

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- August 25
 - FHFA home prices (Jun)
 - Markit Composite & Services PMI (Aug, p)
 - New home sales (Jul)
 - Consumer Conf (Aug)
- August 26
 - Durable goods (Jul)
 - Fed's Dudley speaks
- August 27
 - GDP (Q2, 2nd)
 - Initial jobless claims (Aug 23)
 - Pend. home sales (Jul)
- August 27-29: Fed's annual economic symposium in Jackson Hole
- August 28
 - Personal income & spending (Jul)
 - Core PCE (Jul)
 - UoM sentiment (Aug, f)

EUROZONE

- August 25
 - German Ifo (Aug)
 - GDP (Q2, f)
 - ECB's Merkel & Constancio speak
- August 26: ECB's Praet speaks

GREECE

- August 28: GDP (Q2, f)

SEE

BULGARIA

- August 26: External debt (Jun)
- August 29: Budget bal (Jul)

ROMANIA

- August 24: RON300mn 2020 T-bonds auction
- August 27: RON300mn 5-Y T-bonds auction

SERBIA

- August 25: Wages (Jul)
- August 31
 - Industrial prod. (Jul)
 - Trade balance (Jul)
 - Retail sales (Jul)
 - GDP (Q2, f)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Although most Asian bourses showed some signs of stabilization on Tuesday, Chinese shares extended their steepest plunge since 2007. In more detail, the Shanghai Composite index plummeted by 7.6%, as government support measures over the weekend failed to allay investors' fears for a deepening economic slowdown in China. Elsewhere, major European equity indices received some respite in early trade today, snapping a four-session declining streak. In FX markets, the US dollar recovered some of its recent losses earlier on Tuesday.

SOUTH EASTERN EUROPE

CESEE MARKETS: Trailing the sell-off in major global bourses, **emerging stock markets** kicked off the week on a negative footing, with most indices ending deep in the red on Monday amid mounting concerns about the prospects of the Chinese - the world's second largest - economy. In view of heightened risk aversion regional currencies and government bonds broadly weakened on Monday.

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Latest world economic & market developments

GLOBAL MARKETS

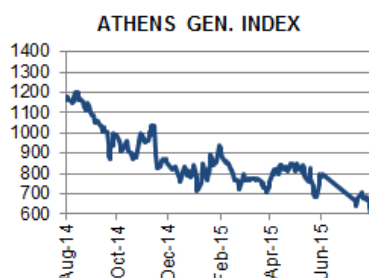
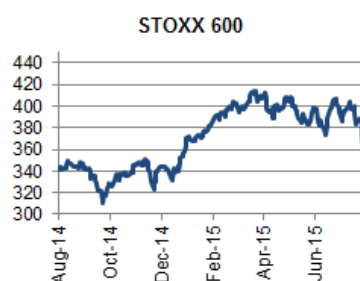
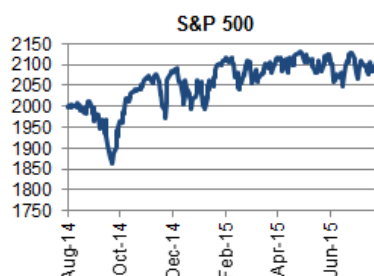
Mirroring the global equity sell-off spurred by renewed worries about China's growth prospects, Wall Street slumped overnight with the S&P 500 index falling 3.9% to close at a 10-month low of 1,893.21 points. Meanwhile, the VIX index, a measure of US equity volatility, surged intraday to a 7-year high near 53.30 points.

Although most Asian bourses showed some signs of stabilization on Tuesday, Chinese shares extended their steepest plunge since 2007. In more detail, the Shanghai Composite index plummeted by 7.6%, adding to a 8.5% decline on Monday, as government support measures over the weekend failed to allay investors' fears for a deepening economic slowdown in China. Elsewhere, major European equity indices received some respite in early trade today, snapping a four-session declining streak.

In FX markets, the US dollar recovered some of its recent losses earlier on Tuesday, with the DXY index hovering around 93.83 at the time of writing, pulling away from a seven-month low of 92.62 reached in yesterday's session. Nevertheless, renewed pressures on the dollar ahead cannot be ruled out as heightened concerns of a China-led slowdown in global growth diminish expectations for a Fed rate hike in September. More specifically, the yen fell against the US dollar for the first time in five days, following a Ministry of Finance official's comments that the JPY's recent rally to a seven-month high had been "abrupt". As far as the euro is concerned, the EUR/USD was trading around levels of 1.1551/1.1552 at the time of writing, having hit a seven-month peak of 1.1715 on Monday. Elsewhere, commodity prices recouped some of their recent hefty losses on Tuesday, after sliding to their lowest level in 16 years yesterday.

On the data front for the remainder of the week, focus is on the US GDP release due on Thursday. According to the consensus forecast, US GDP is expected to have grown by 3.2% QoQ saar in Q2 2015, upwardly revised from its advance estimate of 2.3% QoQ saar.

