

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, September 25, 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: In a speech at the University of Massachusetts at Amherst, FOMC Chair Janet Yellen said most of the Committee members, including herself, expect an increase of the fed funds rate later this year. In response, major Asian bourses closed in the black on Friday, while European bourses opened higher and the US dollar firmed. Focus today is on Fed's James Bullard speech on monetary policy in St. Louis and Fed's Esther George speech on the US economy in Nebraska, while ECB policy maker Jens Weidmann is due to hold a press conference in Florence. On the US data front, the final estimates of Q2 GDP and University of Michigan Consumer Sentiment for September take centre stage.

GREECE: According to the local press, the Euro Working Group convened yesterday and discussed, among others, a list of milestones required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement.

SOUTH EASTERN EUROPE

BULGARIA: Gross external debt totaled €35.9bn at end-July 2015, equivalent to 83.7% of projected GDP, marking a €3.4bn decrease (-8.7%YoY) compared to the end of last year when gross external debt stood at €39.4bn, or 93.7% of GDP.

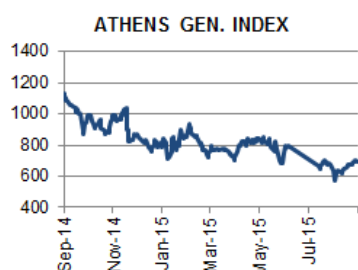
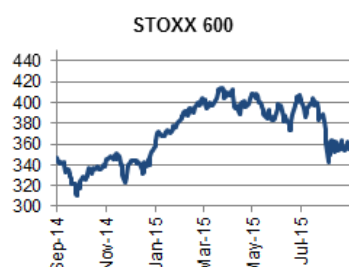
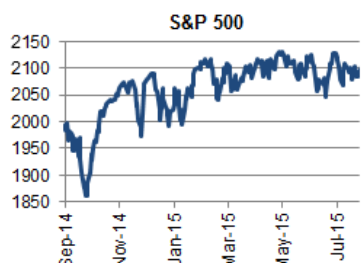
ROMANIA: The MoF sold at an auction on Thursday the planned RON 500m (~€113.3mn) worth of 4-year T-Bonds with the average accepted yield at 2.23%, below 2.42% achieved at a prior tender of similar maturity paper held in August. Speaking on the sidelines of the Eastern Europe Investment Summit on Thursday, deputy Treasury director Diana Popescu said that the government plans to sell a benchmark Eurobond worth ca €1-1.5bn before the end of the year, currently "monitoring market conditions so as to choose the right moment to issue".

CESEE MARKETS: Trailing gains in major Asian and European bourses earlier today, emerging stock markets broadly firmed in European trade on Friday. Similarly, **CESEE currencies** broadly firmed, while **government bonds** were flat to weaker.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

In a speech at the University of Massachusetts at Amherst, FOMC Chair Janet Yellen said most of the Committee members, including herself, expect an increase of the fed funds rate later this year. In response, major Asian bourses closed in the black on Friday, while European bourses opened higher, rebounding from an eight-month low hit yesterday, as Fed Chair Yellen's comments somewhat soothed uncertainty over the FOMC's future path of monetary policy. In FX markets, the US dollar firmed, with the DXY index hovering near a one-month high of 96.60 in early European trade. Against this background, the EUR/USD was trading ca. 1.0% lower to 1.1128/29 at the time of writing, while the USD/JPY rose to 120.84/85 after hitting a one-week low near 119.20 in the prior session. Focus today is on Fed's James Bullard speech on monetary policy in St. Louis and Fed's Esther George speech on the US economy in Nebraska, while ECB policy maker Jens Weidmann is due to hold a press conference in Florence. On the US data front, the final estimates of Q2 GDP and University of Michigan Consumer Sentiment for September take centre stage.

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GREECE

According to the local press, the Euro Working Group convened yesterday and discussed, among others, a list of milestones required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement. As per the same sources, the said amount will be paid in two installments. The first, amounting to €2bn, will be disbursed upon completion of a set of prior actions outlined in the MoU, that will be specified in the upcoming Eurogroup on October 5. The second installment amounting to €1bn will be reportedly released by early November and will be attached to a relatively more harsh set of prior actions including, inter alia, fiscal policy measures (e.g. the first step of a gradual abolishment of the refund of excise tax on diesel oil for farmers), pension reform and measures for the resolution of NPLs.

