

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: The US ADP employment report for September surprised positively revealing a 200k increase in private payrolls, the biggest rise in three months, boding well for the non-farm payrolls survey due for release on Friday. Against this background, US Treasuries weakened on Thursday while the USD moved higher against most of its major peers.

GREECE: The Euro Working Group will reportedly hold a teleconference on Friday to decide on the prior actions required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement under the 3-year ESM loan facility. In other news, Greece ranked 81st out of 140 countries in the World Economic Forum Global Competitiveness Report 2015-2016 that was released on Wednesday.

SOUTH EASTERN EUROPE

BULGARIA: Bulgaria ranked in the 54th position out of 140 in the latest World Economic Forum Global Competitiveness report released on Wednesday.

ROMANIA: At its monetary policy meeting yesterday, the National Bank of Romania stayed put on its monetary policy, in line with our and market expectations. In more detail, the key policy rate remained at the current record low of 1.7%, while the minimum reserve requirements for RON and FX denominated liabilities were left unchanged at 8% and 14% respectively.

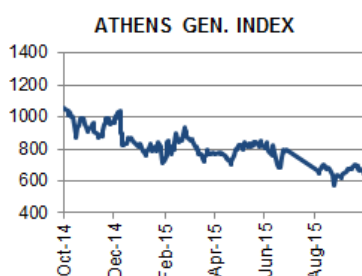
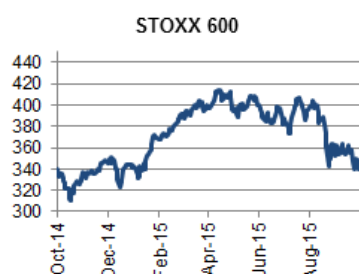
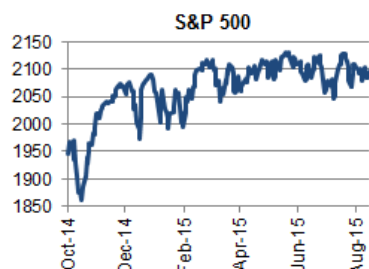
CESEE MARKETS: Industrial output rose by 12.9%YoY in August, nearly in line with the prior month's 13.0%YoY increase confirming ongoing improvement in the sector. On the other hand, retail sales growth slowed down to 1.0%YoY in August after a 3.4%YoY advance in July reflecting lackluster consumption due to fiscal restraint.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US ADP employment report for September surprised positively revealing a 200k increase in private payrolls, the biggest rise in three months, boding well for the non-farm payrolls survey due for release on Friday. Against this background, the majority of Asian bourses moved higher in early trade on Thursday, with investors shrugging off poor data from China and Japan. China's official Manufacturing Purchasing Managers' Index (PMI) came in at 49.8 in September, remaining below the threshold of 50 for the second month in a row, albeit modestly higher compared to the previous month's reading of 49.7. In Japan, the BoJ's tankan survey showed that confidence at big manufacturers worsened in Q3 for the first time in the last three quarters, reinforcing the view of further BoJ monetary policy easing in the months ahead. On a rather encouraging note, the confidence index of big non-manufacturers improved for the fourth straight quarter reaching the highest level in more than two decades. US Treasuries weakened failing to capitalize on an unexpected drop in the September's Chicago PMI. In FX markets, positive US employment-related data helped the USD move higher in early European trade on Thursday with the USD/JPY hovering around 120.15/20 at the time of writing after falling near 119.50 at some point in the prior session. Despite today's upside attempt, the pair remained within the 119.00-121.00 recent range as investors eagerly await Friday's key US non-farm payrolls report. Elsewhere, the EUR/USD stood close to 1.1140/50 in European trade after hitting a multi-session low of 1.1135 earlier today pressured by Wednesday's data which showed a drop in the Eurozone headline inflation back to positive territory mainly due to lower energy prices.

GREECE

The Euro Working Group will reportedly hold a teleconference on Friday to decide on the prior actions required to be fulfilled by the Greek side for the release of the outstanding €3bn sub-tranche of the first loan disbursement under the 3-year ESM loan facility. Speaking to reporters after the conclusion of the latest Euro Working Group (EWG) that took place on September 24th, President Thomas Wieser was quoted saying that the outstanding sub-tranche will be released in two installments, each one attached to a specific set of milestones. Reportedly, the first installment, amounting to €2bn, will be disbursed by mid-October upon completion of certain prior actions outlined in the MoU mainly focused on administrative and pension-related reforms including all pending milestones that were agreed to be delivered by September. As per the same sources, the second installment amounting to €1bn will be released by early November and will be attached to some of the relatively harsher prior actions in the entire MoU, including, inter alia, fiscal policy measures, pension reform and measures for the resolution of NPLs.

