

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 08, 2015

## 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:** The majority of Asian bourses moved higher today but gains were limited amid heightened market concerns about a more severe than previously expected slowdown in China. In FX markets, the USD firmed against most safe-haven currencies including the JPY. On the data front, focus today is on the 2nd estimate of Eurozone Q2 GDP.

**GREECE:** Former Prime Minister and SYRIZA leader Alexis Tsipras reiterated to reporters during an interview yesterday night that his goal is SYRIZA to secure an absolute parliamentary majority in the upcoming early election. However, he indicated that if no party gains an absolute majority, a coalition government should be formed quickly "because nobody will take the responsibility of leaving the country ungoverned". A pre-election debate with the leaders of all political parties with parliamentary representation –aside from far-right Golden Dawn– will take place tomorrow evening. In other news, according to the General Government (GG) Budget Execution data for January to July 2015 arrears to third parties (outside the GG) increased by ca 64.3% compared to the end of December 2014 (from c. €3.0bn to c. €5.0bn).

### SOUTH EASTERN EUROPE

**ROMANIA:** Net wages increased by 1.7%MoM in July, bringing the rate of annual rise to 7.6%. The latter reading marks a modest slowdown from a near 4-year high advance of 7.8%YoY registered in the prior month. In all, the data continues to confirm robust wage growth so far this year, which is supporting the view that private consumption remains the leading growth driver in the domestic economy.

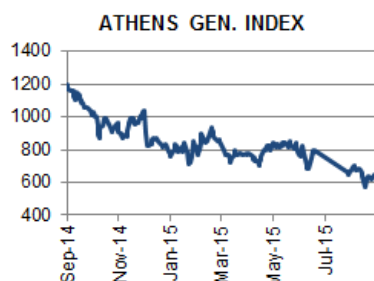
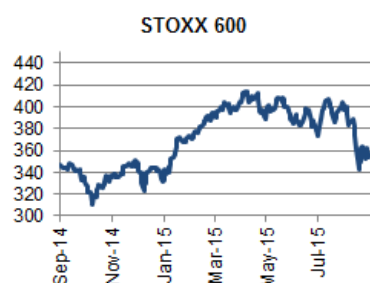
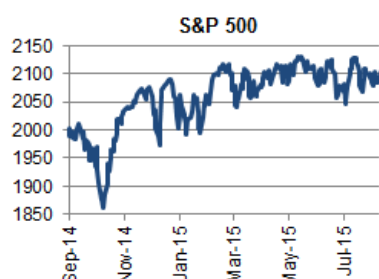
**CESEE MARKETS:** **CESEE stock markets** were mixed in early European trade on Tuesday amid mounting global growth concerns and lingering uncertainty about the timing of the inception of the Fed's rate-tightening cycle. Downbeat trade data released from China earlier today exacerbated concerns about the prospects of the world's second largest economy. Investor caution also prevails ahead of next week's FOMC meeting. In the FX markets, **CESEE currencies** were mixed, receiving though some support from a weaker US dollar against several major peers. In a similar vein, **government bonds** were mixed, with Turkish paper leading the way higher.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian bourses moved higher today but gains were limited amid heightened market concerns about a more severe than previously expected slowdown in China, the second largest economy globally. According to data released earlier today, China's exports fell by a lower than expected 5.5%YoY in August and imports disappointed declining by 13.8%YoY, following an 8.1%YoY fall in the prior month. In FX markets, the USD firmed against most safe-haven currencies including the JPY with the USD/JPY hitting a multi-session intraday high of 120.20 earlier today following a short-lived drop to a one-week trough of 118.45 yesterday. Data showing that Japan's Q2 GDP shrunk by a final 1.2% annual pace in Q2 2015, slightly higher than -1.6% previously reported, were broadly shrugged off by market participants. Elsewhere, the EUR/USD came under some pressure standing close to 1.1175/80 in European trade at the time of writing, after marking intraday highs near 1.2230 earlier in the day. On the data front, focus today is on the 2<sup>nd</sup> estimate of Eurozone Q2 GDP which is expected to confirm growth of 0.3%QoQ with domestic demand presenting the main growth driver. In the US, the data calendar remains quiet until next week when the next FOMC policy meeting is due along with August retail sales, industrial and inflation data.

