

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, July 08, 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
 - 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: Major Asian bourses broadly fell on Wednesday, while major European bourses were trading slightly higher in early trade trailing gains in Wall Street overnight. In FX markets the USD and the JPY broadly outperformed other major currency peers.

GREECE: According to press reports, the Greek government submitted earlier today the ESM loan request and the EuroWorking group is expected to hold a teleconference later in the day to assess it. Furthermore, a detailed set of comprehensive proposals and relevant prior actions is expected to be submitted by the Greek government by early Friday (July 10).

SOUTH EASTERN EUROPE

BULGARIA: In a statement issued at the government's website on Tuesday, outlining a telephone conversation between the President of the European Council, Donald Tusk, and Prime Minister Boyko Borisov, the latter highlighted that Bulgaria has taken all the measures necessary to ensure stability of the domestic banking sector, regardless of the developments in Greece.

ROMANIA: The final estimate of the National Institute of Statistics on the seasonally adjusted first quarter GDP reading was revised marginally down from +1.5% qoq/+4.2% yoy to +1.4% qoq/+4.1% yoy.

SERBIA: Emerging market assets moved broadly lower in European trade on Wednesday amid mounting concerns over the Greek issue.

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Latest world economic & market developments

GLOBAL MARKETS

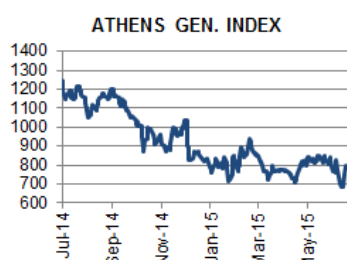
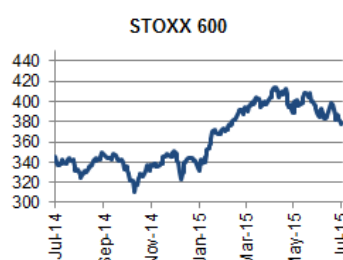
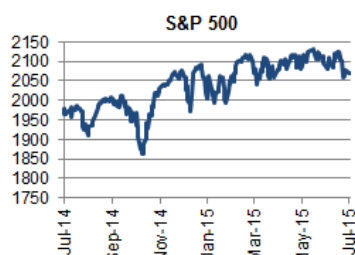
Major Asian bourses broadly fell on Wednesday, with the Shanghai Composite Index closing 5.9% lower. The said index marked the fifth daily decline over the last six sessions, despite Chinese government's efforts last weekend to stabilize the plummeting stock market. Elsewhere, Wall Street opened lower yesterday on the back of lingering uncertainty on the Greek issue, but finally closed higher supported by a modest recovery in WTI oil prices towards the session's settlement after dropping intraday to multi-month lows around 50.60\$ per barrel. Trailing gains in Wall Street overnight, major European bourses were trading slightly higher on Wednesday's early trade. In FX markets the USD and the JPY broadly outperformed other major currency peers with investors probably seeking a safe haven amid increased volatility in Asian market and heightened Greece-related concerns. The EUR/USD was trading around 1.1035/40 at the time of writing, remaining within distance from yesterday's 1-month intraday low near 1.0915. Today's focus is on the US FOMC's June meeting minutes which will be published at 21:00 EEST, probably containing some clues as to the timing and the pace of interest rate hikes later in the year.

