

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, August 14, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- August 3
 - Personal income / spending (Jun)
 - Core PCE deflator (Jun)
 - ISM index manufacturing (Jul)
- August 4: Industrial orders (Jul)
- August 5
 - ADP employment change (Jul)
 - Trade balance (Jun)
 - ISM index non-manufacturing (Jul)
- August 6: Initial jobless claims (August 1)
- August 7
 - Non-farm payrolls (Jul)
 - U/E rate (Jul)

EUROZONE

- August 11: ZEW Survey Expectations (f, August)
- August 12: Industrial Production (June)

GREECE

- August 13: Quarterly National Accounts (estimates, 2nd quarter 2015)

SEE

BULGARIA

- August 10:
 - Trade Balance (Jun)
 - Industrial Production (Jun)
 - Retail Sales (Jun)
- August 12: CPI (Jul)

ROMANIA

- August 10: Trade Balance (Jun)
- August 11: CPI (Jul)
- August 11: Industrial Production (Jun)

Source: Reuters, Bloomberg,
Eurobank Global Markets Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: Greece's stats agency (EL.STAT.) released earlier today its flash GDP estimate for the second quarter of this year. The data revealed that real output expanded by 0.8% on quarter-on-quarter seasonally adjusted (QoQ s.a.) basis. Data came out much better than the consensus view and Eurobank's NOWcasting (mid-point) estimate of -0.6% that was published in late July. This translates into a positive year-on-year (YoY) growth of +1.4% and compares with a revised realization of 0% QoQ/+0.5% YoY in Q1 2015 (up from -0.2% QoQ/+0.35% YoY in the previous release) and compared to -0.2% QoQ/+1.4% YoY in Q4 2014. The breakdown of the data will be published along with EL.STAT.'s second estimate for Q2 GDP due on August 28.

SOUTH EASTERN EUROPE

ROMANIA: The current account deficit came at €285 mn in Jan-Jun down from €863 mn in the same period a year ago. The decline on an annual basis was driven by the rise of the secondary income surplus (by €603 mn), the decrease of the primary income gap (by €201 mn) and the decrease of the trade of goods & services surplus (by €226mn).

SERBIA: After holding fire on the meeting of July, the NBS cut interest rates by 50bps to 5.5% on August 13. The move was not widely expected by Bloomberg survey consensus. Most analysts (18 out of 22) deterred by the prospect of higher US FED interest rates in September were expecting rates to remain unchanged. In the statement released, the Central Bank cited both the favorable domestic inflation outlook and world environment developments to support its decision.

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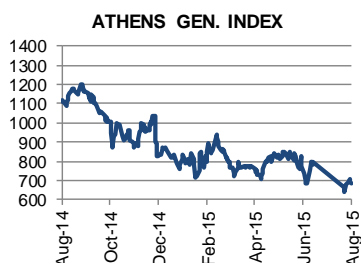
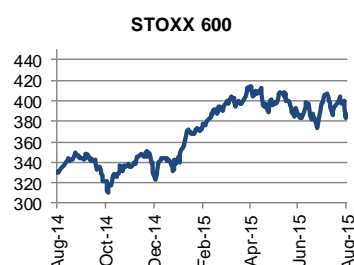
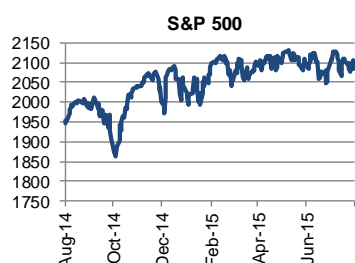
Latest world economic & market developments

GREECE

Greece's stats agency (EL.STAT.) released earlier today its *flash* GDP estimate for the second quarter of this year. The data revealed that real output expanded by 0.8% on quarter-on-quarter seasonally adjusted (QoQ s.a.) basis. Data came out much better than the consensus view and Eurobank's *NOWcasting* (mid-point) estimate of -0.6% that was published in late July. This translates into a positive year-on-year (YoY) growth of +1.4% and compares with a revised realization of 0% QoQ/+0.5% YoY in Q1 2015 (up from -0.2% QoQ/+0.35% YoY in the previous release) and compared to -0.2% QoQ/+1.4% YoY in Q4 2014. The breakdown of the data will be published along with EL.STAT.'s second estimate for Q2 GDP due on August 28.

As things stand at this point, the data released are supportive of a scenario of significantly milder than earlier envisaged contraction of the Greek economy for the FY2015. For the year 2015 as a whole, we now project real GDP to contract by less than 2%, with the economic downturn being more pronounced in the second half of the year. We suspect that the positive surprise in the second quarter stems from a deeper than expected contraction on the imports side, the less than expected negative effect on the domestic economic activity from the protracted negotiations between Greece and official creditors plus the revision of the first quarter data. In any case, data deserves thorough analysis and for that purpose we will be publishing a more extensive report next week.

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Source: Reuters, Bloomberg, Eurobank Research

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

August 14, 2015

Latest world economic & market developments in the CESEE region

ROMANIA

The current account deficit came at €285 mn in Jan-Jun down from €863 mn in the same period a year ago. The decline on an annual basis was driven by the rise of the secondary income surplus (by €603 mn), the decrease of the primary income gap (by €201 mn) and the decrease of the trade of goods & services surplus (by €226mn). On the financing side, FDI inflows came at €1.66 bn out of which capital investments accounted for €943mn and intra-group loans €716mn. The external debt amounted to €90.8bn in June down by 3.5bn since the end of 2014. The long-term external debt accounted for 77.7% of the total compared to 22.3% for the short-term. In other news, the construction output expanded by +3.5% mom/+13.5% yoy in June on seasonal and up from -2.8% mom/+7.0% yoy in May, bringing the overall expansion at 10.9% yoy in the 1H-2015.

