

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 22, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 21
 - Existing home sales (Aug)
 - Fed's Lockhart speaks
- September 22: Fed's Lockhart speaks
- September 23: Fed's Lockhart speaks
- September 24
 - Durable goods orders (Aug)
 - Initial jobless claims (Sep 19)
 - New home sales (Aug)
 - Fed Chair Yellen speaks in Amherst
- September 25
 - GDP (Q2, f)
 - UoM Consumer Confidence (Sep)
 - Fed's Bullard speaks
 - Fed's George speaks

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: Long-dated German government bond yields moved lower and the EUR weakened across the board following comments by ECB Chief Economist Peter Praet's comments that the Central Bank is ready to expand its stimulus measures, if needed, to ensure that inflation will return to the Central Bank's target of "below but close to 2%" over the medium-term.

GREECE: SYRIZA leader Alexis Tsipras was sworn in as Prime Minister yesterday while the new cabinet is reportedly expected to be officially announced later today or tomorrow, at the latest. In other news, the Euro Working Group reportedly convenes on Thursday, September 24, ahead of the upcoming Eurogroup scheduled for October 5 where the identification of the prior actions required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement will likely be an issue of discussions.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold on Monday RON 198.4mn (~€44.9mn) of 10-year T-bonds, slightly below than the RON 200mn amount initially planned. The average accepted yield came in at 3.75%, above 3.20% achieved at a prior tender of 2025 paper held in April, primarily reflecting the recent turmoil in global markets.

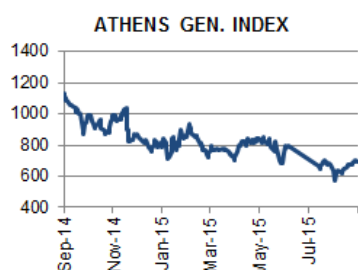
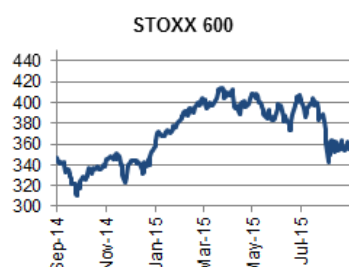
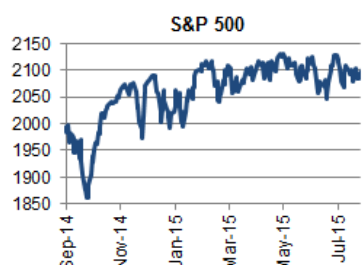
SERBIA: Prime Minister Aleksandar Vucic reportedly said earlier in the week that he anticipates real GDP growth to come in at 2% in 2016, from 1.0% expected this year, expressing belief for a further pick up to 3.0% in 2017. He added that the general government deficit is seen at 3.0-3.5% of GDP in 2015, nearly half of the 5.9% of GDP target for the year.

CESEE MARKETS: Emerging stock markets broadly fell earlier on Tuesday amid mounting worries over global growth prospects after the Fed held off incepting its looming rate-hiking cycle last week citing concerns about the latest global economic and financial developments. Meanwhile, CESEE currencies were flat to firmer in early European trade and government bonds were mixed. Fed Chair Yellen's speech and monetary policy meetings in Turkey and Hungary take centre stage today.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Long-dated German government bond yields moved lower with the 10-yr yield hitting a four-week low near 0.64% earlier today following comments by ECB Chief Economist Peter Praet's comments that the Central Bank is ready to expand its stimulus measures, if needed, to ensure that inflation will return to the Central Bank's target of "below but close to 2%" over the medium-term. Against this background, the 2/10-yr yield curve undertook some bullish flattening with the corresponding spread hovering around 89bps at the time of writing after ending slightly above 91bps in the prior session. In FX markets, the EUR weakened, marking a new multi-session low of 1.1155 against the USD in European trade. Meanwhile, comments by a number of FOMC policy officials over the weekend which increased expectations for a potential Fed interest rate hike before the end of this year, assisted the US currency to move higher across the board. For more clues over the Fed's monetary policy deliberations ahead, market focus is on FOMC Chairman Janet Yellen who is due to speak on "Inflation Dynamics and Monetary Policy" on Thursday, September 24.

