

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: Wall Street lost ground overnight as the sharp decline in Chinese industrial profits heightened concerns about a global economic slowdown, shrugging off stronger-than-expected US consumption growth in August and upward revisions in July's growth. Meanwhile, Fed William Dudley and John Williams both expressed their support for an interest rate hike this year, raising investors' concerns that the Fed will soon embark on its first tightening cycle in almost a decade at a time of increased concerns about the prospects of the global economy. Mirroring the negative tone in Wall Street overnight, Asian bourses edged down significantly on Tuesday while European equity indices opened in the red as well. In FX markets, the yen strengthened broadly as the global equity sell-off increased demand for the safe-haven Japanese currency. On the macro front, euro-area economic sentiment indicator as well as US conference Board consumer confidence for September will lure market attention today.

GREECE: In an interview to an international newspaper, Greece's Minister of Finance Euclid Tsakalotos was quoted saying that Greece could return to positive economic growth by the second half of 2016 provided that the 1st programme review is successfully completed by late November, paving the way for the initiation of official talks on debt relief measures before Christmas. In other news, local press reports suggested today that the Euro Working Group will hold a teleconference later this week to specify the prior actions that need to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement.

SOUTH EASTERN EUROPE

CYPRUS: The Bank of Cyprus announced the completion of the sale of its 80% stake in its Russian subsidiary, Uniastrium Bank, and its leasing company Uniastrium Leasing LLC, as part of its deleveraging and de-risking strategy.

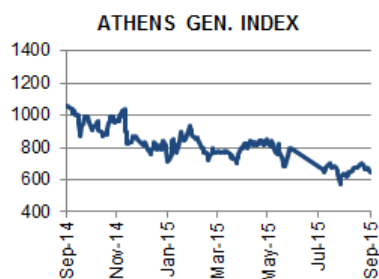
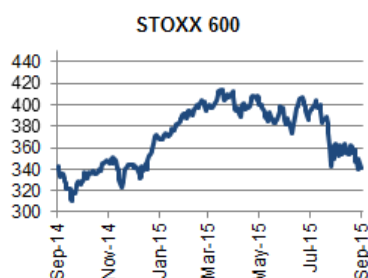
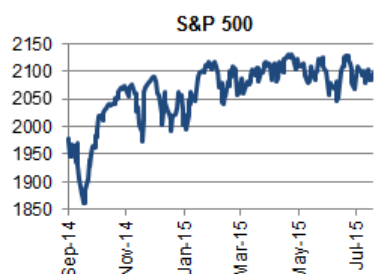
CESEE MARKETS: Emerging stock markets extended this week's losses in European trade on Tuesday amid renewed China-related jitters and caution ahead of key data releases and events over the next few days. Meanwhile, **CESEE currencies** were mixed earlier today and **government bonds** were broadly weaker in view of heightened risk aversion.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street lost ground overnight as the sharp decline in Chinese industrial profits heightened concerns about a global economic slowdown, shrugging off stronger-than-expected US consumption growth in August (0.4%MoM) and upward revisions in July's growth (0.3%MoM from 0.2%MoM). Meanwhile, Fed William Dudley and John Williams both expressed their support for an interest rate hike this year, raising investors' concerns that the Fed will soon embark on its first tightening cycle in almost a decade at a time of increased concerns about the prospects of the global economy. Mirroring the negative tone in Wall Street overnight, Asian bourses edged down significantly on Tuesday while European equity indices opened in the red as well. In FX markets, the yen strengthened broadly as the global equity sell-off increased demand for the safe-haven Japanese currency. In this context, the USD/JPY fell to a three-week low of 119.82/83 in early European trade, retreating from a two-week high of 121.24 hit on Friday. Separately, the euro extended its gains further against the US dollar, with the EUR/USD rising about 0.2% to 1.1263/64, pulling away from a multi-session high near 1.11000 touched late last week. On the macro front, euro-area economic sentiment indicator as well as US conference Board consumer confidence for September will lure market attention today.