SERBIA

After holding fire on the meeting of July, the NBS cut interest rates by 50bps to 5.5% on August 13. The move was not widely expected by Bloomberg survey consensus. Most analysts (18 out of 22) deterred by the prospect of higher US FED interest rates in September were expecting rates to remain unchanged. In the statement released, the Central Bank cited both the favorable domestic inflation outlook and world environment developments to support its decision. Inflation continued to hover below the Central Bank target band (4±1.5%), coming at 1% yoy in July down from 1.9% yoy in June. At the same time, inflation expectations appear to be well anchored at low levels. Furthermore the NBS stressed that external risks have declined after Greece reached an agreement with international creditors. The latter together with the swift implementation of the IMF precautionary agreement and the better than anticipated economic indicators and balance of payments performance allows for investors' improved perceptions and support relative stability in the FX market. Including today's surprise rate cut which marks a new historic low for the key policy rate, the cumulative rate cuts have reached 250bps from the beginning of the year.

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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

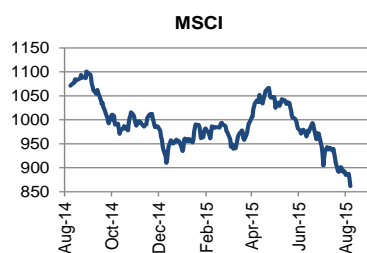
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	6.00	5.50

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

August 14, 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	2086.05	0.1%	1.3%	EUR/USD	1.11	-0.5%	-8.2%	UST - 10yr	2.18	3	1	GOLD	1117	-0.7%	-5.7%
Nikkei 225	20595.55	1.0%	18.0%	GBP/USD	1.5592	-0.1%	0.1%	Bund-10yr	0.65	5	11	BRENT CRUDE	49	-0.4%	-13.7%
STOXX 600	387.90	1.3%	13.2%	USD/JPY	124.48	-0.2%	-3.9%	JGB - 10yr	0.38	3	6	LMEX	2394	0.7%	-17.8%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	458	0	-533
1-week	4.78	0	-523
1-month	5.16	0	-489
3-month	5.58	1	-427
6-month	5.91	1	-388

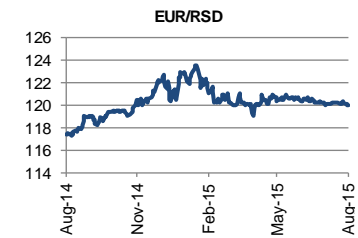
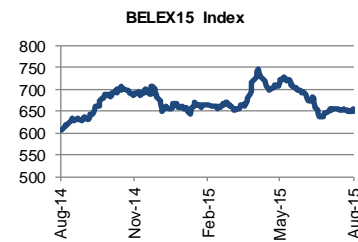
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	6.16	12	-289
5Y RSD	8.06	-22	-212
7Y RSD	8.77	#N/A	N/A

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.44	-7	-82
USD Nov-24	6.49	0	-10

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	270	0	-20
10-year	316	0	-41

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	655.8	0.92%	-1.68%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	120.03	0.06%	1.10%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.74	3	17
1-month	1.01	0	10
3-month	1.33	1	-37
6-month	1.54	0	-47
12-month	1.63	0	-39

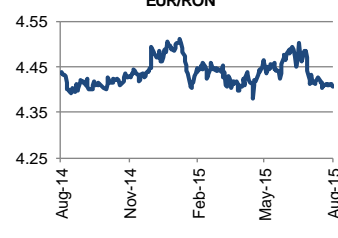
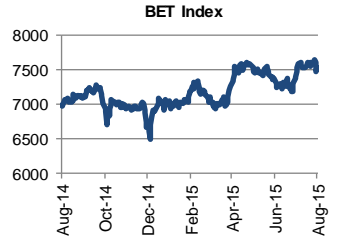
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	-1	-41
5Y RON	2.45	0	-26
10Y RON	3.68	-1	2

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.44	4	-29
USD Aug-23	3.66	-4	4

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	124	2	-19
10-year	168	3	-19

STOCKS			
	Last	ΔD	ΔYTD
BET	7532.2	0.73%	6.34%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4056	0.07%	1.77%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-5
3-month	0.33	0	-10
6-month	0.62	0	-17
12-month	1.22	0	-29

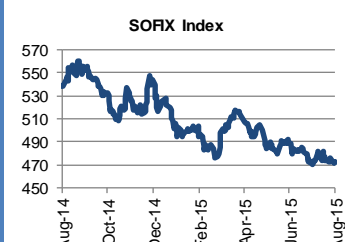
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.31	-2	-79
5Y BGN	1.03	-1	-42
10Y BGN	2.67	0	-9

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.42	0	-74
EUR Sep-24	2.88	-17	1

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	170	3	-21
10-year	216	3	-25

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	472.1	0.16%	-9.58%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.762	-0.54%	-8.26%



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

Data updated as of 17:45 EEST of previous session

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