

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 16, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- September 15
 - Retail sales (Jul)
 - Empire State Index (Sep)
 - Industrial production (Aug)
- September 16
 - CPI ((Aug)
 - NAHB (Sep)
- September 17
 - Initial jobless claims (Sep 12)
 - Housing starts (Aug)
 - Housing permits (Aug)
 - Philadelphia Fed Index (Sep)
 - FOMC meeting & press conference

EUROZONE

- September 15: ZEW Index (Sep)
- September 16: HICP (Aug)

GREECE

- September 14: Televised debate of the leaders of the two largest political parties
- September 17: U/E (Q2)
- September 20: National elections

SEE

BULGARIA

- September 14: CPI (Aug)
- September 17: Current account balance (Jul)

ROMANIA

- September 14: Current account balance (Jul)

SERBIA

- September 16: 2017 T-Notes auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street closed higher overnight, as positive US retail sales data overshadowed a weak US industrial production report. Against this background, US Treasury yields moved higher yesterday with the long-end underperforming. Taking their cue from the positive tone in Wall Street, major Asian bourses were firmer on Wednesday, while major European equity indices opened in the black as well. In FX markets, the EUR/USD eased to a one-week low of 1.1253/1.1254 in early European trade on Thursday, ahead of the two-day FOMC monetary policy meeting that starts later in the day. On the US data front, focus today is on the August CPI and September NAHB Housing Market Index, while in the Euro area HICP for August is also expected to grab investors' attention.

GREECE: According to a number of domestic political analysts and commentators, the published results of the most recent opinion polls suggest that the outcome of the September 20 snap election remains too close to call. In other news, Greece's Public Debt Management Agency (PDMA) is scheduled to auction €1.0bn of 3-month T-bills later in the day.

SOUTH EASTERN EUROPE

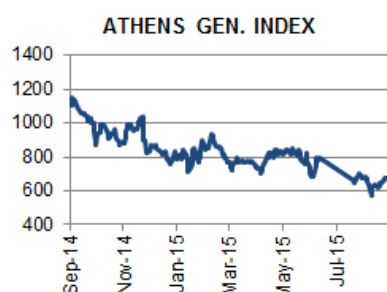
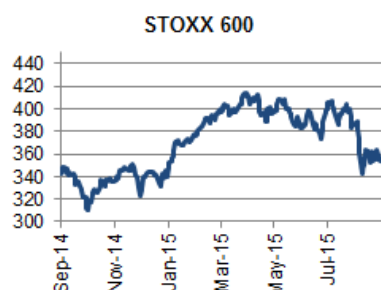
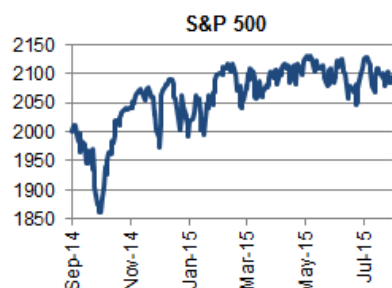
CESEE MARKETS: Trailing gains in major global stock markets, **emerging bourses** broadly firmed in early trade on Wednesday. Nonetheless, investor caution prevailed ahead of the conclusion of the FOMC meeting tomorrow. Against this backdrop, **CESEE currencies** were flat to firmer.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed higher overnight, as positive US retail sales data overshadowed a weak US industrial production report. In more detail, US core retail sales increased more-than-expected in August (0.4%MoM vs. consensus estimate of 0.3%MoM), with upward revisions in the June and July figures (to 0.3%MoM from 0.2%MoM and to 0.6%MoM from 0.3%MoM, respectively). On the flipside, August industrial production fell by 0.4%MoM, more than -0.2%MoM expected. Solid core retail sales, consistent with a healthy US consumer, reinforced expectations for higher interest rates ahead. Against this background, US Treasury yields moved higher yesterday with the long-end underperforming. The 10yr Treasury yield stood 10bps higher at a two-month high of 2.28% on Tuesday's settlement and the 2yr Treasury yield rose by 8bps to a 4.5-year high of 0.8%. Taking their cue from the positive tone in Wall Street, major Asian bourses were firmer on Wednesday, while major European equity indices opened in the black as well. In FX markets, the EUR/USD eased to a one-week low of 1.1253/1.1254 in early European trade on Thursday, ahead of the two-day FOMC monetary policy meeting that starts later in the day. On the US data front, focus today is on the August CPI and September NAHB Housing Market Index, while in the Euro area HICP for August is also expected to grab investors' attention.