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GREECE

In an interview to an international newspaper, Greece's Minister of Finance Euclid Tsakalotos was quoted saying that Greece could return to positive economic growth by the second half of 2016 provided that the 1st programme review is successfully completed by late November, paving the way for the initiation of official talks on debt relief measures before Christmas. Greece's finance minister added that bank recapitalization has to be completed by the end of this year so as to avoid the risk of the application of the Bank Recovery and Resolution Directive (BRRD) that extends, under certain conditions, the bail-in territory. Furthermore, the Greek minister stressed that it is important for the Greek government to begin the implementation of the agreed reforms in October as such a development would unlock the release of the outstanding €3bn sub-tranche of the first loan disbursement. Local press reports suggested today that the Euro Working Group will hold a teleconference later this week to specify the prior actions that need to be fulfilled by the Greek side for the release of the said amount. According to recent comments by Euro Working Group President Thomas Wieser, the said sub-tranche will be paid in two installments. Reportedly, the first installment, amounting to €2bn, will be disbursed by mid-October upon completion of certain prior actions mainly focused on administrative and pension-related reforms. As per the same sources, 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, pension reform and measures for the resolution of NPLs. Meanwhile, as a preparatory step ahead of the inception of official negotiations between the Greek government and official lenders on the 1st programme review, a technical team of official lenders is reportedly expected to arrive in Athens by early next week to hold discussions on issues related to fiscal policy and the banking sector. As per the same sources, another technical team is expected to arrive a few sessions later for discussions on issues related to the public administration and the energy policy. The heads are reportedly expected soon after the October 5 Eurogroup for an interim assessment of the progress that will have been made by the Greek side by then in fulfilling the agreed prior actions. As per the same sources, they will remain in Athens for around 3-4 sessions and will return in November.

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

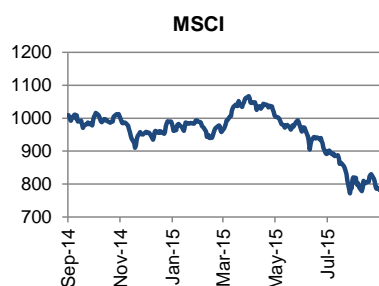
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

CYPRUS

The Bank of Cyprus announced the completion of the sale of its 80% stake in its Russian subsidiary, Uniastrum Bank, and its leasing company Uniastrum Leasing LLC, as part of its deleveraging and de-risking strategy. The transaction results in an improvement of approximately 30bps in the Common Equity Tier 1 capital ratio due to the reduction of approximately €550mn in risk weighted assets. The news comes in the wake of late last week's decision by S&P to raise the long-term sovereign rating of Cyprus by one notch (from B+ to BB-) while maintaining a positive outlook. Cyprus has made significant adjustment progress within the programme in a number of areas including - and not limited to restoring the health of the banking sector - the complete lift of capital controls, the fixing of the public finances and the addressing of earlier macroeconomic imbalances.

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CESEE MARKETS

Emerging stock markets extended this week's losses in European trade on Tuesday amid renewed China-related jitters and caution ahead of key data releases and events over the next few days. With focus primarily on China's manufacturing data on Thursday and the US non-farm payrolls report on Friday, the MSCI Emerging Markets index fell by ca. 1.15% to a 1-month low of 772.90 points at the time of writing. Today's drop came on the heels of yesterday's 0.96% decline. A similar picture was evident in the CESEE region, with all major indices standing in the red in early European trade. Poland's WIG index led the downtrend, sliding by around 0.85%, while Turkey's BIST 100 followed suit, marking a concomitant 0.5% drop.

In FX markets, CESEE currencies were mixed earlier today. The Romanian leu was modestly weaker ahead of a no confidence motion, due later in the day, initiated by the main opposition National Liberal Party against the government of Prime Minister Ponta. The motion, which was filed after the Prime Minister was officially indicted on charges of corruption, is broadly anticipated to fail as the government enjoys parliamentary majority. Along these lines, the EUR/RON traded ca. 0.25% higher near 4.4215 at the time of writing. With the outcome of the no-confidence vote having been largely priced in by the markets, today's motion is unlikely to have a major impact on the domestic currency. Elsewhere, the Serbian dinar was marginally firmer at the time of writing, despite new Central Bank intervention in the FX markets yesterday - reportedly purchasing euros at 119.63 dinars - in order to halt the dinar's upside momentum. Against this backdrop, the EUR/RSD hovered around levels of 119.60 in morning European trade vs. 119.63 at the prior session's settlement.

In the local rates markets, CESEE government bonds were broadly weaker in view of heightened risk aversion. Turkish paper led the losers' pack with the corresponding 2- and 10-year benchmark yields rising by ca. 12bps each to 11.40% and 10.80% respectively.

