

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- July 14: Retail sales (Jun)
- July 15
  - Empire manufact. (Jul)
  - Industrial prod. (Jun)
  - Beige book
- July 15/16: Fed Yellen's semi-annual testimony to Congress
- July 16
  - Initial jobless claims (July 11)
  - Philly Fed (Jul)
  - NAHB index (Jul)
- July 17
  - CPI (Jun)
  - Building permits (Jun)
  - Housing starts (Jun)
  - UoM consumer confidence (Jul, p)

##### EUROZONE

- July 13/14: Regular Eurogroup/Ecofin meetings
- July 16: ECB MPC meeting

##### GREECE

- July 13: ECB conf. call on ELA facility
- July 14-15: Vote in Parliament on a first set of measures agreed at the July 12 Euro Summit
- July 15: ECB conf. call on ELA facility

##### SEE

##### BULGARIA

- July 13: U/E rate (Jun)
- July 14: CPI (Jun)
- July 17: Current account balance (May)

##### ROMANIA

- July 13: T-Bonds auction
- July 14: Current account balance (May)
- July 16: T-Bonds auction

##### SERBIA

- July 13: HICP (Jun)
- July 15: €50mn 2% 2017 T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Global Markets Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Major Asian bourses closed in the black on Friday, with Chinese equity indices ending in a positive territory for the second consecutive week thanks to new government measures to support the domestic equity market. In Europe, major equity indices were little changed in early trade on Wednesday, as their recent rally ran out of steam. In FX markets, the US dollar was the major outperformer this week following recent Federal Reserve Chair Janet Yellen's comments which reinforced expectations for an interest rate hike later this year.

**GREECE:** The European Union finance ministers approved in principal yesterday a bridging loan of €7bn to Greece, in order for the country to cover its immediate financing needs. This will allow Greece to meet the c. €3.5bn bond payment to the Eurosystem on 20 July and clear its arrears of c. €2bn to the IMF.

**CYPRUS:** The Bank of Cyprus announced the sale of its Russian subsidiary, Uniastrum Bank, as part of its deleveraging and de-risking strategy.

### SOUTH EASTERN EUROPE

**ROMANIA:** The finance ministry sold on Thursday the planned RON300mn in November 2018 T-bonds at an average accepted yield of 2.27%.

**CESEE MARKETS: Emerging stock markets** closed broadly higher on Thursday, after the Greek Parliament voted on Wednesday in favour of a bill incorporating the conditionality required to formally initiate negotiations between Greece and its official creditors for a 3-year ESM loan facility. News that the ECB decided to increase emergency liquidity assistance to Greece and ECB President Mario Draghi's comments that recent market uncertainty has not altered expectations for a broader recovery in the Eurozone also appeared to provide support. Along similar lines, **regional currencies** and **government bonds** broadly firmed on Thursday.

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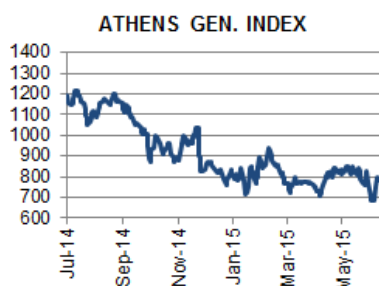
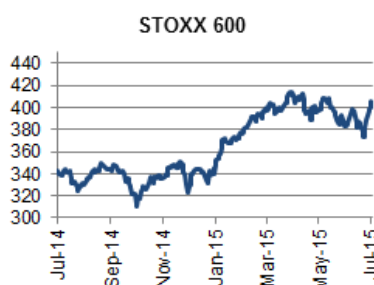
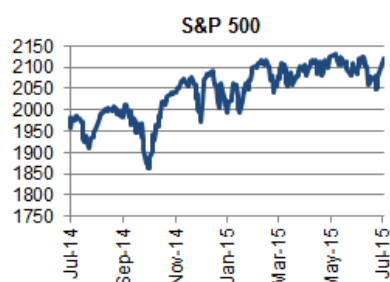
July 17, 2015

## Latest world economic & market developments

### GLOBAL MARKETS

Wall Street edged higher overnight supported by lower US jobless claims in the week ending on July 4, combined with a robust reading for NAHB Housing Market Confidence Index in July, positive Q2 financial sector's earnings results and solid net TIC flows for May. Elsewhere, major Asian bourses closed in the black on Friday, with Chinese equity indices ending in a positive territory for the second consecutive week amid new government measures to support the domestic equity market. In Europe, major equity indices were little changed in early trade on Wednesday, as their recent rally ran out of steam. In FX markets, the US dollar was the major outperformer this week thanks to Federal Reserve Chair Janet Yellen's comments which reinforced expectations for an interest rate hike later this year. Having said that, the DXY dollar index was trading around 97.50/60 in early trade, within distance from a 3-month high of ca. 97.67 recorded at yesterday's settlement. Adding to this, the EUR/USD was little changed on the day hovering around levels of 1.0887/90 at the time of writing, after ECB President Draghi provided on Thursday further assurance for the completion of the ECB's QE program, in contrast to Fed Chair Yellen's more hawkish tone in the sidelines of her semi-annual testimony to Congress. On the data front, US CPI, Michigan Consumer Sentiment Index and housing market data for June due to be published by 15:00 EEST lure market attention today.

