

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 30, 2015

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 closed in the black on Wednesday on a relief rally after plunging to 3-year lows yesterday. Trailing gains in Asian equity markets, major European stock indices opened significantly firmer in early trade, with the Stoxx600 index edging ca. 1.7% higher at the time of writing. In FX markets, demand for the safe-haven Japanese currency eased earlier today as global bourses rebounded after two days of losses. Focus today is on Fed Chair Janet Yellen's and James Bullard's opening remarks at the central bank's annual Community Banking Research and Policy Conference, as well as Fed William Dudley's speech at the Securities Industry and Financial Market Association's Liquidity Forum. On the macroeconomic front today, euro area CPI for September and unemployment rate for August take centre stage, while in the US, ADP employment report and Chicago PMI index for September will likely be scrutinized by market participants.

GREECE: Speaking to reporters in Brussels yesterday, European Commission Vice President Valdis Dombrovskis was quoted saying that a key prerequisite for the successful conclusion of Greece's 1st programme review is, inter alia, the completion of the bank recapitalisation. Elsewhere, the Economic Sentiment Indicator for Greece improved in September for the first time in the last seven months coming in at 83.1 from a near 6 ½ year low of 75.2 recorded in the prior month.

SOUTH EASTERN EUROPE

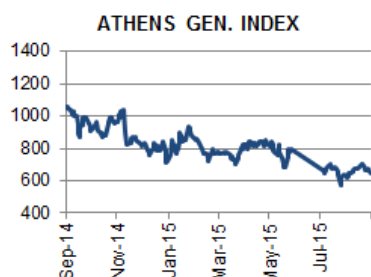
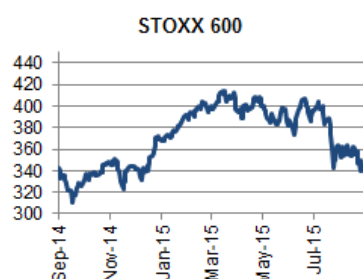
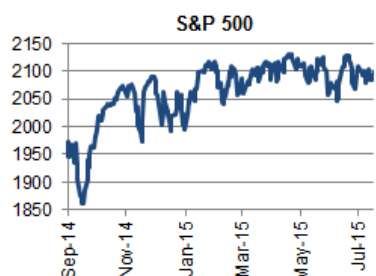
ROMANIA: A no confidence motion initiated by the main opposition National Liberal Party against the government of Prime Minister Ponta failed yesterday as the three parties comprising the ruling coalition, which enjoys parliamentary majority, abstained from the vote. On the macro front, the Economic Sentiment Index (ESI) remained flat on a monthly basis at 104.5 in September.

CESEE MARKETS: Tracking gains in Asian and European bourses earlier today, **emerging stock markets** snapped a 2-session losing streak to stand broadly firmer at the time of writing. Despite the rebound sentiment remains fragile amid persisting China-related concerns, while caution prevails ahead of key data releases and events over the next few days. In a similar vein, **CESEE currencies** and **government bonds** were modestly firmer earlier today.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Asian bourses closed in the black on Wednesday on a relief rally after plunging to 3-year lows yesterday. In Japan, the Nikkei-225 stock average index edged up 2.7%, despite weak industrial production data which revealed a second consecutive decline in August (-0.5%MoM after -0.8%MoM in July), falling short of market expectations for a rise of 1.0%MoM. Trailing gains in Asian equity markets, major European equities opened significantly higher in early trade, with the Stoxx600 index edging ca. 1.7% higher at the time of writing. In FX markets, demand for the safe-haven Japanese currency eased earlier today as global bourses rebounded after two days of losses. In more detail, the USD/JPY was trading ca. 0.3% higher at 120.09/10, after falling to a 2 ½ week-low of 119.74 yesterday. Separately, the EUR/USD dropped ca. 0.2% to 1.1225/26 ahead of US payroll data due on Friday, turning around from a one-week high of 1.1249 on Tuesday. Focus today is on Fed Chair Janet Yellen's and James Bullard's opening remarks at the central bank's annual Community Banking Research and Policy Conference, as well as Fed William Dudley's speech at the Securities Industry and Financial Market Association's Liquidity Forum. On the macroeconomic front today, euro area CPI for September and unemployment rate for August take centre stage, while in the US, ADP employment report and Chicago PMI index for September will likely be scrutinized by market participants.