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September 29, 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	1881.77	-2.6%	-8.6%	EUR/USD	1.123	-0.1%	-7.2%	UST - 10yr	2.09	-1	-9	GOLD	1127	-0.5%	-4.9%
Nikkei 225	16930.84	-4.0%	-3.0%	GBP/USD	1.52	0.2%	-2.4%	Bund-10yr	0.60	1	5	BRENT CRUDE	48	0.8%	-16.7%
STOXX 600	341.62	0.0%	-0.3%	USD/JPY	119.95	0.0%	-0.2%	JGB - 10yr	0.33	-3	0	LMEX	2300	-0.7%	-21.1%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	357	0	-634
1-week	3.81	0	-620
1-month	4.15	1	-590
3-month	4.51	1	-534
6-month	4.78	0	-501

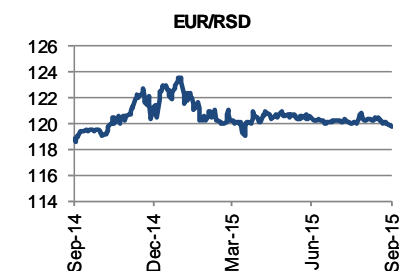
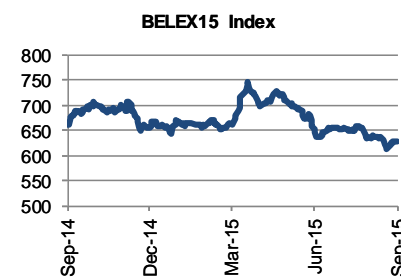
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	5.28	0	-380
5Y RSD	7.10	0	-309
7Y RSD	7.75	-55	-433

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.40	3	-86
USD Nov-24	6.44	0	-15

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	280	0	-10
10-year	325	-1	-32

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	628.3	-0.23%	-5.81%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	119.76	0.04%	1.33%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.68	5	111
1-month	1.48	0	57
3-month	1.5	2	-20
6-month	1.68	2	-33
12-month	1.74	0	-28

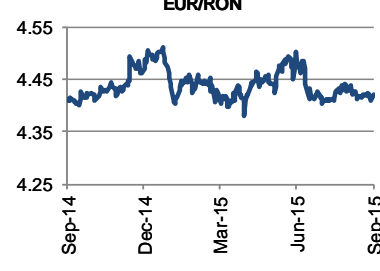
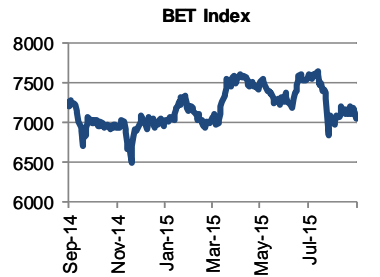
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.89	0	-42
5Y RON	2.29	-2	-42
10Y RON	3.64	0	-2

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.40	0	-33
USD Aug-23	3.71	3	10

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	143	7	0
10-year	188	7	1

STOCKS			
	Last	ΔD	ΔYTD
BET	7067.5	0.12%	-0.22%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4199	-0.11%	1.44%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	-1
1-month	0.18	0	-4
3-month	0.33	0	-10
6-month	0.62	0	-18
12-month	1.21	0	-29

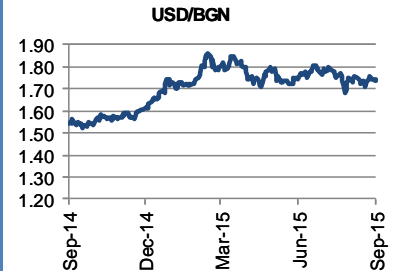
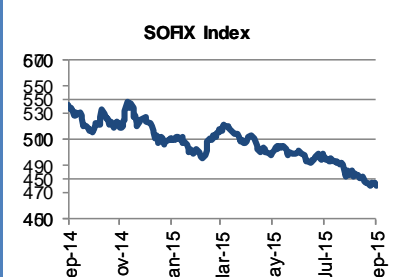
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.41	-2	-63
5Y BGN	0.61	1	-84
10Y BGN	2.23	0	-52

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.39	0	-77
EUR Sep-24	2.77	4	-9

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	184	5	-7
10-year	233	5	-8

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	440.8	-0.89%	-15.57%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7418	-0.13%	-7.19%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:45 EEST

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