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GREECE

According to a number of domestic political analysts and commentators, the published results of the most recent opinion polls suggest that the outcome of the September 20 snap election remains too close to call and, as things stand at this point, it may not outrightly produce a clear-cut outcome. Should this be the case, inter-party talks for the formation a new coalition government will likely follow the upcoming ballot. A number of high ranked officials from pro-European parties have already signaled their strong resolve for post-election political alliances so as a repeat election to be avoided. In other news, Greece's Public Debt Management Agency (PDMA) is scheduled to auction €1.0bn of 3-month T-bills later in the day. The auction of the same term that was held last week produced a 2.70% yield. The issue was oversubscribed 1.30 times and the PDMA accepted a total of €1.3bn.

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Latest world economic & market developments in the CESEE region

CESEE MARKETS

Trailing gains in major global stock markets, **emerging bourses** broadly firmed in early trade on Wednesday. Nonetheless, investor caution prevailed ahead of the conclusion of the FOMC meeting tomorrow. The market's median forecast is for the Fed to stay put on its monetary policy on Thursday. Despite the ongoing economic recovery in the US, inflation remains below target and global growth concerns have mounted of late in view of China-related jitters. As a result, market expectations for a Fed rate hike have been largely scaled back for later in the year. That said, a hawkish outcome tomorrow is likely to weigh on emerging market assets. On the other hand, a relief rally in regional assets may be witnessed in case the Fed adopts a dovish tone.

Against this backdrop, the MSCI Emerging Markets Index rallied by ca. 1.5% at the time of writing. Meanwhile, most indices in the CESEE region opened on a firm footing, recording gains to the tune of 0.1-0.4% in early European trade.

In FX markets, **CESEE currencies** were flat to firmer, with the Turkish lira leading the way higher for the second consecutive day. The USD/TRY eased to a multi-session low of 3.0060 intraday. However, the pair remains near a record high of 3.0710 hit in the prior session. Depreciation pressures on the Turkish currency have intensified in recent months in view of the looming Fed rate hike and escalating domestic political uncertainty. On the latter, repeat general elections are scheduled for November 1st after coalition negotiations between political parties that passed the necessary 10% threshold to enter parliament in the June 7 national ballot broke down paving the way for a return to the polls later this year. Moreover, likelihood for slowing domestic economic activity in the quarters ahead - as suggested by the most recent macroeconomic data - and external vulnerabilities may also weigh negatively on the lira.

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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

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

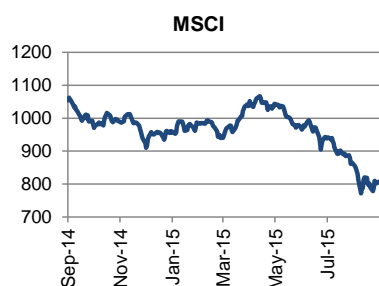
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.00	4.50

