

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- September 28
  - Personal income/spending (Aug)
  - Core PCE defl. (Aug)
  - Pend home sales (Aug)
  - Fed's Dudley, Evans, Williams speak
- September 29: CB consum. confidence (Sep)
- September 30
  - ADP empl. (Sep)
  - Chicago PMI (Sep)
  - Fed's Dudley, Yellen, Bullard speak
- October 1
  - Jobless claims (Sep 26)
  - ISM manuf (Sep)
  - Fed's Brainard, Williams speak
- October 2
  - NFP (Aug)
  - Factory orders (Sep)

##### EUROZONE

- September 29: ESI (Sep)
- September 30
  - HICP (Sep)
  - U/E rate (Aug)
- October 1: PMI man. (Sep)

##### GREECE

- September 30: Retail sales (Jul)

##### SEE

##### BULGARIA

- September 28: T-bonds auction
- September 30: Budget balance (Aug)

##### ROMANIA

- September 29: No-confidence vote
- September 30
  - ILO U/E rate (Aug)
  - MPC announcement
- October 2: Retail sales (Aug)

##### SERBIA

- September 30
  - Industrial prod (Aug)
  - Trade balance (Aug)
  - Retail sales (Aug)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Asian bourses kicked off the week mixed and European stock markets broadly fell at the time of writing on caution ahead of significant macro announcements including, among other, China's PMI on Thursday and US nonfarm payrolls on Friday. In FX markets, the DXY US dollar index consolidated around levels of 96.300 in early European trade, while the EUR/USD modestly eased on recent Fed Chair Yellen's comments for a possible rate hike later this year and supportive macroeconomic US data released late last week. Focus today is on FOMC voting members' speeches. On the US data front, the personal spending and income growth as well as the headline and core PCE deflator for August are in focus today.

**GREECE:** In a discussion between the Prime Minister Alexis Tsipras and former US President Bill Clinton, organized yesterday by the Clinton Foundation in Washington, the Greek PM stressed the commitment of the new government to reforms in order to fight tax evasion, establish meritocracy in the public administration and curtail corruption. According to data published on Friday by the Bank of Greece, the annual growth rate of total credit extended to domestic private sector stood at -1.6% in August, against -1.5% in the previous month.

### SOUTH EASTERN EUROPE

**BULGARIA:** Trailing losses in emerging stock markets, the local equity market retained its downward trajectory last week. Meanwhile, local sovereign yields saw some adjustment to the upside.

**ROMANIA:** The EUR/RON traded within a very tight range between 4.4160/270 for most of last week. On the money market, short term rates rose, while longer rates were roughly unchanged. Meanwhile, RON-denominated government bonds extended their post-Fed relief rally last week, with the yield curve undertaking some bullish-flattening.

**SERBIA:** The EUR/RSD closed modestly lower around 119.65/85 last week, having broken below key support level of 120.00, amid increased euro supply in the FX market. At this junction, we anticipate consolidation around current levels to prevail. Yet, further EUR/RSD downside cannot be ruled out, but will be conditional on the lack of new Central Bank intervention.

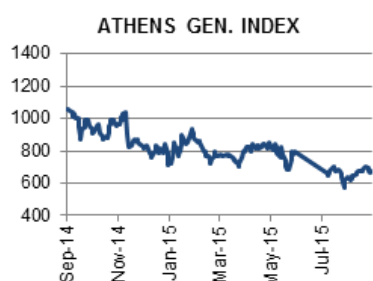
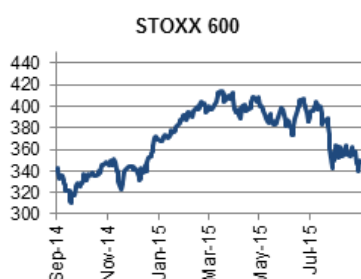
**CESEE MARKETS:** CESEE assets were broadly mixed in early European trade on Monday, ahead of upcoming key data releases and events over the next few days. Looking into **this week**, a no-confidence vote in Romania against the government of Prime Minister Ponta (Tuesday) and Romania's MPC meeting (Wednesday) take centre stage in the region. Globally, focus is on China's September manufacturing data on Thursday and September's non-farm payrolls from the US on Friday.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian bourses kicked off the week mixed on caution ahead of significant macro announcements including, among other, China's PMI on Thursday and US nonfarm payrolls on Friday. Chinese bourses erased earlier losses of ca. 1.6% on Monday, as a rally for technology shares upstaged the weak industrial companies' earnings report, which showed that profits fell the most in at least four years. Elsewhere, caution also prevailed in most European equity indices in early trade, with the Stoxx600 index losing ca.0.3% at the time of writing. In FX markets, the DXY US dollar index consolidated around levels of 96.300 in early European trade, moving away from a one-month high of 96.700 hit on Friday. Separately, the EUR/USD was trading about 0.3% lower at 1.1166/67 at the time of writing on recent Fed Chair Yellen's comments for a possible rate hike later this year and supportive macroeconomic US data, after falling to 1.1116 on Friday's intraday trade. In more detail, the third estimate of US Q2 GDP growth was revised upwardly to 3.9%QoQ saar from 3.7% in the second estimate, primarily led by stronger domestic demand growth. Furthermore, the University of Michigan consumer sentiment index was revised up in the final September estimate, to 87.2 from a preliminary estimate of 85.7. Focus today is on Fed official's speeches of William Dudley, Charles Evans and John Williams, who are voting members of FOMC. On the US data front, the personal spending and income growth as well as the headline and core PCE deflator for August will likely be scrutinized by market participants.