GREECE

SYRIZA leader Alexis Tsipras was sworn in as Prime Minister yesterday while the new cabinet is reportedly expected to be officially announced later today or tomorrow, at the latest. According to the local press, Euclid Tsakalotos and Giorgos Stathakis will likely return to their post as Minister of Finance and Minister of Economy, Infrastructure, Shipping and Tourism, respectively. As per the same sources, the new government is considering to form a new ministry, dubbed by some media as "super Troika ministry" that will have the mandate to assess, among others, the implementation of the prior actions attached to the new ESM bailout program as well as the public debt issue. The said ministry is reportedly expected to be headed by George Chouliarakis, the head of the Council of Economic Advisors (SOE) and interim Minister of Finance under the outgoing caretaker government. In other news, the Greek Premier is reportedly expected to attend an emergency EU interior ministers meeting on the migration crisis in Brussels on Wednesday. As per the same sources, on the sidelines of that meeting, he is likely to meet both German Chancellor Angela Merkel and EU Commission President Jean-Claude Juncker. Separately, the Euro Working Group reportedly convenes on Thursday, September 24, ahead of the upcoming Eurogroup scheduled for October 5 where the identification of the prior actions required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement will likely be an issue of discussions.

ppetropoulou@eurobank.gr

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

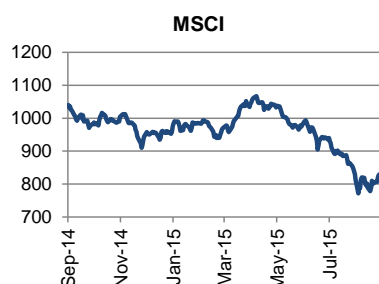
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest world economic & market developments in the CESEE region

ROMANIA

The finance ministry sold on Monday RON 198.4mn (~€44.9mn) of 10-year T-bonds, slightly below than the RON 200mn amount initially planned. The auction's bid to cover ratio was 1.18, while the issue bears an annual coupon of 4.75% and expires on February 24, 2025. The average accepted yield came in at 3.75%, above 3.20% achieved at a prior tender of 2025 paper held in April, primarily reflecting the recent turmoil in global markets. Mounting domestic political uncertainty in view of corruption allegations against Prime Minister Victor Ponta and heightened concerns about a potential deterioration in the country's fiscal position amid government-backed tax cuts may also had a negative impact in the domestic debt market.

SERBIA

Prime Minister Aleksandar Vucic reportedly said earlier in the week that he anticipates real GDP growth to come in at 2% in 2016, from 1.0% expected this year, expressing belief for a further pick up to 3.0% in 2017. He added that the general government deficit is seen at 3.0-3.5% of GDP in 2015, nearly half of the 5.9% of GDP target for the year.

CESEE MARKETS

Emerging stock markets broadly fell earlier on Tuesday amid mounting worries over global growth prospects after the Fed held off incepting its looming rate-hiking cycle last week citing concerns about the latest global economic and financial developments. In more detail, the MSCI Emerging Markets index fell modestly at the time of writing, while in the CESEE region most bourses slid by ca 0.1-0.4% at the time of writing.

In FX markets, **CESEE currencies** were flat to firmer in early European trade. The Romanian leu appeared largely unfazed by news that Prime Minister Victor Ponta was officially indicted last week and faces trial on charges of forgery, money-laundering and accessory to tax evasion. News that the opposition said yesterday that it will bring forward planned tax cuts if it wins the 2016 general election also appeared to have a rather limited impact on the Romanian currency, despite exacerbated concerns about fiscal slippages in the years ahead. Along these lines, the EUR/RON hovered around levels of 4.4165 at the time of writing, little changed from the prior session's settlement.

In the local rates markets, **CESEE government bonds** were mixed earlier on Tuesday. Polish paper broadly outperformed its regional peers with the corresponding 2 and 10-year benchmark yields falling by ca 3.5 and 6.5bps to 1.797% and 2.842%, respectively.

