

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 22: Existing home sales (Aug)
- September 24
 - Durable goods orders (Aug)
 - Initial jobless claims (Sep 19)
 - New home sales (Aug)
- September 25
 - GDP (Q2, f)
 - UoM Consumer Confidence (Sep)

EUROZONE

- September 23
 - PMI manufacturing/services (Sep)
 - ECB President Draghi speaks before the EU parliament's committee
- September 24: DE: Ifo business climate (Sep)

GREECE

- September 21: Current account deficit (Jul)

SEE

BULGARIA

- September 24: Gross external debt (Jul)

ROMANIA

- September 21: 4.75% 2025 T-Bonds auction
- September 24: 2.5% 2019 T-Bonds auction

SERBIA

- September 21: Current account balance (Jul)
- September 25: Real gross wages (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Trailing losses in Wall Street on Friday, most Asian stock markets closed in the red today amid mounting worries over global growth prospects after the Fed held off incepting its looming rate-hiking cycle citing concerns about the latest global economic and financial developments. On the flipside, European bourses moved broadly higher in early trade on Monday on the back of firmer bank and chemical shares. In FX markets, the US dollar recovered some of last week's losses incurred after the Fed stayed put on its monetary policy and adopted a more dovish than anticipated tone at its meeting last week. This week's focus primarily lies on flash manufacturing activity data from China and the eurozone on Wednesday as well as on housing data (September 22, 24) and the final Q2 GDP reading (Friday) from the US .

GREECE: The Greek general elections that took place yesterday, Sunday, September 20th, led to a clear victory of the previous Prime Minister Alexis Tsipras and his party SYRIZA. SYRIZA does not enjoy the absolute majority (151 parliamentary seats) that would allow it to form a government on its own and, as the party's leader suggested late yesterday, will cooperate with Independent Greeks, which was its coalition partner also during its previous term of office. In aggregate they hold 155 parliamentary seats.

SOUTH EASTERN EUROPE

ROMANIA: RON markets closed little changed on a weekly basis on Friday. On the flipside, RON-denominated government bonds came under pressure in the first part of last week as some market participants were bracing for a possible surprise at the Fed meeting on Thursday, but later fully recouped the losses incurred to end the week largely unchanged as the FOMC adopted a more dovish than anticipated tone at its September meeting.

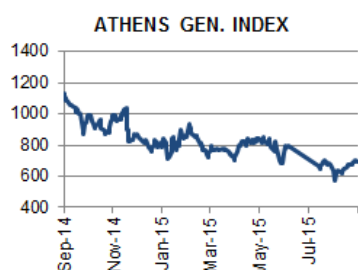
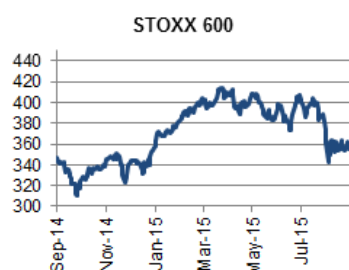
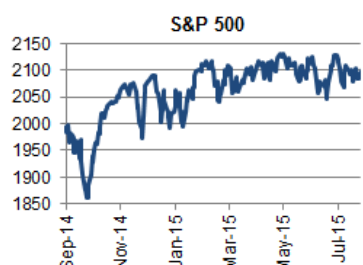
SERBIA: The dinar gained nearly 0.5% against the euro last week, with the EUR/RSD retreating from peak of 120.50/EUR hit a few sessions earlier. Looking ahead, we reiterate that EUR/RSD range-trading around 120.00-120.50/121.00 is likely to prevail in the weeks ahead.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Trailing losses in Wall Street on Friday, most Asian stock markets closed in the red today amid mounting worries over global growth prospects after the Fed held off incepting its looming rate-hiking cycle citing concerns about the latest global economic and financial developments. On the flipside, European bourses moved broadly higher in early trade on Monday on the back of firmer bank and chemical shares. Germany's DAX index bucked the positive trend with automakers' equities leading the way lower following news that US regulators accused Volkswagen that some 2015 diesel cars provided false emissions data, in a development that may reportedly lead to fines of up to \$18bn for the German carmaker. In FX markets, the US dollar recovered some of last week's losses incurred after the Fed stayed put on its monetary policy and adopted a more dovish than anticipated tone at its meeting last week. Monetary policy divergence between the Fed and other major Central Banks globally provided support to the USD. Against this backdrop, the DXY dollar index hovered around levels of 95.344 at the time of writing, having pulled back from a near 1-month trough of 94.063 hit on Friday. Meanwhile, the EUR/USD traded near 1.1289/90 in morning European trade on Monday, having recoiled from a 3-week peak near 1.1460 hit in the prior session. ECB officials' comments late last week that highlighted monetary policy divergence between the Eurozone and the US and suggested that the door is open for a potential expansion of the Central Bank's QE programme, if needed, also weighed on the euro. This week's focus primarily lies on flash manufacturing activity data from China and the eurozone on Wednesday as well as on housing data (September 22, 24) and the final Q2 GDP reading (Friday) from the US.

