

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, August 06, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- August 3
 - Personal income / spending (Jun)
 - Core PCE deflator (Jun)
 - ISM index manufacturing (Jul)
- August 4: Industrial orders (Jul)
- August 5
 - ADP employment change (Jul)
 - Trade balance (Jun)
 - ISM index non-manufacturing (Jul)
- August 6: Initial jobless claims (August 1)
- August 7
 - Non-farm payrolls (Jul)
 - U/E rate (Jul)

EUROZONE

- August 3: PMI, manufacturing (f, Jul)
- August 4: PMI services (f, Jul)

GREECE

- August 6: Labour Force Survey (May)
- August 7: HICP (Jul)

SEE

BULGARIA

- August 3-7: Reserve assets (Jul)

ROMANIA

- August 3: RON 200mn 10-year T-bonds
- August 4
 - Retail sales (Jun)
 - MPC meeting
- August 6
 - Net wages (Jun)
 - RON 300mn 3-year T-bonds
- August 7: Industrial sales (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: According to local media, government officials appear optimistic that by 11 August a deal will be sealed regarding the new 3rd Bailout, which will then be ratified first by the Hellenic Parliament and then by the parliaments of other Eurozone member-states. According to data released today by the Hellenic Statistical Authority the seasonally adjusted unemployment rate for May 2015 was 25.0% compared to 27.0% in May 2014 and 25.6% in April 2015.

SOUTH EASTERN EUROPE

BULGARIA: According to the latest data from the Employment Office, the rate of registered unemployment fell for the fourth month running in July, coming in at 9.4% from a 9.6% print in June, recoiling further below an 8-month high of 11.09% hit in January. July marked the second month since October 2011 when the jobless rate last stood in a single-digit figure (9.6%).

ROMANIA: Net wages accelerated further by +0.7% MoM/+7.8% YoY in June up from -2.7% MoM/7.4% YoY in May. Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending in the first half of 2015, a trend which most probably will continue in Q3.

SERBIA: The Prime Minister of Serbia, Mr. Vucic, expressed his optimism yesterday that the economy will come out of recession in the 2H-2015. According to him, growth will reach 0.5-1% in 2015 and accelerate to 2% in 2016.

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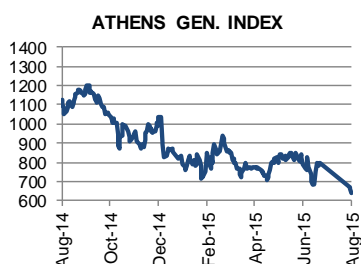
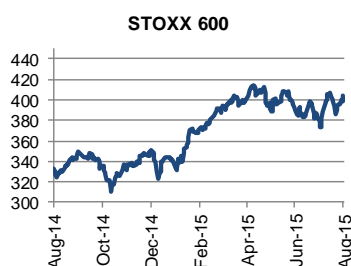
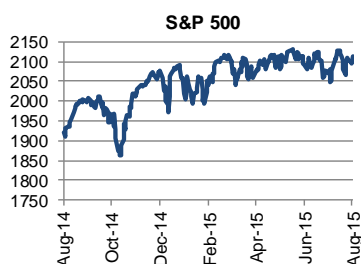
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Latest world economic & market developments

GREECE

According to local media, government officials appear optimistic that by 11 August a deal will be sealed regarding the new 3rd Bailout, which will then be ratified first by the Hellenic Parliament and then by the parliaments of other Eurozone member-states. However, the remaining areas of disaccord reportedly include: a) the banks' recapitalization where even though both sides agree that this must be done until the end of 2015 there is no agreement yet on the treatment of NPLs (with the Greek 'bad bank' proposal reportedly rejected by the institutions), b) the privatizations' fund where the institutions reportedly prefer the transformation of the existing Hellenic Republic Asset Development Fund (TAIPED) into the new 'hyper-fund' instead of the establishment of a new organization, c) the timetable for the implementation of the measures of the 3rd Bailout programme and specifically the package of new prior actions that will have to be legislated in August and the measures that may be postponed until autumn (e.g. the tax regime for farmers), d) the projections regarding the real GDP growth rate and the primary balance (deficit) for 2015 and the measures that will need to be taken in the coming years in order for Greece to achieve a primary surplus of 3.5% of GDP in 2018, and e) the minimum guaranteed income and the abolishment of the Social Solidarity Benefit (EKAS). According to data released today by the Hellenic Statistical Authority the seasonally adjusted unemployment rate for May 2015 was 25.0% compared to 27.0% in May 2014 and 25.6% in April 2015.

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Source: Reuters, Bloomberg, Eurobank Research

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	0.4	1.4
HICP (pa, yoy %)	-0.3	-0.8	0.9
Budget Balance/GDP*	-8.8	-1.1	-0.1
Current Account/GDP	-5.1	-3.9	-4.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

Latest world economic & market developments in the CESEE region

BULGARIA

According to the latest data from the Employment Office, the rate of registered unemployment fell for the fourth month running in July, coming in at 9.4% from a 9.6% print in June, recoiling further below an 8-month high of 11.09% hit in January. July marked the second month since October 2011 when the jobless rate last stood in a single-digit figure (9.6%). The said improvement came on the back of an increase in seasonal employment, primarily witnessed in the agriculture, tourism and processing industry. On an annual basis, the number of unemployed individuals dropped by 37,468 in June, marking the biggest decline for the month since 2008. Meanwhile, youth unemployment also fell, with the number of young people under 29 years of age easing below 50,000 (47,354 persons or 15.3% of total registered unemployed), for the second time since June 2009. The good news adds to last year's employment gains and is a sign of the ongoing domestic demand recovery, especially taking into account that fiscal policy restraint is not helping at this point. Meanwhile the government cabinet adopted the analysis report on the barriers to foreign investment in Bulgaria submitted by the Ministry of Finance. The report, which has been prepared in the context of the European Commission Investment Plan for Europe, identified ten areas of concern. To remove obstacles in those areas, the cabinet commissioned working groups to draft anti-red tape measures by January 2016.

