

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- July 27: Durable goods orders (Jun)
- July 28: CB consumer sentiment (Jul)
- July 29
  - Pending home sales (Jul)
  - FOMC meeting
- July 30
  - Initial jobless claims (July 25)
  - GDP (Q2, A)
- July 31
  - Chicago PMI (Jul)
  - UoM Consumer confidence (Aug)

#### EUROZONE

- July 31: HICP (Jul)

#### GREECE

- July 27: Credit/deposits (Jun)
- July 30: Confidence indicators (May)

#### SEE

##### BULGARIA

- July 28: Gross external debt (May)
- July 31: Budget balance (Jun)

##### ROMANIA

- July 31: U/E rate (ILO, Jun)

##### SERBIA

- July 28: EUR 2025 T-bonds auction
- July 31
  - Industrial production (Jun)
  - Trade balance (Jun)
  - Retail sales (Jun)
  - GDP (Q2, p)

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Mirroring the negative tone in Asia, European bourses were weaker in early trade on Monday amid investors' concerns that this week's FOMC policy meeting is likely to add to the view that the timing of the first rate hike has come closer. The Fed is unlikely to embark on a rate tightening cycle at this week's meeting, as this will not be followed by a press conference at which the Central Bank would have the chance to explain its decision. However, a rate hike in September, cannot be ruled out entirely, provided that US data will not disappoint until then.

**GREECE:** Domestic authorities are reportedly expected to begin negotiations with the technical teams of the four institutions on a new 3-year ESM loan by Tuesday. As suggested earlier today by an unnamed finance ministry official, talks with the heads of official lenders' negotiating teams, initially expected to commence on Monday, are likely to begin "with a delay of a couple of days" for technical seasons.

**CYPRUS:** Official creditors completed on a staff level on Friday, the 7<sup>th</sup> review of Cyprus's Economic Adjustment Programme.

### SOUTH EASTERN EUROPE

**BULGARIA:** Local stock indices closed the week with modest gains, while trade volumes remained thin due to the summer doldrums.

**ROMANIA:** The consolidated general government surplus came in at RON4.2bn or 0.6% of projected GDP (on a cash basis) in H1-2015 vs. a RON3.5bn deficit (0.5% of GDP) in the same period last year.

**SERBIA:** In FX markets, the EUR/RSD moved modestly higher last week, ending not far from a multi-session peak near 120.20/40, remaining though within its recent trading range of 120.00-121.00.

**CESEE MARKETS:** Emerging stock markets closed broadly lower on Friday on the back of revived global growth concerns. Against this backdrop, **CESEE currencies** and **government bonds** ended broadly weaker in view of deteriorating risk sentiment.

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July 27, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

Mirroring the negative tone in Asia today, European bourses were weaker in early trade amid investors' concerns that this week's FOMC monetary policy meeting is likely to add to the view that the timing of the first rate hike has come closer. The Fed is unlikely to embark on a rate tightening cycle at this week's meeting, as this will not be followed by a press conference at which the Central bank would have the chance to explain its decision. However, a rate hike in September, cannot be ruled out entirely especially following a string of encouraging US data over the last few weeks and rather hawkish comments by FOMC Chairwoman Janet Yellen at her congressional hearing in mid-July. This holds provided that US domestic data will not disappoint until then. Meanwhile, short-dated US bond yields were lower in early European trade on Monday on the view that the Fed may not send a clear signal at this week's meeting that a change of its monetary course is imminent. The latter along with weaker US equity markets on Friday weighed on the USD with the DXY index falling to a near two-week low of 96.404 earlier today. This week's global calendar is rather busy, especially in the US. Besides the two-day FOMC policy meeting which concludes on Wednesday, market focus is on, among others, Friday's US Q2 GDP data as well as inflation figures from the euro area and Japan on the same day.

### GREECE

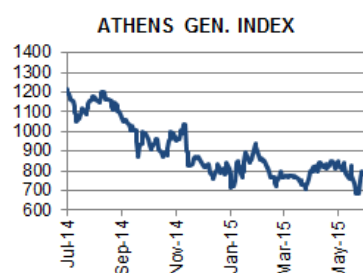
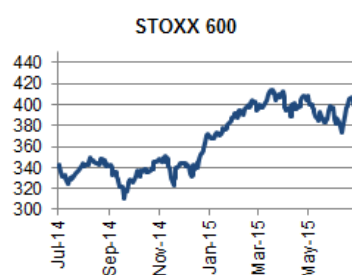
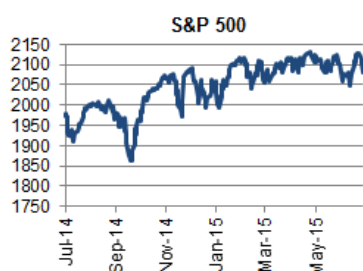
Domestic authorities are reportedly expected to begin negotiations with the technical teams of the four institutions on a new 3-year ESM loan by Tuesday. As suggested earlier today by an unnamed finance ministry official, talks with the heads of official lenders' negotiating teams, initially expected to commence on Monday, are likely to begin "with a delay of a couple of days" for technical reasons. According to the local press, the government's aim is official discussions on the new bailout program to have been concluded by mid-August, ahead of August 20 when two GGBs for a total notional amount of €3.2bn come due. But press reports indicated that official creditors are less optimistic about a deal being completed by that time. As per the same sources, official creditors are mulling the possibility of a second bridge loan to Greece accompanied by specific conditionality, with a view to secure partial coverage of the country's financing needs till the completion of official discussions on a 3-year ESM programme.

