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Brief summary *of key market developments*

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- In **FX markets**, the **AUD** recovered some of its recent hefty losses, supported by a less dovish-than-expected RBA policy statement. Elsewhere, **US Treasuries** weakened, pressured by y-day's firmer-than-expected US ISM-non manufacturing report as well as debt supply concerns.
- **Greece**: Speaking to Bloomberg Television y-day, **Greece's Minister of Finance Yiannis Stournaras** appeared optimistic that Greece will generate a general government primary surplus this year and will return to a positive economic growth rate in 2014.
- **Cyprus:** Registered unemployment climbed to an historical high in July.
- **Romania**: The **National Bank of Romania (NBR)** cut the key policy rate by 50bps to 4.5%.

Latest Developments/News & Macro releases

Greece: Speaking to Bloomberg Television y-day, **Greece's Minister of Finance Yiannis Stournaras** appeared optimistic that Greece will generate a general government primary surplus this year and will return to a positive economic growth rate in 2014 noting that "the fiscal situation has already improved tremendously". Mr. Stournaras stressed that Greece has not "Plan B" and "everything has been agreed with the Eurogroup" adding that official lenders could consider additional debt relief measures, if necessary, provided that Greece produces a primary surplus this year compared with an official target for a balanced position. Greece's Minister of Finance Yiannis Stournaras noted that the Greek government puts efforts to improve the tax collection mechanisms and complete the remaining structural reforms adding that "further austerity is not the solution to the country's problem". Moreover, Mr. Stournaras admitted that Greece's privatization program has lagged behind but pledged that the agreed targets for the 2013-2014 period will be fully met.

US: The ISM non-manufacturing index for the month of July surprised positively coming in at a five-month peak of 56.0, higher than the consensus estimate of 53.0 and June's 52.2 figure. The breakdown of the report was as rosy as the headline, providing further support to the view that the Fed is on track to start phasing out its economic stimulus program before the end of this year.

Cyprus: Registered unemployment surged to a record high in July amid job cuts in the trade and construction industries. Specifically, the number of unemployed people registered at the labor offices jumped from 47,594 in June to a seasonally-adjusted 48,11 in July, the highest level since 1994 when data collection began. The annual rate of increase stood at 32% yoy in July, down from 37% yoy in the prior month.

Romania: The National Bank of Romania (NBR) decided to reduce the key policy rate by 50bps to 4.50%. In a recent Bloomberg survey, thirteen out of 14 economists forecasted a reduction to 4.75%, while one expected the central bank to stay put on rates. Moreover, the Central Bank decided to keep the minimum reserves requirements unchanged at 15% for RON and 20% for FX liabilities and to maintain an adequate management of liquidity.

Equity markets

Major European bourses were little changed in early trade on Tuesday, retaining recent hefty gains, on the view that the recent stock rally is probably running out of steam as major indices are currently standing not far from year-to-date highs. Appetite for some profit taking and market uncertainty over the timing of the Fed's planned tapering program following last week's weaker-than-expected US non-farm payrolls report, also had an impact. Against this background, y-day's firmer-than-expected PMI readings in both Eurozone and US, failed to exert a major impact. Earlier in the day, the majority of **Asian bourses** closed lower with the MSCI Asia-Pacific ex-Japan index falling by 0.8%, the first decline in the last four sessions.

FX markets

The **EUR/USD** continued to consolidate within the 1.3050-1.3350 recent range in European trade on Tuesday. An expected policy divergence between the Fed and the ECB is seen as exerting a negative impact on the EUR against the USD. The recent string of firmer-than-expected US data supports the view that the Fed will probably start tapering off its QE before long. Meanwhile, the ECB reiterated last week that interest rates will remain at present or lower levels for an extended period of time. Yet, market uncertainty over the exact timing of the Fed's planned tapering program, continues to weigh on market sentiment towards the USD. Against this background, there is little to suggest that the EUR/USD is poised to break the recent range in either side any time soon. Technically, immediate support stands at today's intraday low of 1.3245 ahead of last week's trough of 1.3185 while on the upside, major resistance lies at y-day's 1.3300 high in the wake to last week's 1.3345 peak. Elsewhere, the **AUD** recovered some of its recent losses against its major currency peers following a less dovish -than-expected policy statement from the RBA. Australia's Central Bank decided at its policy meeting that concluded earlier today to cut its key policy rate by 25bps to a new all-time low of 2.50%, in line with market expectations. However, the RBA's language about the scope for further monetary policy easing was removed from the accompanying statement, a development that was perceived by the majority of market participants as a signal that the RBA shifted from a clear easing bias to a more neutral policy stance. Against this background, the **AUD/USD** was hovering around 0.8997/02 at the time of writing, up from a three-year trough of 0.8875 recorded in the prior session. The next upside target for AUD-bulls stands at 0.9020, a level that could be tested in the coming sessions especially if upcoming Australian data surprise positively suggesting that the additional 25bps RBA rate cut that is currently nearly priced in by December, seem as excessive.

Government bond markets

US Treasuries moved lower in European trade on Tuesday weighed down by y-day's firmer-than-expected US ISM-non manufacturing report. Debt supply concerns, also weighed. The US Treasury Department is scheduled to sell $32bn in 3-year debt on Tuesday, $24bn in 10-year notes on Wednesday and $16bn in 30-year bonds on Thursday. Long-dated Treasuries underperformed with the 10-year yield hovering around a one-month high of 2.652% at the time of writing, after ending at 2.633% on Monday. Against this background, the 2/10-year UST yield curve undertook some bearish steepening with the corresponding spread standing close to 235bps at the time of writing, ca 2bps wider compared to y-day's close. Mirroring losses in US Treasuries, **German government bonds** weakened in European trade with the 2/10-year yield spread hovering around a three-week high of 154bps at the time of writing after ending near 152bps on Monday.

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