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GREECE

The Greek general elections that took place yesterday, Sunday, September 20th, led to a clear victory of the previous Prime Minister Alexis Tsipras and his party SYRIZA. SYRIZA managed to get 35.47% of the vote and 145 seats in Parliament (Jan 25th elections: 36.34%, 149 seats), New Democracy received 28.09% and 75 seats (Jan 25th elections: 27.81%, 76 seats), Golden Dawn received 6.99% and 18 seats (Jan 25th elections: 6.28%, 17 seats), Democratic Coalition (PASOK – DIMAR) received 6.28% and 17 seats (in the Jan 25th elections the two parties had run for Parliament separately, PASOK: 4.68%, 13 seats, DIMAR: 0.48%, 0 seats), KKE – the Greek Communist Party received 5.55% and 15 seats (Jan 25th elections: 5.47%, 15 seats), To Potami received 4.09% and 11 seats (Jan 25th elections: 6.05%, 17 seats), Independent Greeks received 3.69% and 10 seats (Jan 25th elections: 4.75%, 13 seats) and Centrists Union (Enosi Kentron) received 3.43% and 9 seats (Jan 25th elections: 1.79%, no seats). Popular Unity, the party formed by a number of dissenters from the previous government, including former Ministers Panagiotis Lafazanis, Dimitris Stratoulis and Nadia Valavani as well as the Speaker of the Hellenic Parliament Zoe Konstantopoulou, received 2.86% of the vote and did not make it to Parliament. Abstention reached 44.1% of the electorate, 7.5% higher than in the January elections. The first party, SYRIZA, does not enjoy the absolute majority (151 parliamentary seats) that would allow it to form a government on its own and, as the SYRIZA leader suggested late yesterday, will cooperate with Independent Greeks, which was its coalition partner also during its previous term of office. In aggregate they hold 155 parliamentary seats. The composition of the new cabinet is expected to be announced later today. The new government is expected to be sworn in on Tuesday.

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September 21, 2015

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

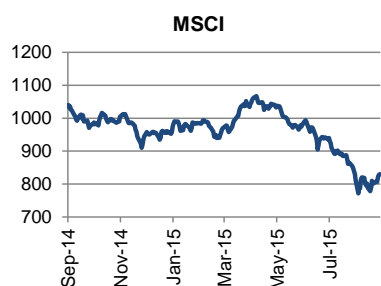
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.00	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

Latest world economic & market developments in the CESEE region

ROMANIA

RON markets closed little changed on a weekly basis on Friday. In more detail, the EUR/RON traded in a tight range between 4.4100/280 over the week, while short term RON rates fell towards the deposit facility at 0.25% as the end of the current reserve period approaches (September 23). In view of the inception of the new reserve period this week, the implied 1W rate remained around 1.00% while the 1M rate was little changed around 1.20% on a weekly basis on Friday. RON-denominated government bonds came under pressure in the first part of last week as some market participants were bracing for a possible surprise at the Fed meeting on Thursday. Along these lines, 3-10Y yields moved by around 10bps higher in the first four days of the week, but as the Fed adopted a more dovish than anticipated tone at its September meeting the bond market fully recouped the losses incurred in the previous sessions on Friday to end the week largely unchanged.