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### CYPRUS

Official creditors completed on a staff level on Friday, the 7<sup>th</sup> review of Cyprus's Economic Adjustment Programme, envisioning, among other, an upward reassessment of this year's economic growth forecast to +0.5% from -0.5%. According to press reports, an agreement was reached with the Cypriot government on three prior actions for the approval of the 7<sup>th</sup> review and the release of the relevant €500mn tranche. In both our Regional Monthly Review (May 2015) and Trip Notes (April 2015), we have extensively discussed the progress of the Cypriot economy in the last two years. Based on our fact findings on the ground and our analysis, we always advocated that Cyprus is a solid turn-around economic story. The economic environment has stabilized while the first green shoots have become more visible. In Q1-2015, the economy posted the first positive growth rate on a quarterly and yearly basis since Q2-2011 (+1.5% qoq/+0.2% yoy in Q1-2015). Our full year growth estimate stands at +0.4% since April 2015, but we may soon have to revise it higher.

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Source: Reuters, Bloomberg, Eurobank Research

July 27, 2015

## 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		
	<b>current</b>	<b>2014</b>	<b>2015f</b>
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Local stock indices closed the week with modest gains, while trade volumes remained thin due to the summer doldrums. The major index SOFIX crawled up by ca 0.5% to 476.44 points, having however snapped a 6-session winning streak of 2.4% on Wednesday. Meanwhile, both the Eurobond and local sovereign markets were little changed after the previous week's rally. The Ministry of Finance hasn't made any announcement yet about its upcoming issuance calendar, but it is unlikely to include any auctions before September.

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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
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

### ROMANIA

The consolidated general government surplus came in at RON4.2bn or 0.6% of projected GDP (on a cash basis) in H1-2015 vs. a RON3.5bn deficit (0.5% of GDP) in the same period last year. Revenues expanded by 10.2%YoY thanks to impressive VAT revenue growth (+18.3%YoY), on the back of robust consumption and enhanced tax compliance, compensating partially for the underperformance of EU transfers and lower social contributions. Meanwhile, expenditure rose by 2.5%YoY.

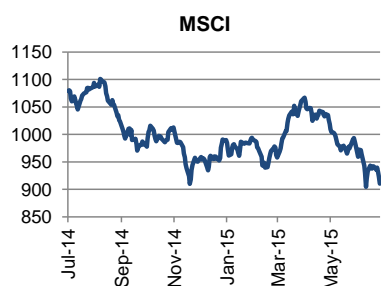
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SERBIA: Indicators	2013	2014e	2015f
Real GDP growth %	2.6	-1.8	0.0
CPI (pa, yoy %)	7.9	2.2	3.0
Budget Balance/GDP	-5.6	-7.5	-5.9
Current Account/GDP	-6.1	-6.1	-4.7
EUR/RSD (eop)	114.60	120.96	123.00
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	8.00	6.00	5.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

### SERBIA

In FX markets, the EUR/RSD moved modestly higher last week, ending not far from a multi-session peak near 120.20/40, remaining though within its recent trading range of 120.00-121.00. Technically, immediate support for the cross currently stands at 120.20 ahead of 120.00, while resistance may come around 120.70. In view of a relatively light schedule of events this week, the pair will probably consolidate near 120.20-120.50. On the data front, average gross wages decreased for the 5<sup>th</sup> month running in June, to 2.9%YoY, from May's 2.3% drop, confirming the impact of fiscal restraint on domestic consumption.

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### CESEE MARKETS

**Emerging stock markets** closed broadly lower on Friday on the back of revived global growth concerns. The picture in the CESEE region was rather mixed with several major indices ending the day in a modestly positive territory. In FX markets, **CESEE currencies** closed broadly weaker in view of deteriorating risk sentiment. The Polish zloty led the downtrend in the region, with the EUR/PLN ending ca 0.6% higher around 4.1430, within distance from a 1-week peak near 4.1450 hit earlier in the session. Looking ahead, the ECB's QE and the end of the Polish Central Bank's monetary easing cycle in March argue in favour of some PLN appreciation in the near-term. However, domestic political uncertainty ahead of the October general elections is likely to keep the EUR/PLN sidelined. Elsewhere, the Turkish lira ended modestly weaker on Friday, having however fared worse than its regional peers on a weekly basis on mounting domestic political jitters and reinforced expectations for a higher Fed funds rate later in the year. In more detail, the USD/TRY ended at 2.7367 on Friday's settlement, just off a 1-½-month high near 2.7530 hit earlier that day. The lira will likely remain under pressure in the coming weeks as the risk of snap elections lingers if a government is not formed by a late August deadline, while Fed rate hikes later in the year loom. Nonetheless, a TRY relief rally may be instigated in the case of a timely agreement for a coalition government. Along similar lines, **government bonds** closed broadly lower on Friday ending the week on a mixed note. Looking into this week, preliminary Q2 GDP data from Serbia capture attention in CESEE, while from a broader perspective US Q2 GDP and the FOMC meeting take centre stage.