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Source: Reuters, Bloomberg, Eurobank Research

### GREECE

The European Union finance ministers approved in principal yesterday a bridging loan of €7bn to Greece, in order for the country to cover its immediate financing needs. This will allow Greece to meet the c. €3.5bn bond payment to the Eurosystem on 20 July and clear its arrears of c. €2bn to the IMF.

The Governing Council of the ECB decided yesterday to raise the ceiling of the ELA funding to the Greek banks by €900mn. Separately, by Ministerial Decision the banking holiday in Greece is extended until Sunday 19 July but, according to the Alternate Minister of Finance Dimitris Mardas, all banks will reopen on Monday 20 July. According to press reports, when banks reopen several restrictions in the free flow of capital are likely to remain in place.

Meanwhile, although a bill incorporating the conditionality required to formally initiate negotiations between Greece and its official creditors for a 3-year ESM loan facility was endorsed by the Hellenic Parliament on Wednesday, the results of the vote left the governing coalition party SYRIZA divided. Out of the party's 149 MPs, 39 did not cast a positive vote (32 cast a negative vote, 6 voted present and 1 was absent). Among those who rejected the bill were four Ministers and, therefore, based on media reports, a Cabinet reshuffle is expected to be announced even within the day.

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### CYPRUS

The Bank of Cyprus announced the sale of its Russian subsidiary, Uniastrum Bank, as part of its deleveraging and de-risking strategy. The transaction is expected to result in an improvement of approximately 30bps in Common Equity Tier 1 capital ratio due to the reduction of approximately €700mn in risk weighted assets. The sale follows a similar development in Ukraine and completes the disposal of the Group's overseas banking subsidiaries identified for sale.

CYPRUS: Indicators	2013	2014e	2015f
Real GDP growth %	-5.4	-2.3	0.4
HICP (pa, yoy %)	0.4	-0.3	-0.8
Budget Balance/GDP*	-4.9	-8.8	-1.1
Current Account/GDP	-3.0	-5.1	-3.9

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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July 17, 2015

## 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		
	<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

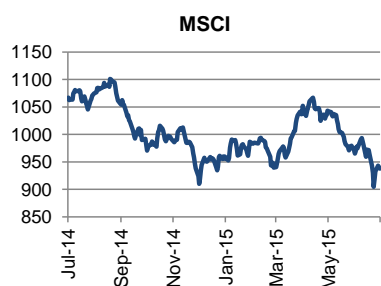
ROMANIA: Indicator	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	<b>2014</b>	<b>current</b>	<b>2015f</b>
Policy Rate (eop)	2.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

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



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

### ROMANIA

After canceling an auction of April 2023 T-bonds scheduled for July 13 amid increased volatility in bond markets due to Greece-related concerns, the finance ministry sold on Thursday the planned RON300mn in 5.6% November 2018 T-bonds. The average accepted yield came in at 2.27%, slightly higher from a yield of 2.1% achieved at a prior auction of similar maturity paper held in early June. The tender's bid to cover ratio was at 3.64%, in reflection of strong investor demand.

### CESEE MARKETS

**Emerging stock markets** closed broadly higher on Thursday, after the Greek Parliament voted on Wednesday in favour of a bill incorporating the conditionality required to formally initiate negotiations between Greece and its official creditors for a 3-year ESM loan facility. News that the ECB decided to increase emergency liquidity assistance to Greece and ECB President Mario Draghi's comments that recent market uncertainty has not altered expectations for a broader recovery in the Eurozone also appeared to provide support. CESEE stock markets outperformed their emerging market peers. Major indices in Poland, Hungary and Romania posed as the region's star performers, after recording daily gains to the tune of 0.9-1.6% each. Meanwhile, the broader MSCI Emerging Markets index snapped a 2-day losing streak on Thursday to end 0.4% higher compared to the prior session's settlement.