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### GREECE

In a discussion between the Prime Minister Alexis Tsipras and former US President Bill Clinton, organized yesterday by the Clinton Foundation in Washington, the Greek PM stressed the commitment of the new government to reforms in order to fight tax evasion, establish meritocracy in the public administration and curtail corruption. In addition, he reiterated that among the primary goals of the new government is the attraction of investments in areas such as, among others, tourism, agriculture, informatics, energy and pharmaceuticals.

According to data published on Friday by the Bank of Greece, the annual growth rate of total credit extended to domestic private sector stood at -1.6% in August, against -1.5% in the previous month. More specifically the annual growth rate of credit to corporations was -0.2% (0.0% in the previous month), the annual growth rate of credit to sole proprietors and unincorporated partnerships stood at -0.6% (unchanged from the previous month) and the annual growth rate of credit to individuals and private non-profit institutions stood at -3.1% (unchanged from the previous month).

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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

Trailing losses in emerging stock markets, the local equity market retained its downward trajectory last week. The main SOFIX index marked its third weekly drop of 0.4% to a 26-month low of 442.67 points, down by ca. 4% since the beginning of the month. Meanwhile, local sovereign yields saw some adjustment to the upside with the 5-year notes rising by 11bps on the week. The next treasury auction is scheduled to be held today for BGN 50mn in 10-year bonds. Last time the issue was reopened was in April, when the average accepted yield came in at 2.04% and the bid/cover ratio at 2.44.

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### 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 EUR/RON traded within a very tight range between 4.4160/270 for most of last week. Friday was the exception with a short-lived intraday dip to 4.4050. However, the leu quickly recovered, closing the week little changed around 4.4150. On the money market, short term rates rose to 1.50% from 0.50% last week due to the tax payments period, temporarily draining market of liquidity. The implied 1M rate increased around 10 bps to 1.30%, while longer rates were roughly unchanged. Meanwhile, RON-denominated government bonds extended their post-Fed relief rally last week, with the yield curve undertaking some bullish-flattening. Yields up to 4-yrs were little changed. Those of longer tenure moved lower, with the corresponding 10-year easing by ca 10bps compared to last Friday's settlement.

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### SERBIA

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

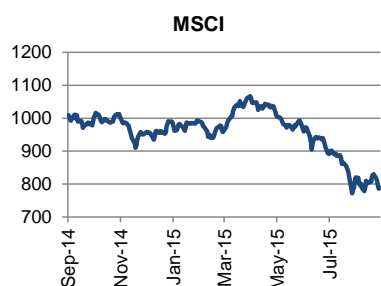
Source: Reuters, Bloomberg, Eurobank Research, National Authorities

The EUR/RSD closed modestly lower around 119.65/85 last week, having broken below key support level of 120.00, amid increased euro supply in the FX market. Confounding investor expectations, the Central Bank has so far withheld from intervening in the FX market in order to halt the dinar's upside momentum, as it had done in the recent past when the pair approached the 120.00 level. At this junction, we anticipate consolidation around current levels to prevail. Yet, further EUR/RSD downside cannot be ruled out, but will be conditional on the lack of new Central Bank intervention.