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GREECE

Speaking to reporters in Brussels yesterday, European Commission Vice President Valdis Dombrovskis was quoted saying that a key prerequisite for the successful conclusion of Greece's 1st programme review is, inter alia, the completion of the bank recapitalisation. The European Commission Vice President added that both the programme review and the bank recapitalization have to be concluded by mid-November to secure the timely release – according to the ESM disbursement schedule- of the second ESM loan tranche that includes part of the outstanding €3bn sub-tranche of the first loan disbursement and a sub-tranche of €15bn for the coverage of bank recapitalisation and/or resolution costs./ The local press quoted an unnamed Greek economy ministry official saying that the key issues of discussion between IMF Managing Director Christine Lagarde and Greece's Minister of Economy, Development and Tourism Giorgos Stathakis in their meeting yesterday in the US, were the recent developments in the Greek economy, the debt issue and the banks' recapitalisation framework. The IMF did not provide details regarding the content of the discussion but an IMF spokesman pointed out that the Fund stands ready to work with the Greek government in advancing its reform agenda. Elsewhere, the Economic Sentiment Indicator for Greece improved in September for the first time in the last seven months coming in at 83.1 from a near 6 ½ year low of 75.2 recorded in the prior month.

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Latest world economic & market developments in the CESEE region

ROMANIA

A no confidence motion initiated by the main opposition National Liberal Party against the government of Prime Minister Ponta failed yesterday as the three parties comprising the ruling coalition, which enjoys parliamentary majority, abstained from the vote. Two hundred and seven MPs supported the motion and eight voted against it, falling short of the 275 seats necessary in order to pass. The vote follows news about the Prime Minister's indictment on charges of corruption. The Premier has denied these charges and rebuffed recent calls to resign. Speaking to reporters in the wake of the vote on Tuesday, he signaled he is in favour of sealing a new precautionary deal with the IMF, but added that such a prospect would have to be first discussed with other political parties. The previous such arrangement with official lenders expired on September 26, 2015. In a similar mode, finance minister Eugen Teodorovici said yesterday that the government will formally request to hold negotiations for a new IMF deal this year, adding that a new agreement is feasible without the participation of the European Commission. On the fiscal front, the finance minister highlighted that the 2016 budget deficit is forecasted at 2.1% of GDP, excluding planned increases in public sector wages, adding that it is still envisioned under 3% if these measures are included. On the macro front, the Economic Sentiment Index (ESI) remained flat on a monthly basis at 104.5 in September. The breakdown of the survey showed that the deterioration of expectations in industry and retail trade was counterbalanced to a large extent by the improvement of expectations in services. Both the sub-sectors of consumer and construction displayed a minor deterioration on a monthly basis, not enough though to push back the overall index. All in all, the strong improvement of the ESI in the first nine months of the year is in line with the picture of our macro analysis that consumer spending has taken over as the leading growth driver. Moreover, it is consistent with our full year GDP growth forecast in 2015 (currently at 3.4% with the risks skewed to the upside). Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending in the first half of 2015, a trend which most probably has continued in Q3 helped by the front-loaded VAT rate cut in food stuff.

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CESEE MARKETS

Tracking gains in Asian and European bourses earlier today, **emerging stock markets** snapped a 2-session losing streak to stand broadly firmer at the time of writing. Despite the rebound sentiment remains fragile amid persisting China-related concerns, while caution prevails ahead of key data releases and events over the next few days. The MSCI Emerging Markets index rose by ca. 1.6% in early European trade, though poised to end the month ca 4% lower. In a similar vein, **CESEE currencies** and **government bonds** were modestly firmer earlier today. The Romanian leu trimmed yesterday's losses with the EUR/RON trading ca 0.1% lower near 4.4150 in morning trade on Wednesday, ahead of the MPC today. In line with market expectations, we anticipate the NBR to maintain its key policy rate at the current record low of 1.75%. Elsewhere, the Serbian dinar retained a firm tone earlier today, despite new Central Bank intervention in the FX markets earlier in the session aimed at halting the dinar's upside momentum. In response, the EUR/RSD hovered around levels of 119.45 in morning European trade vs. 119.51 at the prior session's settlement, remaining within distance from yesterday's 1-year low near 119.30. Separately, Ukraine's hryvnia rallied more than 1% to 21.20 against the US dollar earlier today, receiving support over the last few sessions by news about a debt-restructuring deal.