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### GREECE

Echoing comments he delivered during his speech at the Thessaloniki International Fair on Sunday, former Prime Minister and SYRIZA leader Alexis Tsipras said to reporters during an interview yesterday night that his goal is SYRIZA to secure an absolute parliamentary majority in the upcoming early election (i.e., 151 seats or more at the 300-seat Parliament). However, he indicated that if no party gains an absolute majority, a coalition government should be formed quickly "because nobody will take the responsibility of leaving the country ungoverned". The party leader suggested that, if SYRIZA comes first but falls short of an absolute majority, it could possibly cooperate with PASOK and/or Potami (along with former coalition partner Independent Greeks if the latter manages to pass the 3% threshold and make it to Parliament). However, Mr. Tsipras ruled out again the prospect of an alliance between SYRIZA and New Democracy (ND) arguing that the two parties' ideology is completely different. Meanwhile, a pre-election debate with the leaders of all political parties with parliamentary representation –aided far-right Golden Dawn– will take place tomorrow evening. A second debate will follow on September 14 with the participation of the leaders of the two biggest parties, SYRIZA and ND.

According to the General Government (GG) Budget Execution data for January to July 2015 arrears to third parties (outside the GG) increased by ca 64.3% compared to the end of December 2014 (from c. €3.0 bn to c. €5.0 bn). At the same time GG tax arrears increased by ca 3.4% compared to the end of December 2014 (from €0.76 bn to €0.78 bn). In total (GG arrears and tax arrears) increased by ca 52.1% compared to the end of December 2014. Arrears are expected to increase in August 2015 due to the tight liquidity conditions of the Greek Government. In addition, the amount (ca €3.0 bn) of the first installment of the new ESM loan allocated for the clearance of arrears will remain undispersed possibly until the end of October due to the slow progress on the prerequisite reforms implementation.

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## Latest world economic & market developments in the CESEE region

### ROMANIA

Net wages increased by 1.7%MoM in July, bringing the rate of annual rise to 7.6%. The latter reading marks a modest slowdown from a near 4-year high advance of 7.8%YoY registered in the prior month. In all, the data continues to confirm robust wage growth so far this year, which is supporting the view that private consumption remains the leading growth driver in the domestic economy. This was also reflected in the latest retail sales data, released a few days ago, which showed a 13-month high 8.5%YoY increase for July, as well as in the preliminary Q2 2015 GDP data released on Friday which vindicated the view that an increase of 3.3%YoY in real economic activity was primarily led by final consumption expenditure of households. In other news, the finance ministry sold on Monday the planned RON 500mn amount of June 2017 T-Notes at an average accepted yield of 1.76%, a tad below of 1.86% achieved at the prior auction of the same paper held in June. The issue bears an annual coupon of 6.75% and yesterday's tender registered a bid to cover ratio of 3.87 reflecting strong investor demand.

### CESEE Markets

**CESEE stock markets** were mixed in early European trade on Tuesday amid mounting global growth concerns and lingering uncertainty about the timing of the inception of the Fed's rate-tightening cycle. Downbeat trade data released from China earlier today exacerbated concerns about the prospects of the world's second largest economy. Investor caution also prevails ahead of next week's FOMC meeting. Against this backdrop, main indices in Hungary and Bulgaria stood in the red at the time of writing, recording respective losses to the tune of 0.6% and 0.15%. On the other hand, Poland's WIG led the gains in the region with a 0.7% rebound, followed by Romania's BETI which posted a concomitant rise of 0.3%.

In the FX markets, **CESEE currencies** were mixed, receiving though some support from a weaker US dollar against several major peers. Along these lines, the Turkish lira recovered some ground, snapping a 5-session depreciation streak despite a sharper-than-anticipated deceleration in July's industrial production activity. In more detail, industrial output growth eased to just 0.3%YoY in July from 4.9%YoY in June (working day adjusted terms), coming in significantly below a consensus forecast of 3.7%YoY. It is also worth noting that July's print marks the slowest growth rate since January, when the sector was last in contraction. As a result, the USD/TRY hovered around levels of 3.0195 at the time of writing, remaining though within distance from yesterday's record peak near 3.0455. Looking ahead, the risks appear to be skewed for further lira weakness. In support of the aforementioned, the most recent macroeconomic data suggest that real economic activity is likely to decelerate further in the coming quarters, external vulnerabilities remain elevated and domestic political uncertainty is likely to prevail ahead of the November repeat general election. Moreover, the looming Fed's rate-hiking cycle is also another source of downside potential for the lira.

In a similar vein, **government bonds** were largely mixed earlier today. Turkish paper led the winners' pack as it appeared to have been oversold over the last five sessions. In more detail, the yields of the 2 and 10-year benchmark bonds edged lower to 11.04% and 10.49% at the time of writing, retreating from 1½-year closing highs of 11.07% and 10.57% respectively on Monday's settlement.