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-

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	1978.09	1.3%	-3.9%	EUR/USD	1.1276	0.1%	-6.8%	UST - 10yr	2.26	-3	9	GOLD	1105	0.0%	-6.7%
Nikkei 225	18171.60	0.8%	4.1%	GBP/USD	1.5343	0.0%	-1.5%	Bund-10yr	0.76	2	22	BRENT CRUDE	48	0.6%	-16.2%
STOXX 600	356.43	0.8%	4.1%	USD/JPY	120.31	0.1%	-0.5%	JGB - 10yr	0.37	-1	4	LMEX	2430	0.3%	-16.6%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	361	-2	-630
1-week	3.78	-4	-623
1-month	4.12	-7	-593
3-month	4.48	-10	-537
6-month	4.75	-11	-504

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.59	-1	-349
5Y RSD	7.08	0	-310
7Y RSD	8.39	-3	-369

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.24	0	-102
USD Nov-24	6.45	0	-14

CDS

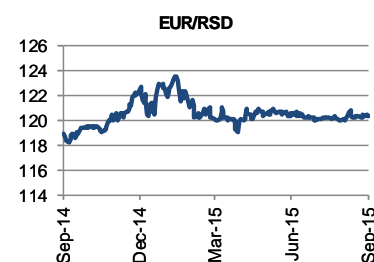
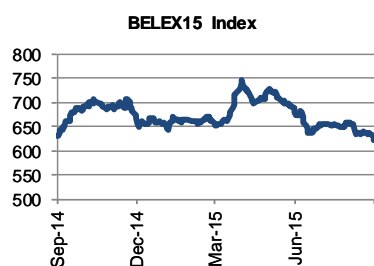
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	-1	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	621.4	-1.52%	-6.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.31	0.02%	0.86%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.67	0	10
1-month	1.3	0	39
3-month	1.44	0	-26
6-month	1.64	0	-37
12-month	1.72	0	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	0	-40
5Y RON	2.31	0	-40
10Y RON	3.73	0	7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.39	-2	-34
USD Aug-23	3.71	2	10

CDS

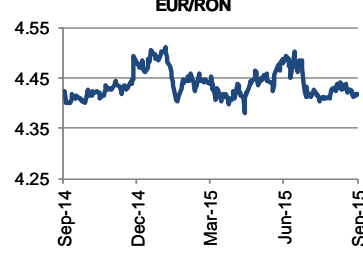
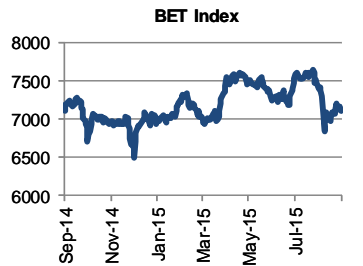
	Last	ΔDbps	ΔYTD bps
5-year	114	-3	-29
10-year	154	-3	-32

STOCKS

	Last	ΔD	ΔYTD
BET	7134.0	0.37%	0.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4179	0.00%	1.48%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.62	0	-18
12-month	1.21	0	-29

BG Local Bonds

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	0.43	-1	-60
5Y BGN	0.72	0	-72
10Y BGN	2.31	0	-44

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.41	0	-75
EUR Sep-24	2.77	-34	-10

CDS

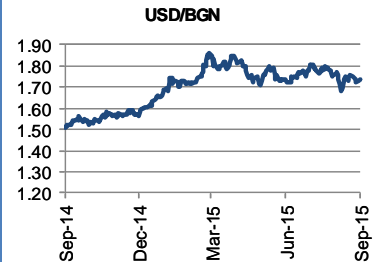
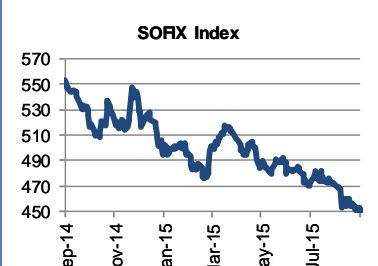
	Last	ΔDbps	ΔYTD bps
5-year	176	-3	-15
10-year	223	-3	-18

STOCKS

	Last	ΔD	ΔYTD
SOFIX	449.9	-0.57%	-13.83%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7347	0.05%	-6.81%



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

Data updated as of 09:50 EEST

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