



Global Markets Today

The Latest at a Glance

Global equity markets tumbled, the U.S. dollar fell against the majors and government bonds rallied on Wednesday on renewed subprime/credit-market worries triggered by a move by two leading rating agencies to slash ratings for more than \$17 billion of U.S. mortgage-related debt. **The subprime news sent the dollar tumbling to a record low of 1.3787 against the euro** and a fresh 26-year low of 2.0282 against the sterling overnight, while the yen gained ground against its higher-yielding peers, as investors cut back on their carry-trade exposures. Meanwhile, **Fed's Chairman Ben Bernanke's inflation comments y-day had limited market impact.** Bernanke expressed confidence that inflation expectations remain well-anchored and offered insight into how the Fed estimates both core inflation and the pass through of headline inflation into core. At the time of writing, the US dollar stood at 1.3750 the euro and it was trading around 121.20 vs. the yen with market sentiment remaining cautious as participants worry that the U.S. subprime mortgage problems could spread to the overall economy and cause further slides in share prices. Elsewhere, **the BoC raised its overnight policy rate as expected by 25bps to 4.50% y-day**, making the first increase since 2006. The central bank indicated that "some modest further increase in the overnight rate may be required to bring inflation back to target over the medium term", confirming the current pricing of the Canadian interest rate futures strip for one additional step of 25bps by year-end and no additional rate increases thereafter. **The BoJ started today its scheduled two day-long policy meeting.** The Bank is widely expected to hold interest rates steady at 0.50% but investors are waiting to hear what Governor Toshihiro Fukui says after the meeting on Thursday for clues on the future trajectory of policy. We continue to expect no rate hike by the BoJ before August/September.

Poland's leftist junior coalition party, Self-Defence, voted unanimously to leave the government, but with no immediate effect. PM Jaroslaw Kaczynski expressed his will for the party to remain in the coalition, deeming this as the best way to overcome the current political crisis. According to the most recent opinion survey, released on Wednesday, the main opposition party, the Civic Platform, leads the polls followed by Kaczynski's ruling Law and Justice. It appears to be a close call on whether the Self-Defence will manage to make it to parliament in the event of early elections; with the option of staying in the coalition and hence keeping its share in parliament being perhaps more appealing than going to the polls. The main opposition, the Civic Platform said y-day it would file a no confidence vote against all Ministers in order to force early elections. Additionally, a motion to dissolve parliament was initiated by another opposition party. In any case, neither of the motions nor the event of early elections are likely to be voted on before September. Deputy parliament speaker Wojciech Olejniczak's said y-day that a motion to dissolve the Sejm, parliament's lower house, will be considered after the summer recess. His comments are in line with those of PM

Jaroslaw Kaczynski earlier that a decision on the issue will not be made until September.

Hungary's June CPI came in above expectations of 8.4%yoy, at 8.6%yoy, also above May's 8.5%yoy reading. June's core inflation rose to 5.9%yoy, from 5.8%yoy a month earlier. On a monthly basis, prices rose 0.4% in June from 0.8% in May. The annual increase in consumer prices was attributed to a rise in holiday services prices. The data supports the view that further rate cuts may be postponed in the coming months, until the downward inflation trend has resumed.

S&P revised **Serbia's** credit rating outlook to stable from positive y-day, citing worries over the country's budget plans that could further boost a ballooning current account deficit. The ratings agency reaffirmed Serbia's I-t and s-t sovereign credit ratings at "BB-" and "B", respectively.

Emerging Markets

EM sovereign debt spreads over USTs soared by 12bp on Tuesday's close, widening to 174bps. **EM external debt** lagged the rally in USTs, fuelled by increasing risk aversion, and returns on the EMBI+ were nearly flat. Argentina was the biggest loser (-0.62%), with Venezuela and Ecuador following (-0.55% and -0.41% respectively), while Mexico and Indonesia posted the highest returns on the index (+0.38% and +0.24%, respectively). **EM FX** was broadly weaker in early European trade today. Specifically, the **lira** was marginally weaker trading at 1.2920 vs. the dollar, from 1.2912 on Monday's close. The **zloty** was hovering slightly above levels of 3.7700 vs. the euro, having retreated almost 0.2% on the day at the time of writing. The **leu** and the **forint** were marginally firmer against the euro with the latter relatively unaffected by the inflation data release today. The EUR/RON stood at 3.1355 earlier today, from 3.1375 on Monday's close, while the EUR/HUF stood at 246.69 from 246.71 respectively. **EM stock markets were also losing ground today**, with Turkey and the Czech Republic retreating over 1% on the day. Turkey's **XU100** index had hit lifetime highs earlier in the week, above levels of 51,000 but remained below 50,000pts intraday.

