

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, September 17, 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 in the black overnight, with the S&P 500 rising 0.9% to a one-month high of 1,995.31 points. In FX markets, the US dollar was under pressure on Thursday as weak US inflation data led investors to scale back their expectations for an interest rate hike at the September FOMC meeting that concludes later today. The FOMC monetary policy decision will be announced at 18:00 GMT, followed by a press conference by Chair Janet Yellen at 18:30 GMT.

SOUTH EASTERN EUROPE

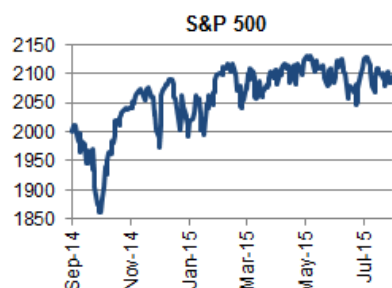
SERBIA: The Finance Ministry sold on Wednesday €50mn of 2-year T-Notes at an average accepted yield of 2.22% below 2.85% and 2.87% achieved at prior tenders of similar maturity paper held in July and May respectively.

CESEE MARKETS: Emerging bourses closed broadly higher on Wednesday and most kicked off Thursday on a positive footing ahead of the FOMC meeting announcement. Meanwhile, regional currencies and government bonds were mixed.

DISCLAIMER

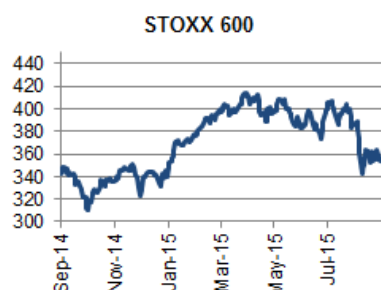
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Latest world economic & market developments

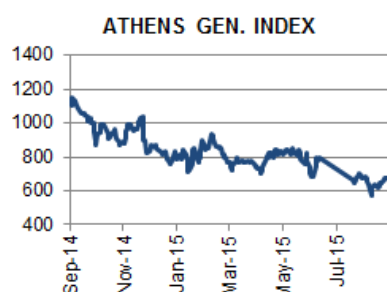


GLOBAL MARKETS

Wall Street closed in the black overnight, with the S&P 500 rising 0.9% to a one-month high of 1,995.31 points. Energy shares rallied due to an almost 6% daily surge in crude oil prices, while M&A activity among beer brewers also provided support to US equities. Adding to the positive tone, the NAHB Housing Market Index rose more-than-expected to 62 in September, from 61 in the prior month, pointing to further improvement in the US housing activity during Q3.



In FX markets, the US dollar was under pressure on Thursday with the DXY index hovering around levels of 95.15 in early European trade, as weak US inflation data led investors to scale back their expectations for an interest rate hike at the September FOMC meeting that concludes later today. In more detail, headline CPI declined in August for the first time in seven months (-0.1%MoM from +0.1%MoM in July), weighed down by declining energy prices (-2.0%MoM). Meanwhile, core CPI inflation increased 0.1%MoM in line with consensus estimates, but the annual growth rate remained at 1.8% vs. market expectations for an acceleration to 1.9%YoY.



Focus today is on the FOMC monetary policy decision which will be announced at 18:00 GMT, followed by a press conference by Chair Janet Yellen at 18:30 GMT. While market consensus was expecting for most of this year a Fed rate hike at the FOMC September meeting on the back of an acceleration in the US economic activity, those expectations have been recently scaled back due to the global financial turmoil, mainly driven by China.

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Source: Reuters, Bloomberg, Eurobank Research

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

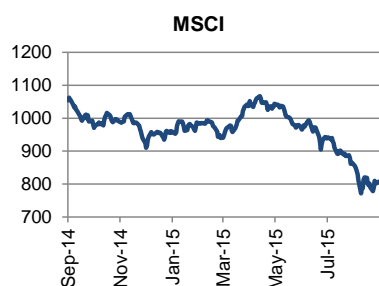
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

SERBIA

The Finance Ministry sold on Wednesday €50mn of 2-year T-Notes at an average accepted yield of 2.22%. The yield produced at yesterday's auction is below 2.85% and 2.87% achieved at prior tenders of similar maturity paper held in July and May, respectively. It is worth noting that the said decline in yields reflects improved investor demand as a result of the ongoing improvement in government finances. In support of the aforementioned, the bid to cover ratio at Wednesday's auction came in at 2.05. The issue matures on September 18, 2017 and bears a coupon of 2%.

CESEE MARKETS

Emerging bourses closed broadly higher on Wednesday and most kicked off Thursday on a positive footing ahead of the FOMC meeting announcement, due at 18:00 GMT today, where the market's median forecast is for stable interest rates. We reiterate that a hawkish outcome today is likely to weigh on emerging market assets, while a relief rally may be witnessed in case the Fed adopts a dovish tone. Along these lines, the MSCI Emerging Markets Index rose for the second session running on Thursday, posting gains to the tune of 0.6% which added to yesterday's near 2% rally. Indices in the CESEE region were rather mixed, with Romania's BETI index leading the way higher with a 0.8% advance and Ukraine's lower with a 0.8% decline.

