

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 10: Initial jobless claims (Sep 5)
- September 11: UoM sentiment (Sep, p)

EUROZONE

- September 8: GDP (Q2, p)
- September 9: EU Commission President Juncker speaks in EU parliament
- September 11-12: Eurogroup/EU FinMins and central bankers hold informal meeting

GREECE

- September 9
 - Industrial production (Jul)
 - CPI /HICP (Aug)
- September 10: U/E rate (Jun)

SEE

BULGARIA

- September 7
 - Reserve assets (Aug)
 - 3Y T-Notes auction
- September 7-15: U/E rate (Aug)
- September 8
 - Industrial production (Jul)
 - Retail sales (Jul)
- September 11: Trade balance (Jul)

ROMANIA

- September 7: Net wages (Jul)
- September 8: Industrial sales (Jul)
- September 9: Trade balance (Jul)
- September 10: CPI (Aug)
- September 11: Industrial production (Jul)

SERBIA

- September 10: MPC meeting
- September 11: HICP (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian bourses closed in the red on Thursday, as macroeconomic data in China and Japan came in on the weak side, dulling demand for riskier assets. Elsewhere, the Reserve Bank of New Zealand (RBNZ) cut its benchmark rate by 25bps to 2.75% as expected, highlighting that more monetary easing may be needed in case China's economy decelerates further. Trailing losses in Asian equity markets, European equity indices opened lower. In FX markets, the NZD fell more than 2.0% following New Zealand central bank's decision for a rate cut.

GREECE: With just 10 days to go before the September 20th snap general elections, the leaders of the parties with parliamentary representation in the outgoing Parliament –aside from Golden Dawn– hold a televised debate yesterday, the first in the last six years. Former Prime Minister and SYRIZA leader Alexis Tsipras argued that the bailout agreement his government sealed with official creditors managed to secure crucial funds and stabilize the economy. On his part, ND leader Evangelos Meimarakis claimed that his party had been more honest with the Greek people than SYRIZA as it had not made promises it knew that it would not be able to fulfil such as the annulment of the MoU. A second debate will follow on September 14th with the participation of the leaders of the two biggest parties, SYRIZA and New Democracy.

SOUTH EASTERN EUROPE

CYPRUS: The Ministry of Finance made public the revised Memorandum of Understanding between the government and international creditors which emerged from the conclusion of the 7th review of the Cypriot Economic Adjustment Programme on a staff level.

ROMANIA: According to the latest data from the Statistical Office, the trade deficit widened to €3.93bn in the first seven months of the year up from €3.37bn in the same period last year.

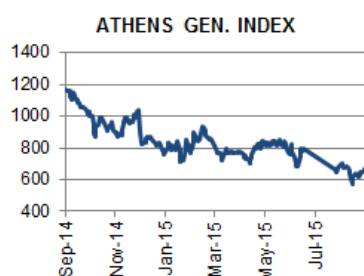
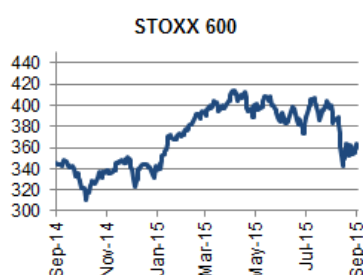
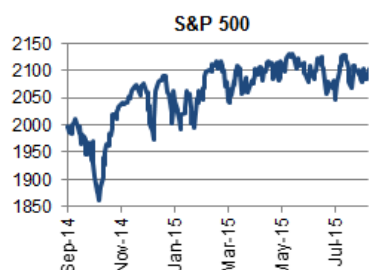
CESEE MARKETS: Trailing losses in major global bourses, **emerging stock markets** reversed course on Thursday to stand in a broadly negative territory amid mounting global growth concerns. In the FX markets, **CESEE currencies** were little changed in early European trade with investor focus being primarily on the upcoming FOMC meeting next week. Focus today is on Serbia's MPC meeting where we anticipate the NBS to maintain the benchmark interest rate at the current record low of 5.50%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian bourses closed in the red on Thursday, as macroeconomic data in China and Japan came in on the weak side, dulling demand for riskier assets. In more detail, although China's consumer price inflation rose to a 12-month high of 2.0%YoY in August from 1.4%YoY in July, producer prices fell for the 42nd straight month to -5.9%YoY in August from -5.4%YoY in July on softer global commodity prices, adding to concerns about increased deflationary risks in the world's second-largest economy. Furthermore, core Japan's manufacturing orders, a key component of capital spending, unexpectedly fell for a second consecutive month in July, with the Cabinet Office downgrading its assessment for the first time in eight months to a likely pause in the upward trend in Japan's machinery orders. Elsewhere, the Reserve Bank of New Zealand (RBNZ) cut its benchmark rate by 25bps to 2.75% as expected, highlighting that more monetary easing may be needed in case China's economy decelerates further. Trailing losses in Asian equity markets, European equity indices opened lower with the Stoxx600 Index declining ca. 1.0% at the time of writing. In FX markets, the NZD fell more than 2.0% following New Zealand central bank's decision for a rate cut. Elsewhere, the JPY/USD jumped to near a week high of ca. 121.35 at some point on Thursday, after reported comments by Japanese ruling Liberal Democratic Party lawmaker Kozo Yamamoto renewed expectations for additional monetary easing by the Bank of Japan on its upcoming policy meeting on October 30.