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

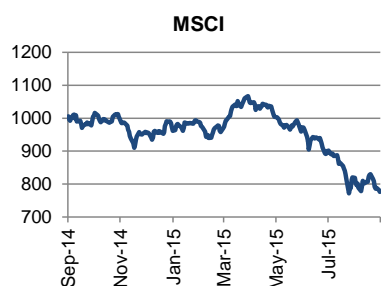
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

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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	1884.09	0.1%	-8.5%	EUR/USD	1.1228	-0.2%	-7.2%	UST - 10yr	2.08	2	-10	GOLD	1125	-0.2%	-5.1%
Nikkei 225	17388.15	2.7%	-0.4%	GBP/USD	1.5165	0.1%	-2.7%	Bund-10yr	0.59	1	5	BRENT CRUDE	48	-0.3%	-16.1%
STOXX 600	339.23	-0.7%	-1.0%	USD/JPY	119.95	-0.2%	-0.2%	JGB - 10yr	0.35	2	2	LMEX	2308	0.3%	-20.8%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	357	0	-634
1-week	3.85	4	-616
1-month	4.17	2	-588
3-month	4.55	4	-530
6-month	4.83	5	-496

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.26	-1	-381
5Y RSD	7.09	0	-308
7Y RSD	7.21	0	-487

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.41	0	-84
USD Nov-24	6.44	0	-15

CDS

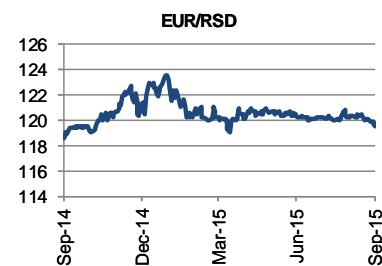
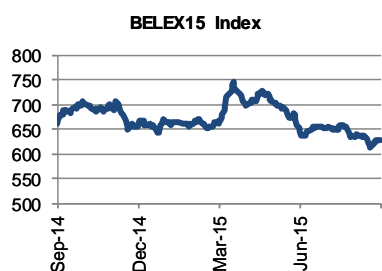
	Last	ΔDbps	ΔYTD bps
5-year	283	2	-7
10-year	330	5	-26

STOCKS

	Last	ΔD	ΔYTD
BELEX15	628.7	-0.17%	-5.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.54	0.13%	1.51%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.88	0	-43
5Y RON	2.30	0	-41
10Y RON	3.64	0	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.40	-2	-33
USD Aug-23	3.72	-1	10

CDS

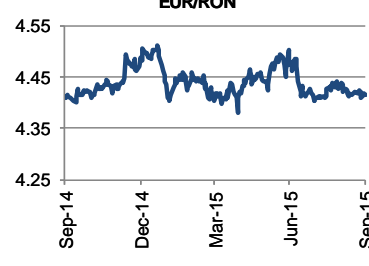
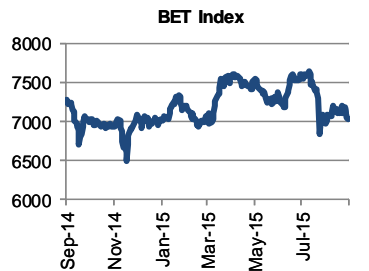
	Last	ΔDbps	ΔYTD bps
5-year	144	1	2
10-year	189	1	2

STOCKS

	Last	ΔD	ΔYTD
BET	7041.2	-0.25%	-0.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4168	0.02%	1.51%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.33	0	-10
6-month	0.61	0	-18
12-month	1.21	-1	-30

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.38	-1	-65
5Y BGN	0.62	0	-82
10Y BGN	2.23	0	-52

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.44	-5	-72
EUR Sep-24	2.77	0	-9

CDS

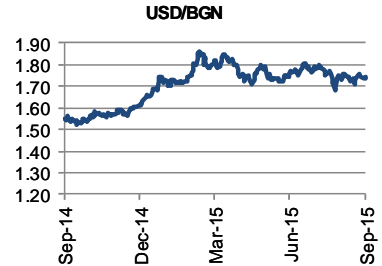
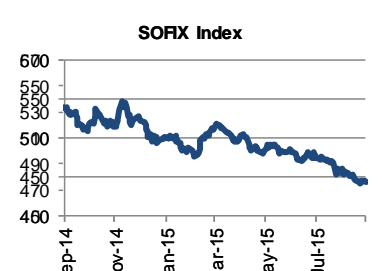
	Last	ΔDbps	ΔYTD bps
5-year	187	3	-4
10-year	237	5	-3

STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.7	-0.46%	-15.21%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.742	-0.18%	-7.20%



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

Data updated as of 09:25 EEST

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