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Source: Reuters, Bloomberg, Eurobank Research

August 25, 2015

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		
	current	2014	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

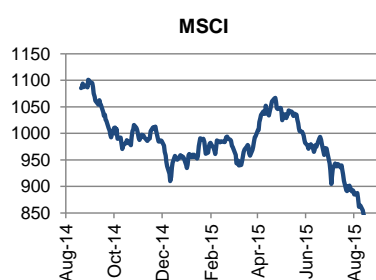
ROMANIA: Indicator:	2013	2014e	2015f
Real GDP growth %	3.4	2.9	3.1
CPI (pa, yoy %)	4.0	1.1	0.3
Budget Balance/GDP*	-2.2	-1.9	-1.9
Current Account/GDP	-0.8	-0.4	-1.0
EUR/RON (eop)	4.46	4.40	4.45
	2014	current	2015f
Policy Rate (eop)	2.75	1.75	1.75

* 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
	2014	current	2015f
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

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Trailing the sell-off in major global bourses, **emerging stock markets** kicked off the week on a negative footing, with most indices ending deep in the red on Monday amid mounting concerns about the prospects of the Chinese - the world's second largest - economy. Asian stock markets led the losses with the Shanghai Composite Index plummeting by 8.5%, its worst daily performance since 2007. Along the same lines, the MSCI Emerging Markets index slid by 5% on Monday, while bourses in Poland, Hungary and Romania led the downtrend in the CESEE region suffering daily losses to the tune of ca 6%.

In **FX markets**, regional currencies broadly weakened on Monday amid heightened risk aversion. The Turkish lira and the Polish zloty led the decline. The USD/TRY closed ca 0.8% higher near 2.9410 yesterday, having spiked as far as a multi-session peak of 2.9855 intraday. The pair stands not too far from last week's record high of 2.9989 hit in view of escalating domestic political uncertainty as the country is expected to hold new national elections on November 1st, after coalition negotiations – following an inconclusive outcome in June's polls - collapsed. Separately, the EUR/PLN touched a 7-month high near 4.2655 yesterday before pulling back towards 4.2560 at the session's settlement. Elsewhere, the Central Bank of Serbia (NBS) intervened in the FX markets in order to stem the dinar's losses, resorting to such action for the first time in months. In more detail, the EUR/RSD closed little changed on Monday at 120.15 having pulled back from a multi-month peak of 120.80 hit intraday.

In the **local rates markets**, government bonds also came under pressure yesterday, with Turkish paper broadly underperforming its regional peers. In more detail, the 2- and 10-year benchmark bond yields spiked by ca 40bps and 20bps, respectively, compared to the prior session's settlement to end at 11.28% and 10.24%. Romanian paper fared relatively better after the finance ministry sold earlier in the day the planned RON (~€67.6mn) of April 2020 T-bonds. The auction's average accepted yield came in at 2.68%, below 2.88% achieved at a prior tender of the same paper held about a month earlier. Meanwhile, the bid to cover ratio was at 2.5. Along these lines, the 10-year benchmark government bond yield eased ca 5bps in the secondary market to close at 3.66% on Monday.

Today's focus in the CESEE region is on Hungary's Central Bank meeting (12.00GMT), where the MNB is broadly anticipated to stay put on its monetary policy and maintain its key interest rate at the current record low level of 1.35%.

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August 25, 2015

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps
S&P 500	1909.02	-3.1%	-7.3%	EUR/USD	1.1574	1.7%	-4.3%	UST - 10yr	2.00	-4	-17
Nikkei 225	18540.68	-4.6%	6.2%	GBP/USD	1.5756	0.4%	1.1%	Bund-10yr	0.58	1	4
STOXX 600	341.76	-5.4%	-0.2%	USD/JPY	118.93	2.6%	0.6%	JGB - 10yr	0.35	-2	2

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	414	0	-577	O/N	1.26	61	69	LEONIA	0.01	0	-1
1-week	4.27	1	-574	1-month	1.28	6	37	1-month	0.18	0	-4
1-month	4.64	1	-541	3-month	1.38	3	-32	3-month	0.33	0	-10
3-month	5.06	0	-479	6-month	1.59	2	-42	6-month	0.62	0	-17
6-month	5.33	0	-446	12-month	1.68	2	-34	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	6.17	#N/A	N/A	3Y RON	1.84	1	-47	3Y BGN	0.51	1	-53
5Y RSD	8.11	1	-207	5Y RON	2.40	2	-31	5Y BGN	1.01	-6	-44
7Y RSD	8.77	0	-4	10Y RON	3.67	5	1	10Y BGN	2.33	0	-42
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.56	12	-70	EUR Sep-20	1.42	9	-31	EUR Jul-17	0.48	-9	-68
USD Nov-24	6.49	0	-10	USD Aug-23	3.69	7	7	EUR Sep-24	2.92	-80	5
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	270	0	-20	5-year	137	4	-5	5-year	187	4	-4
10-year	316	0	-41	10-year	183	5	-4	10-year	234	4	-6
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	644.6	-1.52%	-3.36%	BET	6883.1	-5.71%	-2.82%	SOFIX	453.5	-3.06%	-13.14%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.65	-0.28%	0.58%	EUR/RON	4.4509	-0.42%	0.73%	USD/BGN	1.6899	1.66%	-4.34%

BELEX15 Index		BET Index		SOFIX Index	
Aug-14	640	Aug-14	7000	Aug-14	550
Nov-14	680	Oct-14	7000	Oct-14	520
Feb-15	700	Dec-14	7000	Dec-14	500
May-15	650	Feb-15	7500	Feb-15	480

EUR/RSD		EUR/RON		USD/BGN	
Aug-14	118	Aug-14	4.35	Aug-14	1.50
Nov-14	120	Nov-14	4.45	Nov-14	1.60
Feb-15	122	Feb-15	4.45	Feb-15	1.75
May-15	120	May-15	4.45	May-15	1.75

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

Data updated as of 17:30 EEST of previous session

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