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### CESEE MARKETS

**CESEE assets were broadly mixed** in early European trade on Monday, ahead of upcoming key data releases and events over the next few days. Looking into **this week**, a no-confidence vote in Romania against the government of Prime Minister Ponta (Tuesday) and Romania's MPC meeting (Wednesday) take centre stage in the region. On the former, the motion is broadly anticipated to fail, as the government enjoys parliamentary majority. Meanwhile, on the latter, the market's median forecast is for the Central Bank to stand pat at its monetary policy on Wednesday and maintain its key policy rate at the current record low level of 1.75%. Speeches by Hungarian, Polish and Turkish Central Bank Governors on Wednesday also lure market attention. On the macro front, September's PMI manufacturing data for the region are due for release on Thursday, while CPI for September in Poland (Wednesday), retail sales in Romania (August, Friday) and Serbia (August, Wednesday) as well as Serbia's August industrial production and trade balance on Wednesday are among the key releases in the region. On a global perspective, focus is on China's September manufacturing data on Thursday and September's non-farm payrolls from the US on Friday.

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L-T ccy	Credit Ratings		
	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

September 28, 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	1931.34	0.0%	-6.2%	EUR/USD	1.1196	0.0%	-7.5%	UST - 10yr	2.15	-1	-2	GOLD	1137	-0.8%	-4.0%
Nikkei 225	17645.11	-1.3%	1.1%	GBP/USD	1.5231	0.3%	-2.2%	Bund-10yr	0.64	-1	10	BRENT CRUDE	48	-0.7%	-15.9%
STOXX 600	347.91	-0.4%	1.6%	USD/JPY	120.3	0.2%	-0.5%	JGB - 10yr	0.36	3	3	LMEX	2317	-0.8%	-20.5%

**CESEE MARKETS**

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	5.29	1	-379
5Y RSD	7.09	0	-309
7Y RSD	8.28	-1	-380

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.36	-1	-91
USD Nov-24	6.44	0	-15

**CDS**

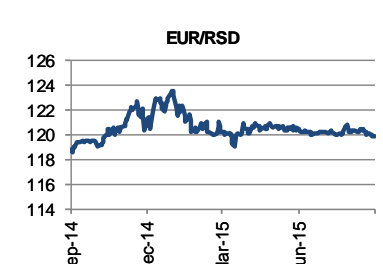
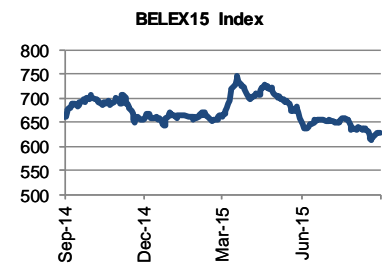
	Last	ΔDbps	ΔYTD bps
5-year	280	0	-10
10-year	326	1	-31

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	629.4	-0.01%	-5.64%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.87	-0.03%	1.24%



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.63	0	106
1-month	1.48	0	57
3-month	1.48	0	-22
6-month	1.66	1	-35
12-month	1.74	1	-28

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	-1	-41
5Y RON	2.31	0	-40
10Y RON	3.65	-1	-1

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.39	2	-34
USD Aug-23	3.68	-2	6

**CDS**

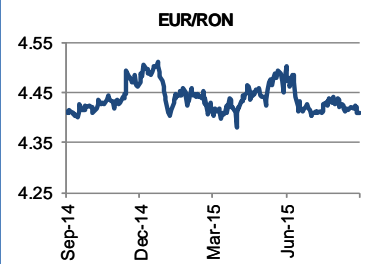
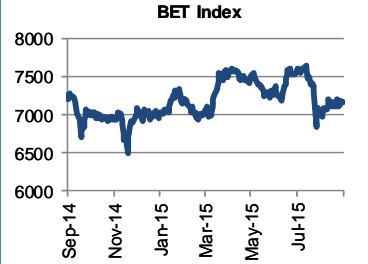
	Last	ΔDbps	ΔYTD bps
5-year	136	3	-7
10-year	181	3	-5

**STOCKS**

	Last	ΔD	ΔYTD
BET	7159.8	-0.42%	1.08%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4092	0.02%	1.69%



**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	0.42	0	-62
5Y BGN	0.60	-5	-84
10Y BGN	2.22	0	-53

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.34	9	-82
EUR Sep-24	2.81	-2	-5

**CDS**

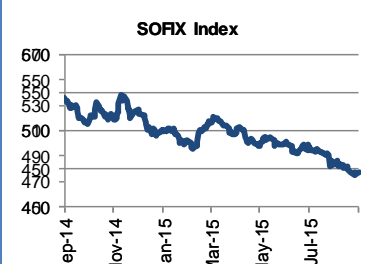
	Last	ΔDbps	ΔYTD bps
5-year	179	-1	-12
10-year	228	-1	-13

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	444.4	0.38%	-14.89%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7471	-0.02%	-7.48%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:20 EEST

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