In other news, Greece ranked 81st out of 140 countries in the latest World Economic Forum Global Competitiveness Report 2015-2016 that was released on Wednesday. In the prior year Greece was also ranked 81st out of 144 economies. On the data front, the turnover index in retail trade fell by 8.7%YoY in July, the steepest annual decrease since August 2013. In a similar note, the volume index dropped by 7.3%YoY in July. Note that July was the first month after the imposition of capital controls in Greece. Elsewhere, the seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index came in at a three-month of 43.3 in September, up from August's 39.1. Production decreased for the ninth straight month mainly due to lower demand and the imposition of capital controls, the volume of new work remained in a declining trend while employment fell for the sixth month in a row.

October 1, 2015

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

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

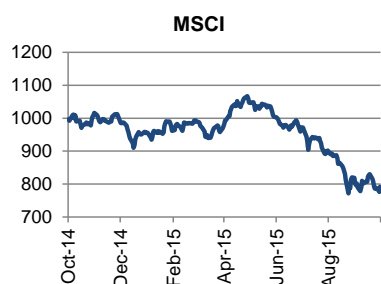
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

Bulgaria ranked in the 54th position out of 140 in the latest World Economic Forum Global Competitiveness report released on Wednesday. The ranking of Bulgaria remained unchanged from last year, outperforming six other EU-28 members. Bulgaria scored best in the sub-sector of "technological readiness" (38th position). In contrast, recorded its worst performance in the areas of "country capacity to attract talent" (132nd position), and "country capacity to retain talent" (133rd position). Bulgaria received also very low rankings in many areas of the pillar "institutions", including judiciary independence (116th position) and bureaucratic burden (94th position). Elsewhere, the Economic Sentiment Index (ESI), released earlier in the week, eased to 104.8 in September down from 105.5 in August. Even though the pace of improvement in sentiment has slowed down in the third quarter, the headline indicator has managed to maintain most of its year to date gains.

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ROMANIA

At its monetary policy meeting yesterday, the National Bank of Romania stayed put on its monetary policy, in line with our and market expectations. In more detail, the key policy rate remained at the current record low of 1.75%, while the minimum reserve requirements for RON and FX denominated liabilities were left unchanged at 8% and 14% respectively. Speaking in the post-meeting press conference, Governor Mugur Isarescu warned that VAT rate cuts and lower food prices risk a potential build-up of price pressures in the medium term. Also, he stressed that the economic policies mix will depend on how tax cuts and wage hikes are incorporated in the 2016 budget. Mr. Isarescu, highlighted that interest rates are likely to remain low for the next year or more, adding that the central bank is seeking to find the right conditions in order to further reduce minimum reserve requirements towards European Union levels over the next two years. The NBR Governor also noted that the external environment is still uncertain, though underscoring that a potential Fed rate hike would have only a marginal impact on Romania.

Mounting fiscal slippage risks have cast a note of caution on monetary policy of late, while real GDP growth remains robust being primarily driven by domestic consumption. Most importantly, negative inflation rates in the summer (-1.9%YoY in August) are primarily explained by cuts in VAT rates rather than slowing domestic economic activity. The VAT rate on food products, which correspond to around 32% in the consumption basket, was reduced to 9% in June from 24% before. Meanwhile, the main VAT rate will be reduced by 4pps to 20% in January, expected to keep annual CPI in a negative territory for some time and well below the official NBR target of 1.5-3.5% this year and the next. All in all, we anticipate the Central Bank to hold its horses in the coming months as global commodity prices remain at multi-year lows, while external risks linger. However, rate hikes in H2 2016 are likely as CPI base effects from the June VAT hike gradually wane.

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SERBIA

Industrial output rose by 12.9%YoY in August, nearly in line with the prior month's 13.0%YoY increase confirming ongoing improvement in the sector. Meanwhile, the trade deficit was little changed on an annual basis last month, coming in at €338.4mn. On the other hand, retail sales growth slowed down to 1.0%YoY in August after a 3.4%YoY advance in July reflecting lackluster consumption due to fiscal restraint.