okosma@eurobank.gr

GREECE

Speaking in a news conference following the conclusion of yesterday's Euro Summit, both EU Commission President Jean-Claude Juncker and EU President Donald Tusk made clear that euro area leaders give Greece a 5-day deadline until Sunday to reach an agreement with its official creditors on a new bailout program. According to press reports, the Greek government submitted earlier today the ESM loan request and the EuroWorking group is expected to hold a teleconference later in the day to assess it. Furthermore, a detailed set of comprehensive proposals and relevant prior actions is expected to be submitted by the Greek government by early Friday (July 10). In yesterday's extraordinary Eurogroup, Greece's newly appointed Minister of Finance Euclid Tsakalotos reportedly presented the government's plan for reaching an agreement with official creditors, without however submitting any new set of concrete proposals. According to reports, the said plan is based on the following two axes: (i) a short-term "bridge financing" program amounting to between €7bn and €10bn that will cover part of the government's financing needs until discussions between Greece and its official creditors on a possible longer-term ESM program are completed; and (ii) a longer-term ESM program, with a duration of 2-3 years and specific conditionality laid out in a new set of quantitative targets and structural benchmarks. Speaking in a news conference following the conclusion of yesterday's Euro Summit, both EU Commission President Jean-Claude Juncker and EU President Donald Tusk made clear that euro area leaders give Greece a 5-day deadline until Sunday to reach an agreement with its official creditors on a new bailout program. According to press reports, the Greek government submitted earlier today the ESM loan request and the EuroWorking group is expected to hold a teleconference later in the day to assess it. Furthermore, a detailed set of comprehensive proposals and relevant prior actions is expected to be submitted by the Greek government by early Friday (July 10). Provided that Greek government's proposals are deemed acceptable by euro area finance ministers, a Euro area Summit will be held to give the green light for the formal opening of negotiations for the requested ESM loan program as well as a short-term bridge financing program. Under an adverse scenario that no agreement is sealed between Greece and its official creditors, EU Summit will take place holding discussions on Greece's potential euro area exit and the provision of humanitarian aid to the country.

ppetropoulou@eurobank.gr



source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

In a statement issued at the government's website on Tuesday, outlining a telephone conversation between the President of the European Council, Donald Tusk, and Prime Minister Boyko Borisov, the latter highlighted that Bulgaria has taken all the measures necessary to ensure stability of the domestic banking sector, regardless of the developments in Greece. Separately, according to media reports citing unnamed banking sources, the Bulgarian National Bank recently strengthened its oversight on local credit institutions by requesting for data on outgoing money transfers twice daily, in an effort to increase its monitoring on the domestic financial system for any possible Greece-related spillover.

gphoka@eurobank.gr

ROMANIA

The final estimate of the National Institute of Statistics on the seasonally adjusted first quarter GDP reading was revised marginally down from +1.5% qoq/+4.2% yoy to +1.4% qoq/+4.1% yoy. On an unadjusted basis, the reading remained unchanged at 4.3% yoy. According to the detailed breakdown, public consumption was revised up to +3.0% yoy from -0.6% yoy so that its contribution to growth turned out to be positive (+0.3pps vs -0.1pps before). Accordingly, the contribution of inventories was revised downwards to +0.7pps vs. +1.3pps previously. Net exports had a slightly lower negative contribution (-1.4pps vs. -1.3pps previously), while private consumption provided an even stronger input (+3.4pps vs. +3.2pps previously). Overall, private consumption has taken over as the leading driver behind the growth rally concealing warning signs of an overheating scene in the making. Sustained improvement in private spending is supported by solid wage growth momentum (+7.4% yoy in May up from +7.0% yoy in April), improved sentiment (ESI-Index is on a climbing trend since October 2014, touching a new post-Lehman period high at 103.8 in May) and labor market tightening (+105k yoy more jobs added in April on a yearly basis).

igkionis@eurobank.gr

CESEE MARKETS

Emerging market assets moved broadly lower in European trade on Wednesday amid mounting concerns over the Greek issue. CESEE focus today was on Poland's monetary policy meeting, where the Central Bank stayed put on interest rates, as was broadly anticipated, maintaining its key policy rate at the current record low of 1.50%. Additionally, the release of the Hungarian Central Bank's MPC meeting minutes also lures market attention later on Wednesday. Looking into the remainder of the week, Serbia's Central Bank MPC meeting on Thursday takes centre stage. The market's median forecast is for the NBS to stand pat on its monetary policy amid mounting Greece-related concerns. Recall that, in view of "strong disinflationary pressures", the National Bank of Serbia (NBS) took the markets aback in June, reducing by 50bps for the 4th consecutive month its key policy rate to a lifetime trough of 6.00%. It is worth noting that although heightened external risks argue in favour of stable interest rates at tomorrow's MPC meeting, further monetary easing in the coming months can not be ruled out. Domestic demand dynamics remain weak and the inflation environment is persistently benign. Indicatively, annual HICP stood at 1.5%YoY in May, remaining below the lower bound of the Central Bank's (NBS) 4±1.5% target tolerance band for the 15th month running. On the other hand, lingering external risks, an expected rebound in inflation within its target in H2 2015 and the looming inception of the Fed's rate-hiking cycle suggest that any such action will likely be of rather limited nature.