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SERBIA

The dinar gained nearly 0.5% against the euro last week, with the EUR/RSD retreating from peak of 120.50/EUR hit a few sessions earlier. Looking ahead, we reiterate that range-trading around 120.00-120.50/121.00 is likely to prevail in the weeks ahead. In support of the aforementioned, EUR/RSD downward pressures amid sluggish euro demand against strong dinar demand are likely to be offset by new Central Bank intervention should the pair attempt to move below the 120.00 level. Recall that, the Central Bank's Executive Board announced earlier in September that it decided to cut the FX reserve requirement ratio by one percentage point in each of the next six maintenance periods in order to additionally boost credit activity. This means that, as of 18 February 2016, EUR reserve requirement ratios on sources with the maturity of up to two years will be 20% instead of the current 26%, while ratios on sources of longer maturities will be 13% instead of the current 19%. Gradually, in the specter of six months, the Central Bank will release roughly EUR300mn of FX reserves which banks can use to expand their loan portfolios.

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September 21, 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	1958.03	-1.6%	-4.9%	EUR/USD	1.1288	-0.1%	-6.7%	UST - 10yr	2.15	2	-2	GOLD	1137	-0.2%	-4.0%
Nikkei 225	18070.21	-2.0%	3.5%	GBP/USD	1.5514	-0.1%	-0.4%	Bund-10yr	0.67	1	13	BRENT CRUDE	48	1.2%	-16.2%
STOXX 600	356.78	0.6%	4.2%	USD/JPY	120.33	-0.3%	-0.5%	JGB - 10yr	0.31	0	-2	LME X	2399	-2.0%	-17.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	361	0	-630
1-week	3.78	-1	-623
1-month	4.13	0	-592
3-month	4.48	-1	-537
6-month	4.75	-1	-504

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.61	2	-347
5Y RSD	7.09	0	-309
7Y RSD	8.28	-1	-380

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.13	1	-113
USD Nov-24	6.43	0	-16

CDS

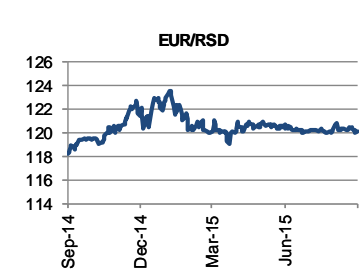
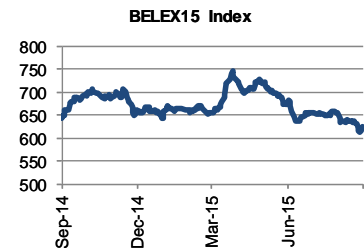
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.9	1.23%	-6.32%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.16	0.01%	0.99%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	-2	-1
1-month	1.4	3	49
3-month	1.45	0	-25
6-month	1.65	0	-36
12-month	1.74	1	-28

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.87	-2	-44
5Y RON	2.31	0	-40
10Y RON	3.73	0	7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.37	1	-36
USD Aug-23	3.58	1	-3

CDS

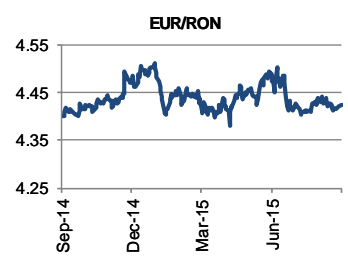
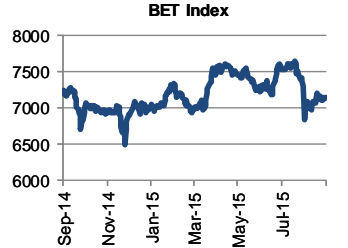
	Last	ΔDbps	ΔYTD bps
5-year	118	2	-25
10-year	162	2	-25

STOCKS

	Last	ΔD	ΔYTD
BET	7140.3	0.38%	0.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4225	-0.01%	1.38%



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	1.21	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.37	1	-67
5Y BGN	0.57	-1	-87
10Y BGN	2.22	0	-53

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.38	9	-78
EUR Sep-24	2.80	1	-7

CDS

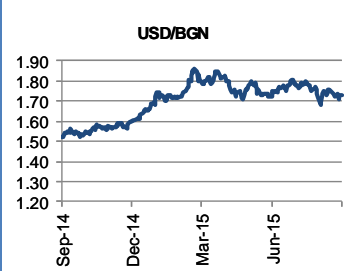
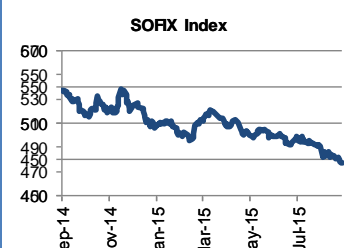
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-21
10-year	217	0	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.4	-0.22%	-14.87%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7327	-0.02%	-6.71%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:50 EEST

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