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October 1, 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	1920.03	1.9%	-6.7%	EUR/USD	1.1143	-0.3%	-7.9%	UST - 10yr	2.07	3	-10	GOLD	1113	-0.2%	-6.1%
Nikkei 225	17722.42	1.9%	1.6%	GBP/USD	1.5124	0.0%	-2.9%	Bund-10yr	0.61	2	7	BRENT CRUDE	49	1.0%	-14.8%
STOXX 600	347.77	2.5%	1.5%	USD/JPY	120.17	-0.2%	-0.4%	JGB - 10yr	0.34	-2	1	LMEX	2371	2.8%	-18.6%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	355	-2	-636
1-week	3.81	-4	-620
1-month	4.14	-3	-591
3-month	4.51	-4	-534
6-month	4.78	-5	-501

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.24	-3	-384
5Y RSD	7.09	-1	-309
7Y RSD	7.15	-1	-493

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.40	-1	-85
USD Nov-24	6.45	0	-14

CDS

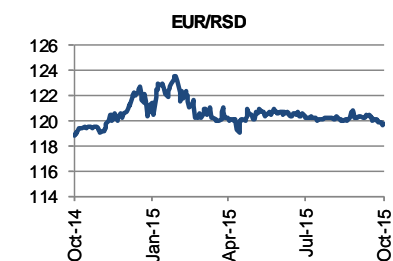
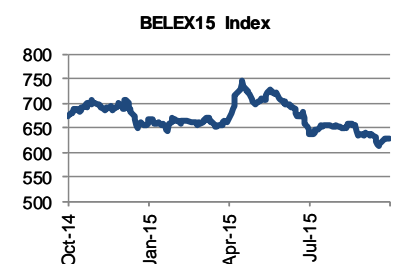
	Last	ΔDbps	ΔYTD bps
5-year	280	-3	-10
10-year	329	-1	-27

STOCKS

	Last	ΔD	ΔYTD
BELEX15	628.3	-0.06%	-5.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.70	0.02%	1.38%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.66	0	109
1-month	1.48	0	57
3-month	1.5	0	-20
6-month	1.67	0	-34
12-month	1.75	0	-27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.89	0	-42
5Y RON	2.29	0	-42
10Y RON	3.62	0	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.36	-6	-37
USD Aug-23	3.71	1	9

CDS

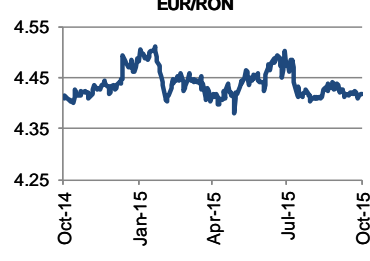
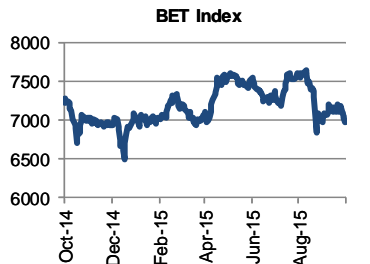
	Last	ΔDbps	ΔYTD bps
5-year	134	-10	-8
10-year	174	-15	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7056.8	1.08%	-0.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4172	0.05%	1.50%



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	0	-30

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.40	-3	-61
5Y BGN	0.62	-1	-82
10Y BGN	2.29	0	-46

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.39	0	-77
EUR Sep-24	2.83	13	-4

CDS

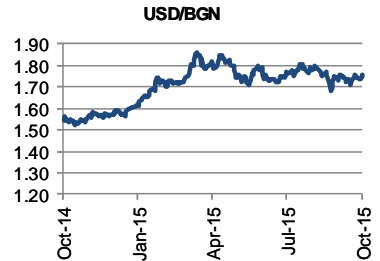
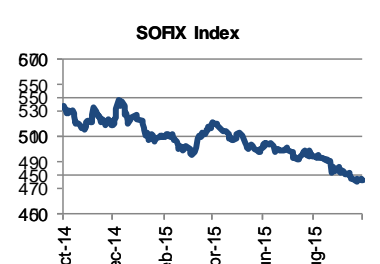
	Last	ΔDbps	ΔYTD bps
5-year	180	-7	-10
10-year	226	-11	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.3	-0.08%	-15.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7554	-0.31%	-7.91%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 09:45 EEST

October 1, 2015

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