

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- October 9-11: World Bank and IMF annual meeting

US

- October 5: ISM non-manufacturing (Sep)
- October 6: Trade balance (Aug)
- October 7: FOMC minutes (16/17 Sept)
- October 8: Jobless claims (Oct 3)

EUROZONE

- October 5: PMI services/composite (Sep,f)
- October 7: German Chancellor Merkel and Hollande to speak at EU parliament in Strasbourg
- October 8: ECB Minutes (September meeting)

GREECE

- October 5
 - Eurogroup
 - Greek government presents draft 2016 Budget
 - Greek government starts presenting its programmatic statements
- October 7: Greek government requests vote of confidence

SEE

BULGARIA

- October 7: Reserve assets (Sep)
- October 8
 - Industrial production (Aug)
 - Retail sales (Aug)
- October 9: U/E rate (Sep)

ROMANIA

- October 5: 5.8% 2027 T-Bonds auction
- October 7
 - GDP (Q2, f)
 - Net wages
- October 8: 5.85% 2018 T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Most Asian bourses edged higher on Wednesday on higher crude oil prices that boosted resource shares, coupled with better-than-expected Samsung's Q3 operating profits. Trailing gains in the majority of Asian equity markets, major European equity indices opened higher today boosted by commodity and oil shares. In FX markets, the Japanese yen strengthened modestly against its major currency peers after the central bank's decision to stand pat on monetary policy. Focus is on the minutes from the September 16-17 FOMC meeting due later today, although they will likely be eventually shrugged off even if they suggest that the Fed is getting closer to a rate hike, given last week's disappointing US employment data that prompted a dovish shift in fed funds rate hike expectations.

GREECE: In its updated World Economic Outlook report that was published yesterday, the IMF said that contagion risks on the advanced economies from Greece-related events to other euro area economies prevail, albeit lower than earlier in the year following the agreement reached between domestic authorities and official creditors on a ESM bailout program./ Local press reports suggested that the Greek government intends to have all 48 prior actions attached to the release of the €2bn instalment-out of the outstanding €3bn sub-tranche of the first loan disbursement- submitted to the Hellenic Parliament for approval by October 15 at the latest in the form of a multi-bill.

SOUTH EASTERN EUROPE

ROMANIA: The final estimate of the Statistical Service on the seasonally adjusted second quarter GDP reading was revised marginally up from +3.7%YoY to 3.8%YoY. On an unadjusted basis, the reading was equally revised up from +3.3%YoY to +3.4%YoY.

CESEE MARKETS: With the downbeat US non-farm payrolls report – that prompted a dovish shift on Fed rate hike expectations – still in investors' ears, the majority of **emerging stock markets** moved higher in early European trade on Wednesday. In a similar vein, **CESEE currencies** and **government bonds** broadly firmed earlier on Wednesday amid improved market sentiment.

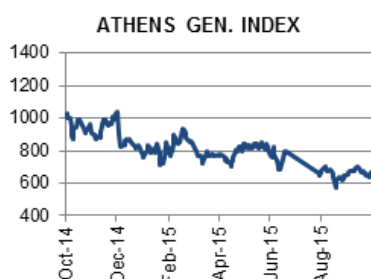
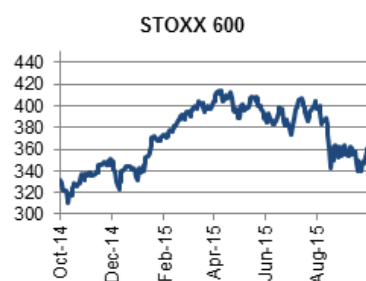
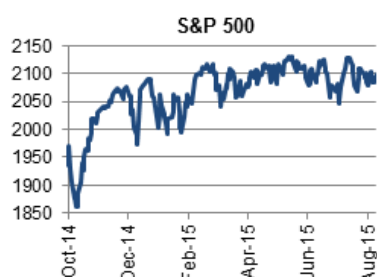
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October 7, 2015