Along similar lines, **regional currencies** ended broadly firmer on Thursday. The Polish zloty led the gains in the region with the EUR/PLN sliding to a near 2-month low of 4.1020 intraday before recovering some ground towards a 1-½-month closing trough of 4.1100. Elsewhere, the Hungarian forint closed little changed on the day, with the EUR/HUF ending near 309.30, not too far from a multi-week low of 308.35 hit in Asian trade. The Serbian dinar closed relatively flat near 120.00/EUR yesterday, after the Central Bank intervened for the fourth day so far this week in the FX markets to halt the currency's appreciating momentum.

In view of improving risk appetite, most **CESEE government bonds** extended their recent gains on Thursday. Romanian paper led the gains with the corresponding 3- and 10-year benchmark yields falling ca 11bps and 6bps on the day to stand near 2.05% and 4.05% at the session's settlement.

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July 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	2120.71	0.6%	3.0%	EUR/USD	1.0911	-0.4%	-9.8%	UST - 10yr	2.37	1	20	GOLD	1146	-0.3%	-3.3%
Nikkei 225	20600.12	0.7%	18.0%	GBP/USD	1.56	-0.2%	0.1%	Bund-10yr	0.87	4	32	BRENT CRUDE	182	0.0%	4.1%
STOXX 600	405.45	1.4%	18.4%	USD/JPY	123.92	-0.1%	-3.4%	JGB - 10yr	0.45	-1	12	LMEX	2570	-0.1%	-11.8%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.83	0	-518
1-month	5.23	1	-482
3-month	5.69	0	-416
6-month	6.01	1	-378

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.10	-4	-294
5Y RSD	8.31	0	-187
7Y RSD	9.03	2	-305

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.52	-2	-74
USD Nov-24	6.47	0	-12

## CDS

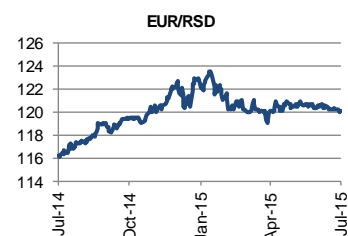
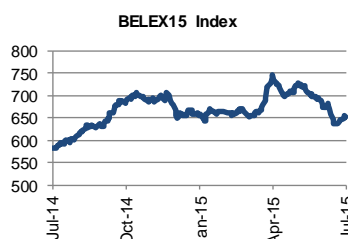
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	323	0	-33

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	652.8	-0.05%	-2.13%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.11	-0.07%	1.03%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	0	0
1-month	0.98	3	7
3-month	1.3	0	-40
6-month	1.58	-3	-43
12-month	1.67	-1	-35

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.03	0	-28
5Y RON	2.55	0	-16
10Y RON	3.98	-1	32

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.83	-3	10
USD Aug-23	3.74	-14	13

## CDS

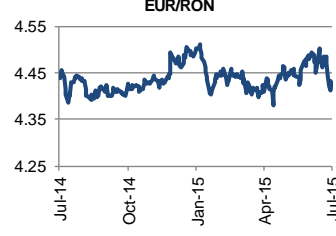
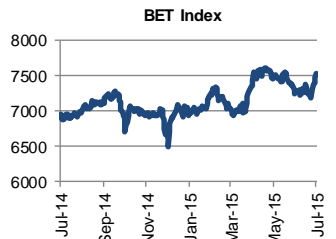
	Last	ΔDbps	ΔYTD bps
5-year	133	3	-10
10-year	178	3	-9

## STOCKS

	Last	ΔD	ΔYTD
BET	7529.1	0.88%	6.30%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4215	0.18%	1.40%



## 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	0.65	0	-15
12-month	1.23	0	-28

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	-4	-51
5Y BGN	1.21	3	-23
10Y BGN	2.60	0	-15

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.59	19	-57
EUR Sep-24	3.07	-37	20

## CDS

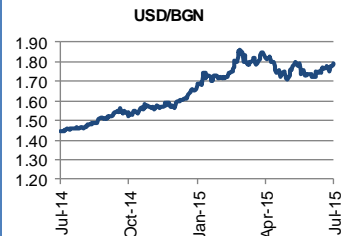
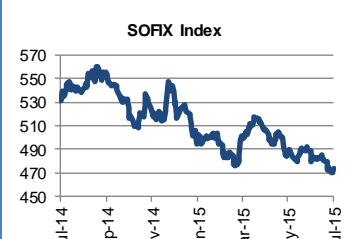
	Last	ΔDbps	ΔYTD bps
5-year	182	8	-9
10-year	228	9	-13

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.9	0.24%	-9.23%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7928	-0.36%	-9.83%



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

Data updated as of 17:00 EEST of previous session

July 17, 2015

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