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Calendar of Key Data and Events, May July 9-13, 2007				
Country	GMT	Indicator/Event	Median	Previous
Sunday, July 8				
JAPAN	23:50	Machinery orders May mom%	5.9	2.2
	23:50	Money supply Jun yoy%	1.8	1.5
Monday, July 9				
UK	12:30	BoE's Blanchflower speaks		
EUROZONE	17:00	ECB's Stark speaks Eurogroup FinMin meeting		
GERMANY	06:00	Trade balance May (€bn)	17.6	15.8
UK	08:30	PPI core Jun yoy%	2.1	2.2
	08:30	PPI input Jun mom/yoy%	0.6/2.1	1.4/1.3
	08:30	PPI output Jun mom/yoy%	0.2/2.4	0.4/2.4
GERMANY	10:00	Industrial production May mom/yoy%	1.9/4.4	-2.3/3.8
USA	19:00	Consumer credit May (€bn)	12.90	2.29
Tuesday, July 10				
CANADA	13:00	BoC rate announcement		
USA	17:00	Fed Chair Bernanke speaks		
EUROZONE	17:00	ECB's Stark speaks		
UK	18:00	BoE's Sentance speaks		
EUROZONE		Ecofin meeting		
		ECB's Trichet, Eurogroup's Juncker speak		
SWITZERLAND		SNB quarterly report		
AUSTRALIA	01:30	Home loans May mom%	0.1	2.2
	01:30	NAB business confidence Jun	N/A	15
FRANCE	06:40	Industrial production May mom%	0.4	-1.0
SWEDEN	07:30	Industrial production May yoy%	3.6	3.6
	07:30	UND1X Jun mom/yoy%	0.1/1.0	-0.1/0.9
	08:00	Unemployment rate Jun % (AMS)	3.6	3.3
NORWAY	08:00	CPiATE Jun yoy%	1.3	1.4
UK	08:30	Trade balance May (€bn)	-6.291	-6.933
CANADA	12:15	Housing starts Jun (k)	225.5	235.2
USA	14:00	Wholesale inventories May mom%	0.5	0.3
NEW ZEALAND	23:00	Q2 NBNZ business confidence	-37	-15
JAPAN	23:50	Domestic CGPI Jun mom/yoy%	0.1/2.3	0.5/2.2
	23:50	Current account May (JPY bn)	2,136.6	1,986.5
Wednesday, July 11				
EUROZONE	13:00	ECB's Trichet, EU's Almunia speak		
EUROZONE	14:00	Fed's Walsh speaks		
	14:45	ECB's Tumpel-Gugerell speaks		
USA	15:00	FOMC's Plosser (non-voter) speaks ECB's Draghi speaks ECB's Hurley speaks ECB's Garganas speaks		
Thursday, July 12				
JAPAN	06:30	BoJ rate announcement & monthly report		
EUROZONE	08:00	ECB monthly bulletin		
UK	08:00	BoE's Jenkinson speaks		
USA	12:30	Fed's Kroszner speaks		
	20:40	FOMC's Yellen (non-voter) speaks		
AUSTRALIA	01:30	Labour force survey Jun (k)	15.0	39.4
	01:30	Unemployment rate Jun y%	4.2	4.2
JAPAN	04:30	Industrial production May mom% (f)	-0.4/(N/A)	-0.4/3.7
EUROZONE	09:00	Industrial production May mom/yoy%	1.0/2.2	-0.8/2.8
	09:00	Q1 GDP qoq/yoy% (f)	0.6/3.0	0.6/3.0
CANADA	12:30	Int. merch. trade May (CAD\$ bn)	5.5	5.8
USA	12:30	Trade balance May (€bn)	-60.0	-58.5
	12:30	Initial jobless claims (Jul 8 wk-end)	315	318
	18:00	Budget balance Jun (USD bn)	30.0	20.5 (Jul 06)
Friday, July 13				
UK	09:00	BoE's Bean speaks		
FRANCE	06:45	HICP Jun mom/yoy%	0.1/1.3	0.3/1.2
	06:45	CPI Jun mom/yoy%	0.2/1.3	0.3/1.1
	06:45	Current account balance May (€bn)	-1.3	-0.8
USA	12:30	Retail sales Jun mom%	0.2	1.4
	12:30	Retail sales excl autos Jun mom%	0.2	1.3
	12:30	Import prices Jun mom%	0.6	0.9
	14:00	UM consumer confidence Jul (p)	86.0	85.3
	14:00	Business inventories May mom%	0.3	0.4
NEW ZEALAND	23:45	Retail sales May mom%	0.5	-1.2