From a global perspective, Fed Chair Yellen's speech takes centre stage today. Meanwhile, in the CESEE region, monetary policy meetings in Turkey and Hungary also lure market attention. Both Central Banks are anticipated to hold their benchmark policy rates at 7.50% and 1.35%, respectively.

gphoka@eurobank.gr

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	1966.97	0.5%	-4.5%	EUR/USD	1.1204	0.1%	-7.4%	UST - 10yr	2.17	-4	-1	GOLD	1135	0.2%	-4.2%
Nikkei 225	18070.21	-2.0%	3.5%	GBP/USD	1.5477	-0.2%	-0.6%	Bund-10yr	0.65	-4	11	BRENT CRUDE	48	-1.5%	-15.9%
STOXX 600	351.23	-1.8%	2.5%	USD/JPY	119.87	0.6%	-0.2%	JGB - 10yr	0.31	0	-2	LMEX	2399	0.0%	-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	5.60	0	-348
5Y RSD	7.09	0	-309
7Y RSD	8.29	0	-379

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.14	1	-112
USD Nov-24	6.43	0	-16

CDS

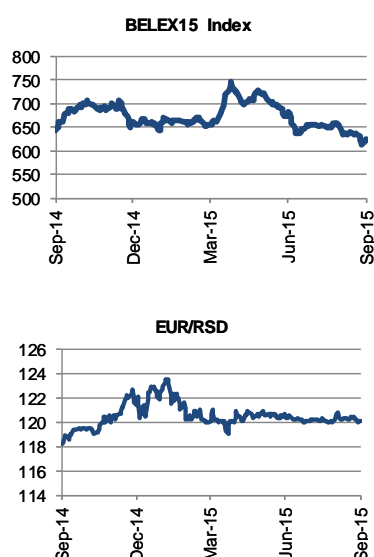
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	624.4	0.13%	-6.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.08	-0.03%	1.06%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	0	-1
1-month	1.48	8	57
3-month	1.48	3	-22
6-month	1.66	1	-35
12-month	1.73	-1	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	1	-41
5Y RON	2.32	1	-39
10Y RON	3.78	1	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.38	2	-35
USD Aug-23	3.62	2	1

CDS

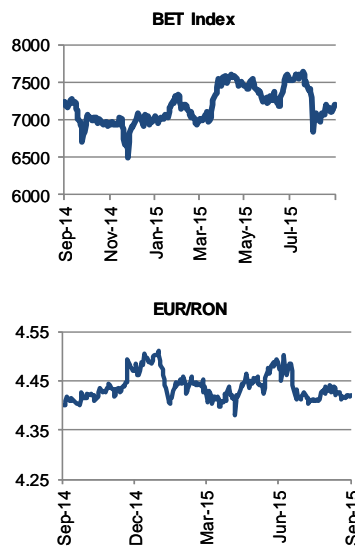
	Last	ΔDbps	ΔYTD bps
5-year	118	2	-25
10-year	162	2	-25

STOCKS

	Last	ΔD	ΔYTD
BET	7192.4	-0.28%	1.54%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4214	-0.04%	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	-18
12-month	1.21	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.72	36	-32
5Y BGN	0.47	0	-98
10Y BGN	2.17	0	-58

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.40	5	-76
EUR Sep-24	2.75	38	-12

CDS

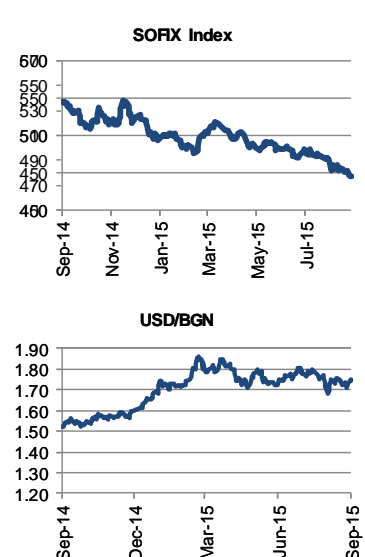
	Last	ΔDbps	ΔYTD bps
5-year	170	0	-21
10-year	217	0	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.4	-0.22%	-14.87%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7455	0.14%	-7.39%



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

Data updated as of 11:50 EEST

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 33 71 228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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