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GREECE

With just 10 days to go before the September 20th snap general elections, the leaders of the parties with parliamentary representation in the outgoing Parliament –aside from Golden Dawn– held a televised debate yesterday, the first in the last six years. Former Prime Minister and SYRIZA leader Alexis Tsipras argued that the bailout agreement his government sealed with official creditors managed to secure crucial funds and stabilize the economy. Yet, he acknowledged that “on the road, there were excesses and mistakes” but insisted that SYRIZA negotiated, unlike New Democracy (ND) which merely gave in to creditors' demands. On his part, ND leader Evangelos Meimarakis claimed that his party had been more honest with the Greek people than SYRIZA as it had not made promises it knew that it would not be able to fulfil such as the annulment of the MoU. He also accused SYRIZA of destroying the economy in the last seven months that it was in power and repeated his intention to seek a post-election broad coalition, if ND comes first in the upcoming ballot. The leader of To Potami (The River), Stavros Theodorakis, made clear that his party voted in favor of the new bailout programme as “the alternative was worse”. However, he stressed that the support of his party should not be taken for granted, clarifying that he intends to support the groups that are mostly negatively affected by the MoU. The leader of the Popular Unity (LAE) Panayiotis Lafazanis defended his party's stance in favor of a Greek exit from the euro area and a return to a national currency. The leader of the Communist party of Greece (KKE) Dimitris Koutsoumbas rejected anew the call from Mr. Lafazanis for a pre-election alliance stressing that his party's Grexit plan is completely different compared to that proposed by the LAE party. On her part, the President of Panhellenic Socialist Movement (PASOK), Fofi Gennimata, said that her party could be useful in a post-election government as they have experience and know-how to negotiate hard. Panos Kammenos, the leader of former junior coalition partner Independent Greeks (ANEL), acknowledged that the biggest mistake of the former government was that it did not proceed to the annulment of the Uniform Tax on Real Estate Property (ENFIA). A second debate will follow on September 14th with the participation of the leaders of the two biggest parties, SYRIZA and New Democracy.

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September 10, 2015

Latest world economic & market developments in the CESEE region

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

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

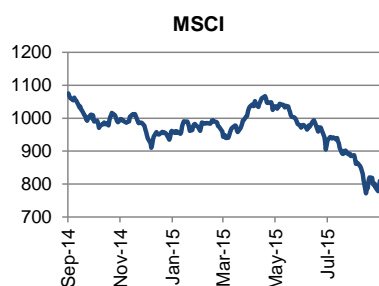
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.50	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

CYPRUS

The Ministry of Finance made public the revised Memorandum of Understanding between the government and international creditors which emerged from the conclusion of the 7th review of the Cypriot Economic Adjustment Programme on a staff level. The endorsement of the 7th review and the release of the relevant €500mn tranche is subject to three prior actions which have already been fulfilled. Those three prior actions refer to the adoption of 1) legislation addressing the issue of untitled property sales by developers 2) legislation for the reform of Public Service 3) the transformation of the Telecomm Utility (CYTA) from a semi government organization to a limited liability private company in order to be privatized at a later stage.

ROMANIA

According to the latest data from the Statistical Office, the trade deficit widened to €3.93bn in the first seven months of the year up from €3.37bn in the same period last year. Imports came in at €36bn, rising by 7% on a yearly basis. On the other hand, exports stood at €32bn expanding by 5.9%. In terms of the structure of international trade by product groups, transport equipment and vehicles accounted for 36.6% and 44.3% of total imports and exports respectively. Finally, European Union remained the main trade partner of Romania in the same period, so that exports to and imports from EU-28 accounted for 73.3% and 76.8% respectively.

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CESEE Markets

Trailing losses in major global bourses, **emerging stock markets** reversed course on Thursday to stand in a broadly negative territory amid mounting global growth concerns. Against this backdrop, the MSCI Emerging Markets index trimmed a cumulative near 4% rise recorded over the prior two sessions, while Turkey's BIST led the downtrend in the CESEE region at the time of writing.