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BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	1.8	2.2
CPI (pa, yoy %)	-1.4	0.3	1.2
Budget Balance/GDP*	-3.7	-2.5	-2.4
Current Account/GDP	0.9	2.0	1.5
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	0.0	1.5
CPI (pa, yoy %)	2.1	2.2	3.8
Budget Balance/GDP	-6.7	-5.3	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	123.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	6.00	5.50

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

ROMANIA

Net wages accelerated further by +0.7% MoM/+7.8% YoY in June up from -2.7% MoM/7.4% YoY in May. Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending in the first half of 2015, a trend which most probably will continue in Q3. Overall, private consumption (+3.4pps contribution to growth in Q2-2015) has taken over as the leading driver behind the growth rally concealing warning signs of an overheating scene in the making.

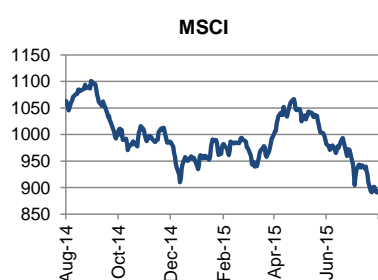
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SERBIA

The Prime Minister of Serbia, Mr. Vucic, expressed his optimism yesterday that the economy will come out of recession in the 2H-2015. According to him, growth will reach 0.5-1% in 2015 and accelerate to 2% in 2016. To that end, he reiterated his expectation that the IMF, which is expected to arrive in the country on a scheduled visit on August 20, will revise up its GDP growth projection from flat growth to 0.5%. In addition, he pledged to maintain the full year fiscal deficit below 3% of GDP given the favorable budget execution in the first seven months. He also advocated that there is fiscal space for wages and pensions to be increased gradually every six months or every year until 2017, effective from next November. As far as growth is concerned, the head of the Statistical Service Mr. Kovacevic had expressed similar views in Tanjug on Tuesday who noted that growth in the second quarter came on the back of the manufacturing sector. According to the recently released flash estimate, GDP growth on an annual basis moved into positive territory for the first time since the last quarter of 2013. In more detail, GDP expanded by +0.9%YoY in the second quarter of 2015 up from a revised -1.8%YoY in the first. Looking into the remainder of the year, we anticipate a recovery in economic activity in H2 2015. The main culprits of this expected improvement lie in the face of favorable base effects and a further revival envisioned in investments. Recently adopted monetary easing and low global oil prices are also likely to provide support to economic activity in the coming months. In other news, the number of unemployed people declined by 0.9% on a monthly basis to 739,000 in July.

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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

August 6, 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	2110.65	0.8%	2.5%	EUR/USD	1.0866	-0.1%	-10.2%	UST - 10yr	2.28	6	11	GOLD	1085	-0.3%	-8.4%
Nikkei 225	20614.06	0.5%	18.1%	GBP/USD	1.562	0.4%	0.3%	Bund-10yr	0.74	11	20	BRENT CRUDE	51	1.3%	-11.6%
STOXX 600	403.80	1.3%	17.9%	USD/JPY	124.91	-0.4%	-4.2%	JGB - 10yr	0.40	1	7	LMEX	2435	0.4%	-16.4%

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	459	0	-532	O/N	0.82	-2	25	LEONIA	0.00	-3	-2		
1-week	4.80	-1	-521	1-month	1.01	0	10	1-month	0.17	0	-4		
1-month	5.22	2	-483	3-month	1.31	0	-39	3-month	0.33	0	-10		
3-month	5.68	1	-417	6-month	1.54	-1	-47	6-month	0.64	0	-16		
6-month	5.94	-1	-385	12-month	1.64	0	-38	12-month	1.22	0	-29		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	6.08	-1	-296	3Y RON	1.97	-1	-34	3Y BGN	0.55	3	-55		
5Y RSD	8.29	0	-189	5Y RON	2.49	-1	-22	5Y BGN	1.05	-12	-40		
7Y RSD	8.85	0	-323	10Y RON	3.80	1	14	10Y BGN	2.55	-1	-21		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.48	1	-78	EUR Sep-20	1.45	4	-28	EUR Jul-17	0.48	-5	-68		
USD Nov-24	6.49	0	-10	USD Aug-23	3.74	9	12	EUR Sep-24	2.83	16	-3		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	270	-1	-20	5-year	129	0	-13	5-year	175	3	-16		
10-year	315	-1	-41	10-year	177	0	-10	10-year	221	3	-20		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	652.4	-0.04%	-2.19%	BET	7574.0	-0.34%	6.93%	SOFIX	472.9	-0.14%	-9.43%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.25	-0.08%	0.92%	EUR/RON	4.41	0.03%	1.67%	USD/BGN	1.8004	-0.17%	-10.21%		

SERBIA		ROMANIA		BULGARIA	
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 17:45 EEST of previous session

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