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

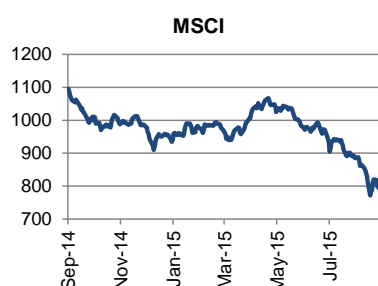
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

\* 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

## 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	1921.22	-1.5%	-6.7%	EUR/USD	1.116	0.2%	-7.8%	UST - 10yr	2.12	0	-5	GOLD	1119	-0.4%	-5.5%
Nikkei 225	17860.47	0.4%	2.3%	GBP/USD	1.5269	0.7%	-2.0%	Bund-10yr	0.66	-1	12	BRENT CRUDE	49	-2.1%	-15.3%
STOXX 600	354.32	0.3%	3.4%	USD/JPY	119.35	-0.3%	0.3%	JGB - 10yr	0.37	1	4	LMEX	2370	-2.0%	-18.7%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	409	1	-582
1-week	4.19	-1	-582
1-month	4.53	-6	-552
3-month	4.97	-3	-488
6-month	5.22	-8	-457

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.06	0	-303
5Y RSD	8.01	1	-217
7Y RSD	8.57	-1	-351

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.39	0	-87
USD Nov-24	6.47	0	-12

## CDS

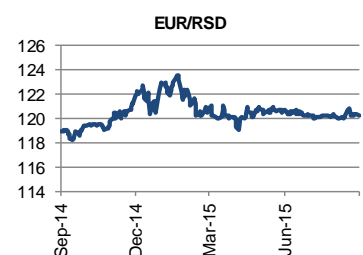
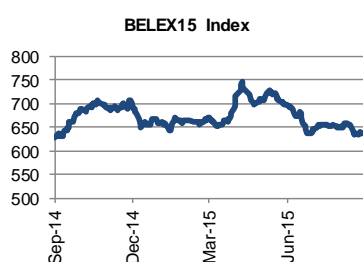
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.8	0.16%	-4.24%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.21	0.08%	0.95%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.99	-11	42
1-month	1.3	-5	39
3-month	1.43	-1	-27
6-month	1.64	-1	-37
12-month	1.74	-1	-28

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.93	-2	-38
5Y RON	2.37	-4	-34
10Y RON	3.73	-2	7

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.47	0	-26
USD Aug-23	3.83	3	21

## CDS

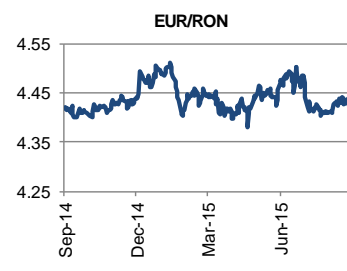
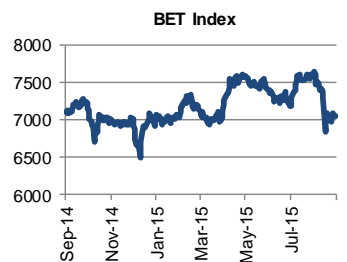
	Last	ΔDbps	ΔYTD bps
5-year	126	1	-16
10-year	166	1	-21

## STOCKS

	Last	ΔD	ΔYTD
BET	7050.3	-0.39%	-0.46%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4298	-0.05%	1.21%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	-2	0
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	0.43	2	-61
5Y BGN	0.80	-7	-64
10Y BGN	2.28	0	-47

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.51	0	-65
EUR Sep-24	2.81	25	-6

## CDS

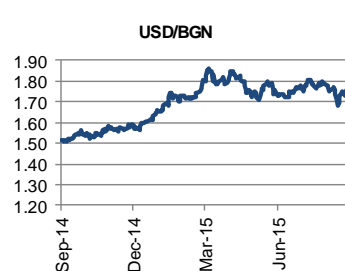
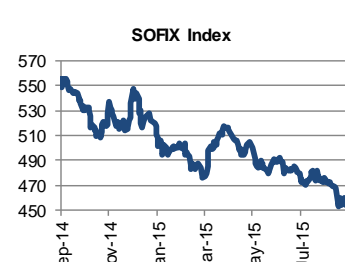
	Last	ΔDbps	ΔYTD bps
5-year	178	3	-13
10-year	225	3	-16

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	454.4	-0.44%	-12.97%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7525	0.10%	-7.76%



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

Data updated as of 16:50 EEST of previous session



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