In the FX markets, **CESEE currencies** were little changed in early European trade with investor focus being primarily on the upcoming FOMC meeting next week. The Serbian dinar was little changed trading at 120.20/EUR in European trade ahead of the MPC meeting due to conclude later on the day. Although weak domestic demand, an improving domestic fiscal position and below official target inflation (August CPI at 1.0%YoY vs. NBS target of 4+/-1.5%) argue in favour of further easing, we anticipate the NBS to maintain the benchmark interest rate at the current record low of 5.50%. Uncertainty lingers about the timing of the inception of the Fed's rate-tightening cycle, with the next FOMC meeting due next week (September 16-17). Looming US interest rate hikes are likely to dent emerging markets' comparably high yield allure. Also supporting our view for stable interest rates today are the recent increase in volatility in financial markets and mounting global growth concerns. For the remainder of the year, we anticipate the NBS to deliver at most one more 50bps rate cut, especially should the Fed push back the inception of its rate-hiking cycle.

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September 10, 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	1942.04	-1.4%	-5.7%	EUR/USD	1.119	-0.2%	-7.5%	UST - 10yr	2.20	0	3	GOLD	1108	0.0%	-6.5%
Nikkei 225	18299.62	-2.5%	4.9%	GBP/USD	1.5355	-0.1%	-1.4%	Bund-10yr	0.68	-2	14	BRENT CRUDE	47	-0.3%	-17.3%
STOXX 600	360.24	-1.0%	5.2%	USD/JPY	120.98	-0.4%	-1.1%	JGB - 10yr	0.35	-2	2	LMEX	2446	0.3%	-16.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	4.10	0	-581
1-week	4.23	0	-578
1-month	4.59	0	-546
3-month	5.00	0	-485
6-month	5.28	1	-451

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.85	2	-320
5Y RSD	7.39	0	-279
7Y RSD	8.64	0	-344

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.34	0	-92
USD Nov-24	6.46	0	-13

CDS

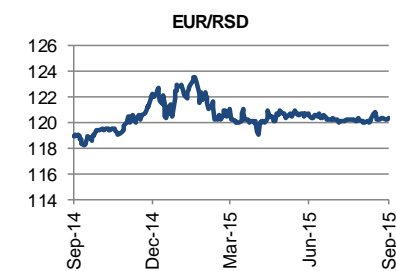
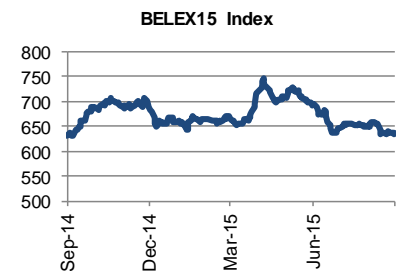
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.3	0.43%	-4.31%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.31	-0.05%	0.86%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.1	0	53
1-month	1.33	0	42
3-month	1.45	0	-25
6-month	1.64	0	-37
12-month	1.72	0	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	0	-39
5Y RON	2.33	0	-38
10Y RON	3.75	1	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.42	2	-31
USD Aug-23	3.76	-1	15

CDS

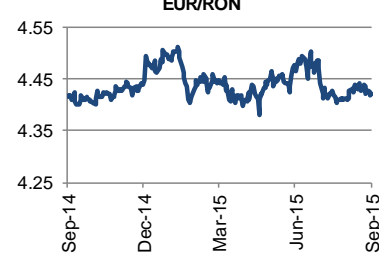
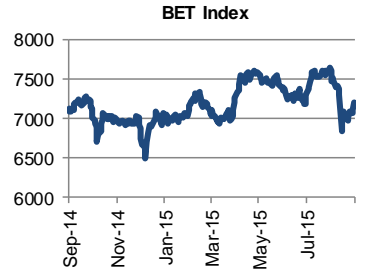
	Last	ΔDbps	ΔYTD bps
5-year	125	0	-17
10-year	165	0	-22

STOCKS

	Last	ΔD	ΔYTD
BET	7187.5	-0.18%	1.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4214	-0.07%	1.40%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.62	0	-17
12-month	1.22	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.53	8	-51
5Y BGN	0.70	-7	-74
10Y BGN	2.31	0	-44

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.48	0	-68
EUR Sep-24	2.84	-17	-3

CDS

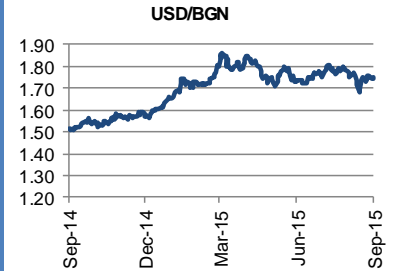
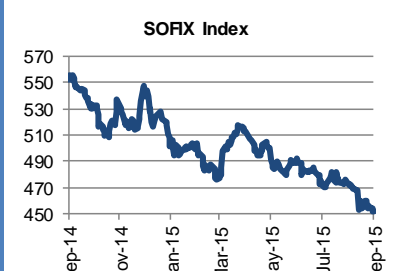
	Last	ΔDbps	ΔYTD bps
5-year	178	0	-13
10-year	225	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	451.9	0.10%	-13.45%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.748	-0.15%	-7.52%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:30 EEST

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