In FX markets, **CESEE currencies** were mixed earlier on Thursday. The Turkish lira broadly underperformed its regional peers ahead of the FOMC decision (18:00 GMT) giving back some of the gains registered over the last two sessions (2% vs. the USD). In more detail, the USD/TRY hovered around levels of 3.0010 in early European trade today, above the prior session's settlement near 2.9980 and not too far from a record high of 3.0710 hit earlier in the week. On the other hand, the Serbian dinar was modestly firmer trading near a 3-week trough of 120.00/EUR. Meanwhile, the Ukrainian hryvnia led the gains in the region, with the USD/UAH sliding by 2.6% on the day to 21.30 at the time of writing.

In the local rates markets, **government bonds** were mixed. Indicatively, yield of the 3 and 10-year Romanian paper respectively fell by 4bps to 1.98% and rose by 11bps to 3.86% in European trade. Turkish paper was little changed with the corresponding 2 and 10-year yields standing nearly flat at 11.08% and 10.41%, respectively.

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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	1995.31	0.9%	-3.1%	EUR/USD	1.1327	0.3%	-6.4%	UST - 10yr	2.28	-2	11	GOLD	1120	0.0%	-5.5%
Nikkei 225	18432.27	1.4%	5.6%	GBP/USD	1.5501	0.1%	-0.5%	Bund-10yr	0.78	1	24	BRENT CRUDE	50	-0.5%	-13.6%
STOXX 600	360.80	-0.3%	5.3%	USD/JPY	120.88	-0.3%	-1.0%	JGB - 10yr	0.37	-1	4	LMEX	2448	0.7%	-16.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	361	0	-630
1-week	3.79	1	-622
1-month	4.13	1	-592
3-month	4.49	1	-536
6-month	4.76	1	-503

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.57	-2	-351
5Y RSD	7.08	-1	-310
7Y RSD	8.33	-2	-375

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.28	2	-98
USD Nov-24	6.45	0	-14

CDS

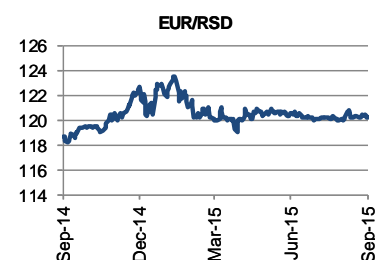
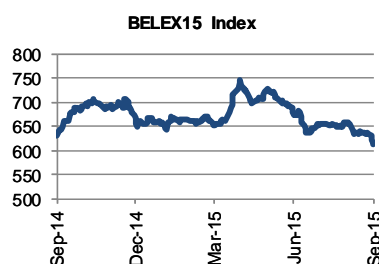
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	614.2	-0.16%	-7.92%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.19	0.05%	0.96%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	-3	1
1-month	1.36	3	45
3-month	1.46	2	-24
6-month	1.65	0	-36
12-month	1.73	0	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	-1	-39
5Y RON	2.35	-1	-36
10Y RON	3.80	1	14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.42	-1	-31
USD Aug-23	3.71	2	10

CDS

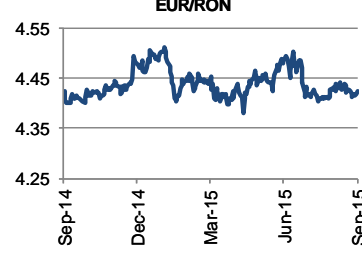
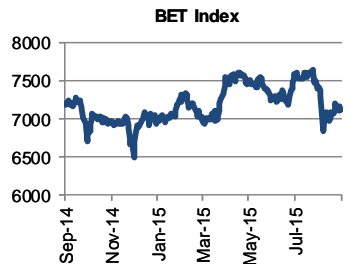
	Last	ΔDbps	ΔYTD bps
5-year	110	-3	-32
10-year	151	-4	-36

STOCKS

	Last	ΔD	ΔYTD
BET	7145.9	0.32%	0.89%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4228	0.00%	1.37%



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	-18
12-month	1.22	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	-2	-68
5Y BGN	0.59	-1	-85
10Y BGN	2.25	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.44	-5	-72
EUR Sep-24	2.80	-17	-7

CDS

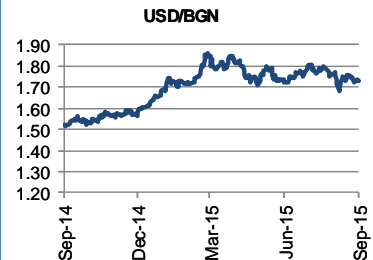
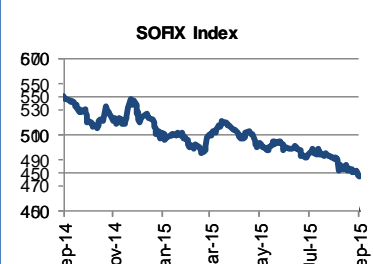
	Last	ΔDbps	ΔYTD bps
5-year	173	-3	-18
10-year	220	-3	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.5	-0.35%	-14.67%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7269	0.31%	-6.39%



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