According to the final Central Government (CG) Budget Execution data for the January – August 2015 period, the budget balance recorded a ca €1.1bn deficit, improved relative to the respective 2015 Budget target (deficit at ca €1.7bn). Yet, that came on the back of a significant shortfall in ordinary budget net revenue by ca €4.1bn (or -12.4%) relative to the respective 2015 Budget target and the similar underperformance of ordinary budget expenditure by ca €3.2bn (or -9.6%) relative to the respective 2015 Budget target. As a result, the primary balance recorded a surplus of ca €3.8bn, significantly outperforming the 2015 Budget target (primary deficit of ca €3.8bn).

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Latest world economic & market developments in the CESEE region

BULGARIA

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

Gross external debt totaled €35.9bn at end-July 2015, equivalent to 83.7% of projected GDP, marking a €3.4bn decrease (-8.7%YoY) compared to the end of last year when gross external debt stood at €39.4bn, or 93.7% of GDP. On an annual basis, gross external debt dropped by €2.6bn from €38.4bn over the same period a year earlier. The breakdown of the data showed that the decline was broad-based with the general government sub-component falling by 0.2%YoY to €6.0bn, banks' external debt sliding by 22.9%YoY to €4.2bn and the stock of intercompany lending dropping by 14.4%YoY to €13.6bn. On the flipside, a concomitant increase of 1.0%YoY to €12.1bn in other sectors somewhat cushioned the fall in the headline figure.

ROMANIA

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

The MoF sold at an auction on Thursday the planned RON 500m (~€113.3mn) worth of 4-year T-Bonds with the average accepted yield at 2.23%, below 2.42% achieved at a prior tender of similar maturity paper held in August. The issue, which expires on April 29, 2019, bears an annual coupon of 2.5%. The bid-to-cover ratio stood at 2.7, reflecting strong investor demand. Speaking on the sidelines of the Eastern Europe Investment Summit on Thursday, deputy Treasury director Diana Popescu said that the government plans to sell a benchmark Eurobond worth ca €1-1.5bn before the end of the year, currently "monitoring market conditions so as to choose the right moment to issue". She left the door open for a potential second issue if conditions improve significantly, but also suggested that the ministry also has the option of a €750 World Bank loan.

CESEE MARKETS

Trailing gains in major Asian and European bourses earlier today, emerging stock markets broadly firmed in European trade on Friday. Against this backdrop, the MSCI Emerging Markets index firmed by ca 0.8% at the time of writing, snapping a 4-session losing streak and rebounding from a 2½-week low hit in the prior day. Yet, the index remained poised to end the week with hefty losses of around 4.5% amid persisting concerns about China's economic growth prospects and expectations for higher Fed interest rates ahead.

Similarly, **CESEE currencies** broadly firmed, while **government bonds** were flat to weaker earlier on Friday. In the FX markets, the Hungarian forint bucked the positive trend in the region, falling for the fourth consecutive day, with its losses exacerbated after the National Bank of Hungary announced earlier in the week it reduced the upper and lower bounds of the interest rate corridor by 25bps, cutting "the interest rate paid on O/N deposits to 0.1 per cent and the interest rate to be paid on O/N credit to 2.1 per cent with effect from 25 September 2015, in order to enhance the efficiency of self-financing". Along these lines, the EUR/HUF hovered around levels of 314.02 at the time of writing, ca 0.1% higher compared to the prior session's settlement, remaining within distance from yesterday's 2-week peak of 315.60.

Markets in Turkey are closed for holiday today, while the calendar includes Romanian finance ministry's budget balance data for the first eight months of the year and August's real gross wages from Serbia.