gphoka@eurobank.gr

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

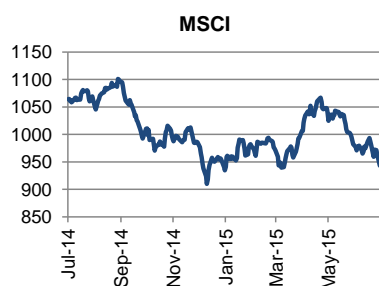
ROMANIA: Indicators	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP *	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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	2070.18	0.1%	0.5%	EUR/USD	1.0944	-1.0%	-9.5%	UST - 10yr	2.21	-8	4	GOLD	1158	-1.1%	-2.3%
Nikkei 225	20376.59	1.3%	16.8%	GBP/USD	1.544	-1.1%	-0.9%	Bund-10yr	0.66	-11	12	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	377.41	-0.3%	10.2%	USD/JPY	122.36	0.2%	-2.2%	JGB - 10yr	0.46	-2	13	LMEX	2558	-2.0%	-12.2%

CEESE 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	8.31	0	-187
7Y RSD	8.75	0	-333

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.59	2	-67
USD Nov-24	6.46	1	-13

CDS

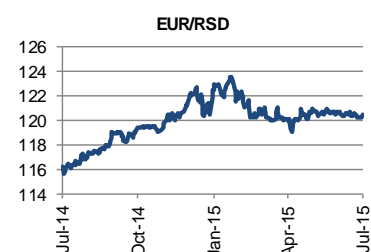
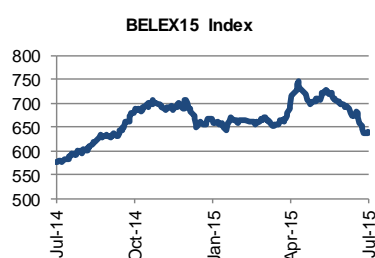
	Last	ΔDbps	ΔYTD bps
5-year	266	-1	-24
10-year	311	0	-45

STOCKS

	Last	ΔD	ΔYTD
BELEX15	639.4	0.47%	-4.14%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.41	-0.14%	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	2.15	-2	-16
5Y RON	2.75	-2	4
10Y RON	4.22	-7	56

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	2.00	-3	27
USD Aug-23	3.94	0	32

CDS

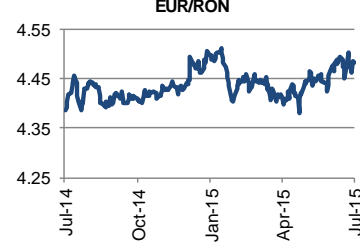
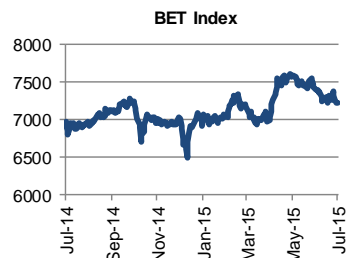
	Last	ΔDbps	ΔYTD bps
5-year	128	2	-15
10-year	170	2	-17

STOCKS

	Last	ΔD	ΔYTD
BET	7232.2	0.07%	2.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4831	0.08%	0.01%



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	0.51	1	-53
5Y BGN	1.13	-1	-32
10Y BGN	2.60	0	-15

BG Eurobonds

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

CDS

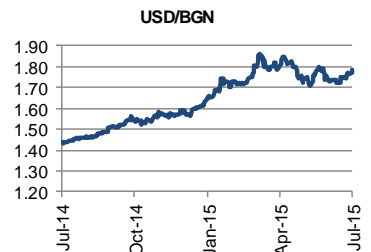
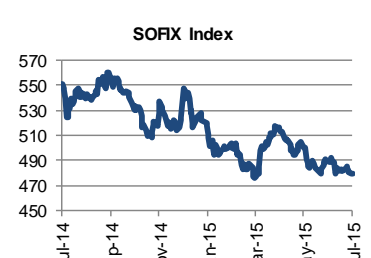
	Last	ΔDbps	ΔYTD bps
5-year	192	7	1
10-year	239	7	-2

STOCKS

	Last	ΔD	ΔYTD
SOFIX	478.9	-0.15%	-8.27%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7874	-1.02%	-9.56%



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

Data updated as of 16:45 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

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@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

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

Eurobank Economic Analysis and Financial Markets Research

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 3371 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3371 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3371 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 3371 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 Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371 228

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 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

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

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