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### 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

July 27, 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	2079.65	-1.1%	1.0%	EUR/USD	1.1028	0.4%	-8.8%	UST - 10yr	2.25	-1	8	GOLD	1104	0.4%	-6.8%
Nikkei 225	20350.10	-0.9%	16.6%	GBP/USD	1.5536	0.2%	-0.3%	Bund-10yr	0.69	0	15	BRENT CRUDE	55	0.3%	-4.4%
STOXX 600	394.64	-0.9%	15.2%	USD/JPY	123.43	0.3%	-3.0%	JGB - 10yr	0.41	0	8	LMEX	2457	-0.1%	-15.7%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	460	0	-531
1-week	4.82	0	-519
1-month	5.22	0	-483
3-month	5.68	0	-417
6-month	6.00	1	-379

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.09	-1	-295
5Y RSD	8.29	-1	-189
7Y RSD	8.83	0	-325

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.47	0	-79
USD Nov-24	6.48	1	-11

## CDS

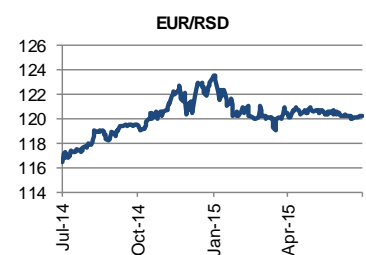
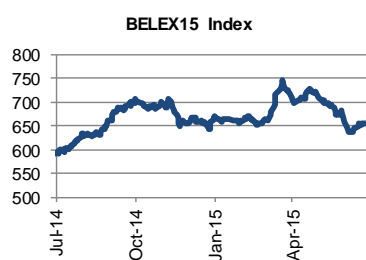
	Last	ΔDbps	ΔYTD bps
5-year	270	-1	-20
10-year	316	0	-41

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	655.2	-0.25%	-1.77%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.36	0.01%	0.82%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.83	0	26
1-month	1.03	0	12
3-month	1.28	0	-42
6-month	1.54	0	-47
12-month	1.64	0	-38

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.94	0	-37
5Y RON	2.44	0	-27
10Y RON	3.73	0	7

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.58	0	-15
USD Aug-23	3.72	-2	11

## CDS

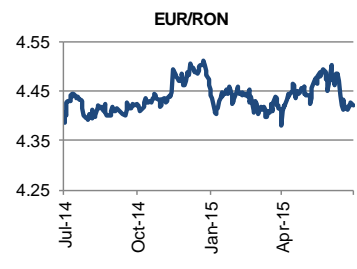
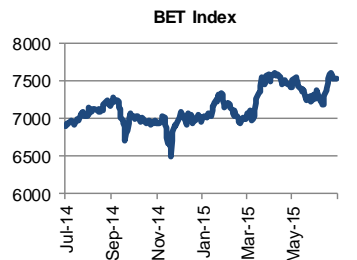
	Last	ΔDbps	ΔYTD bps
5-year	127	3	-16
10-year	171	3	-16

## STOCKS

	Last	ΔD	ΔYTD
BET	7535.7	-0.02%	6.39%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4219	0.01%	1.39%



## 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	1.22	0	-28

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.58	0	-46
5Y BGN	1.21	0	-24
10Y BGN	2.62	0	-13

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.62	-14	-54
EUR Sep-24	3.03	-27	16

## CDS

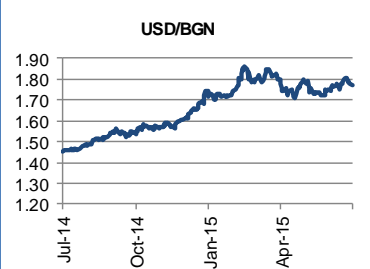
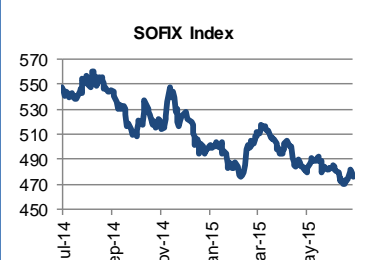
	Last	ΔDbps	ΔYTD bps
5-year	173	2	-18
10-year	217	3	-23

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.4	-0.61%	-8.75%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7737	0.38%	-8.86%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 09:50 EEST

July 27, 2015

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