering domestic political uncertainty in Turkey, the USD/TRY hit a multi-session peak at 2.7500 before pulling back towards 2.7300 by the session's settlement, with the pair remaining not too far from a lifetime high of 2.8085 registered in the wake of the national elections. Elsewhere, the Romanian leu closed modestly firmer having however hit a 5-month low of 4.4930/EUR in Asian trade. Meanwhile, the Serbian dinar closed marginally weaker at 120.50 remaining though within its recent trading range of 120-121 per euro.

In the **local rates markets**, CESEE government bonds broadly extended their recent losses yesterday, trailing the selloff in Eurozone peripheral debt. Indicatively, Hungary's 3 and 10-year benchmark bond yields ended ca 3bps higher each at 2.29% and 4.27%, respectively.

In a similar vein, **emerging markets external debt** also lost ground, with the corresponding spread over USTs on the EMBI plus index widening to a 2-month high near 400bps intraday.

With the macroeconomic and events calendar in the CESEE region being relatively light over the next few days, developments on the Greek issue and the Fed's meeting take centre stage this week.

gphoka@eurobank.gr

June 17, 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	2087.21	0.1%	1.4%	EUR/USD	1.1233	-0.4%	-7.1%	UST - 10yr	2.34	-1	17	GOLD	1179	-0.6%	-0.5%
Nikkei 225	20257.94	-0.6%	16.1%	GBP/USD	1.5621	0.1%	0.3%	Bund-10yr	0.81	-2	27	BRENT CRUDE	184	0.0%	5.3%
STOXX 600	384.53	0.4%	12.3%	USD/JPY	123.47	0.0%	-3.1%	JGB - 10yr	0.50	-1	17	LMEX	2661	-1.5%	-8.7%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	454	0	-537	O/N	0.57	1	0	LEONIA	0.02	0	0		
1-week	4.83	0	-518	1-month	1	0	9	1-month	0.18	0	-4		
1-month	5.29	0	-476	3-month	1.23	0	-47	3-month	0.35	0	-8		
3-month	5.81	-1	-404	6-month	1.48	0	-53	6-month	0.68	0	-11		
6-month	6.11	-1	-368	12-month	1.56	2	-46	12-month	1.26	0	-25		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	6.16	0	-292	3Y RON	2.13	3	-18	3Y BGN	0.55	4	-49		
5Y RSD	8.32	0	-186	5Y RON	2.83	5	12	5Y BGN	1.15	11	-30		
7Y RSD	8.76	0	-332	10Y RON	4.14	14	48	10Y BGN	2.63	0	-12		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.78	3	-48	EUR Sep-20	1.97	12	24	EUR Jul-17	0.95	-14	-21		
USD Nov-24	6.47	0	-12	USD Aug-23	4.11	-7	50	EUR Sep-24	3.12	-120	25		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	198	0	-92	5-year	128	3	-15	5-year	182	3	-9		
10-year	247	0	-109	10-year	171	3	-16	10-year	233	3	-7		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	681.3	-1.16%	2.14%	BET	7241.9	-0.82%	2.24%	SOFIX	479.0	-1.92%	-8.26%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.66	-0.21%	0.57%	EUR/RON	4.4773	0.30%	0.14%	USD/BGN	1.7412	-0.44%	-7.16%		

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 18:00 EET of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Đorđe Lučić
Fixed Income Dealer, Eurobank a.d. Beograd
+381 11 2065891
djordje.lucic@eurobank.rs

Ivan Radović
Head, Brokerage, Eurobank ad Beograd
+381 11 30 27 533
Ivan.Radovic@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, + 30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr + 30 210 33 71 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr + 30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 3371228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 3718995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 3718917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: Research@eurobank.gr

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