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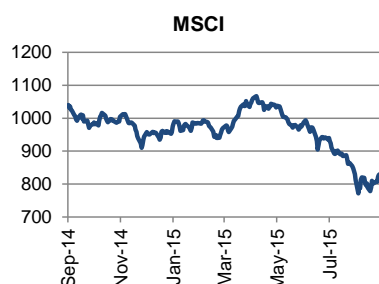
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	1932.24	-0.3%	-6.2%	EUR/USD	1.1143	-0.8%	-7.9%	UST - 10yr	2.17	4	-1	GOLD	1145	-0.8%	-3.4%
Nikkei 225	17880.51	1.8%	2.5%	GBP/USD	1.5228	-0.1%	-2.2%	Bund-10yr	0.65	4	11	BRENT CRUDE	48	0.1%	-15.9%
STOXX 600	349.24	2.8%	2.0%	USD/JPY	120.99	-0.8%	-1.1%	JGB - 10yr	0.32	-1	-1	LMEX	2335	0.3%	-19.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	357	0	-634
1-week	3.81	3	-620
1-month	4.14	2	-591
3-month	4.50	3	-535
6-month	4.78	4	-501

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.28	2	-381
5Y RSD	7.09	0	-309
7Y RSD	8.29	-1	-379

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.37	-3	-89
USD Nov-24	6.44	-1	-15

CDS

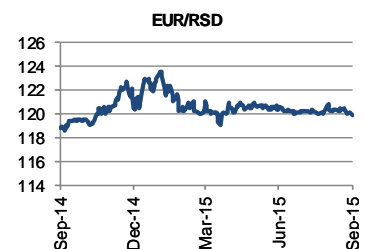
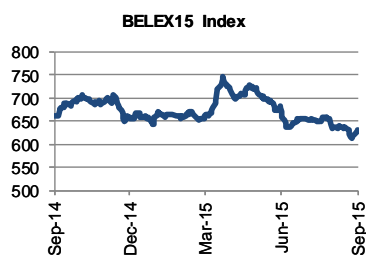
	Last	ΔDbps	ΔYTD bps
5-year	280	4	-10
10-year	325	3	-32

STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.0	0.51%	-5.40%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.98	0.02%	1.14%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.63	4	106
1-month	1.48	0	57
3-month	1.48	0	-22
6-month	1.65	-1	-36
12-month	1.73	0	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	0	-41
5Y RON	2.31	1	-40
10Y RON	3.64	0	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.40	0	-33
USD Aug-23	3.70	0	8

CDS

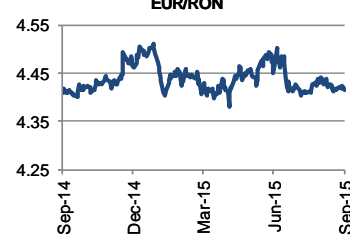
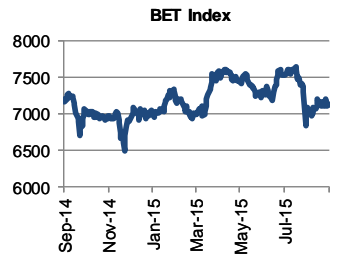
	Last	ΔDbps	ΔYTD bps
5-year	133	3	-10
10-year	178	3	-8

STOCKS

	Last	ΔD	ΔYTD
BET	7179.0	0.81%	1.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4147	0.14%	1.56%



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	0.44	1	-60
5Y BGN	0.67	1	-78
10Y BGN	2.28	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.37	7	-79
EUR Sep-24	2.84	-16	-3

CDS

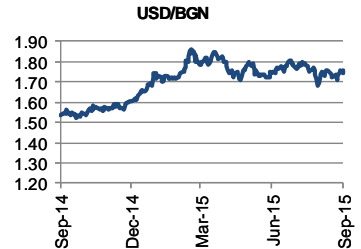
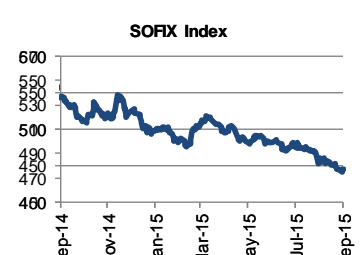
	Last	ΔDbps	ΔYTD bps
5-year	180	5	-11
10-year	229	6	-12

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.3	-0.22%	-14.91%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7552	-0.77%	-7.90%



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

Data updated as of 12:20 EEST

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