Forex Markets (Indicatives)						
EUR/USD	1.3750	USD/JPY	121.57	AUD/USD	0.8613	
EUR/JPY	167.13	USD/CHF	1.2034	NZD/USD	0.7768	
EUR/CHF	1.655	GBP/USD	2.0308	USD/CAD	1.0595	
EUR/GBP	0.677	EUR/NOK	7.96425	EUR/SEK	9.1671	
Stock Markets						
	DJIA	FTSE-100	Nasdaq	Nikkei	ASE	
Last	13501.70	6630.90	2670.02	18049.51	4971.61	
Pr. Yr High	12529.88	6271.4	2470.95	17563.37	4394.13	
Pr. Yr Low	10661.15	5467.4	2012.78	14045.53	3362.24	
Daily Pct.Chng	-1.09%	-1.22%	-1.16%	-1.11%	-1.29%	
Libor Rates						
	CCY	1M	2M	3M	6M	12M
USD	5.32	5.34	5.36	5.39	5.45	5.45
EUR	4.11	4.13	4.20	4.35	4.58	4.58
JPY	0.63	0.70	0.77	0.09	1.01	1.01
GBP	5.91	5.95	6.02	6.15	6.34	6.34
CHF	2.61	2.65	2.72	2.86	3.12	3.12
World Bonds						
	US 30yr	US 10yr	10yr Bund	10yr JGB	10yr Gilt	
Yield	5.110%	5.013%	4.545%	1.880%	5.424%	
Coupon	4.750%	4.500%	4.250%	1.900%	8.750%	
Hellenic Republic Bonds						
	3yr	5yr	7yr	10yr	20yr	
Yield	4.545%	4.620%	4.679%	4.800%	4.900%	
Coupon	3.10%	5.25%	4.50%	4.30%	5.90%	
Spread/ Bund (bps)	26					
Metal & Energy Markets (in US\$)						
Gold (spot)	665.15	Silver (spot)	12.97	Brent 1m fwd	78.72	
Platinum (spot)	1308.00					

EM FX SPOT			
USD/TRL	1.291	EUR/HUF	246.41
USD/BRL	1.897	EUR/CZK	28.4765
USD/RUB	25.5317	EUR/RSD	81.531
EUR/PLN	3.77395	EUR/RON	3.129
EM EQUITIES (LOCAL CCY)			
	last close	1 day chg %	YTD Chg %
ISE 100 (TRL)	50,557.62	-1.41%	29.25%
BVSP (BRL)	55,882.70	-0.99%	25.65%
MTMS (RUB)	22,050.90	-1.43%	-0.68%
WIG (PLN)	66,219.44	-1.59%	31.36%
BUX (HUF)	28,985.97	-0.96%	16.67%
PX (CZK)	1,879.70	-1.27%	18.30%
BETI (ROL)	10,200.48	1.46%	26.71%
CRBEX (HRK)	4,772.08	0.65%	48.69%
EM FOREIGN DEBT			
SOVEREIGN	MATURITY	COUPON	MID YIELD
TURKEY (EUR)	18-Jan-11	9.50%	5.53
BRAZIL (USD)	11-Jan-12	11.00%	6.76
RUSSIA (USD)	31-Mar-30	5.00%	6.29
POLAND (EUR)	5-Feb-13	4.50%	4.07
BULGARIA (EUR)	15-Jan-13	7.50%	4.21
ROMANIA (EUR)	8-May-12	8.50%	4.26