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Most Asian bourses edged higher on Wednesday on higher crude oil prices that boosted resource shares, coupled with better-than-expected Samsung's Q3 operating profits. In Japan, the Nikkei-225 Stock Average Index closed 0.8% higher to a three-week high of 18,322.98 points, although the Bank of Japan (BoJ) left its monetary policy intact at its two-day policy meeting that concluded earlier today so that the conducted money market operations increase the monetary base by ca. JPY80 trillion per annum. Additionally, the BoJ kept its economic and price assessment unchanged from the last monetary policy meeting held last month, reiterating that the economy "has continued to recover moderately" and that the annual rate of consumer price inflation "is likely to be about 0% for the time being". Trailing gains in the majority of Asian equity markets, major European equity indices opened higher today boosted by commodity and oil shares, with the Stoxx600 index hitting a three-week high of 361.50 earlier today. In FX markets, the Japanese yen strengthened modestly against its major currency peers after the central bank's decision to stand pat on monetary policy. In this context, the USD/JPY was trading around 120.08/09 in early European trade, pulling back from a one-week high of 120.57 hit yesterday. Focus is on the minutes from the September 16-17 FOMC meeting due later today, although they will likely be eventually shrugged off even if they suggest that the Fed is getting closer to a rate hike, given last week's disappointing US employment data that prompted a dovish shift in fed funds rate hike expectations.

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GREECE

In its updated World Economic Outlook report that was published yesterday, the IMF said that that contagion risks from Greece-related events to other euro area economies prevail, albeit lower than earlier in the year following the agreement reached between Greek authorities and official creditors on a ESM bailout program. In more detail, the Fund warned that "should policy and political uncertainty reemerge in Greece, sovereign and financial sector stress in the euro area could also reemerge, with potentially broader spillovers". The IMF expects Greece's GDP to contract by 2.3% and 1.3% in 2015 and 2016 respectively, in line with the European Commission's estimates. On the unemployment front, the IMF forecasts the respective rate to rise to 26.8% in 2015 and 27.1% in 2016 from 26.5% in 2014. In other news, local press reports quoted a finance ministry official saying that staff of senior inspectors representing Greece's official creditors are expected to visit Athens by the end of this week while the mission heads are likely to arrive in the last week of the month for the resumption of official discussions with domestic authorities in the context of the 1st programme review. In addition, local press reports suggested that the Greek government intends to have all 48 prior actions attached to the release of the €2bn instalment - out of the outstanding €3bn sub-tranche of the first loan disbursement - submitted to the Hellenic Parliament for approval by October 15 at the latest in the form of a multi-bill.

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October 7, 2015

Latest world economic & market developments in the CESEE region

ROMANIA

The final estimate of the Statistical Service on the seasonally adjusted second quarter GDP reading was revised marginally up from +3.7%YoY to 3.8%YoY. On an unadjusted basis, the reading was equally revised up from +3.3%YoY to +3.4%YoY. According to the detailed breakdown, the contribution of private consumption to GDP growth was revised downwards (from 3.8pps to 3.5pps) while public consumption is now thought to have made a negligible contribution (0.1pps). More importantly, the performance of investments was weaker than previously thought (from 1.1pps to 0.6pps), despite the upward revision of gross fixed capital formation (from 1.6pps to 2.0pps), offset by the negative inventories revision (from -0.5pps to -1.4pps). Finally, the contribution of net exports proved less negative than previously estimated (from -1.6pps to -0.8) driven by heavy revisions in external sector data. Overall, private consumption has taken over as the leading driver behind the growth rally concealing warning signs of an overheating scene in the making. Sustained improvement in private spending is primarily supported by solid wage growth momentum (+7.7%YoY in August vs. +7.6%YoY in July). In fact, given the negative CPI outcome in August underpinned by the front loaded VAT rate cut, real wage growth accelerated to +9.6%YoY in August vs. +9.2%YoY in July at the strongest pace since 2009. In addition, improved sentiment (ESI-Index is on climbing trend since October 2014, touching a new post-Lehman period high at 104.7 in last June) and labor market tightening (+115kYoY more jobs added in Q2 on a yearly basis) are supportive of domestic demand as well. In conclusion, the released estimate doesn't change our long standing full year growth forecast-3.4% in 2015-and assessment in line with the revised IMF forecast in the World Economic Outlook (from 2.7% previously).

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CESEE MARKETS

With the downbeat US non-farm payrolls report – that prompted a dovish shift on Fed rate hike expectations – still in investors' ears, the majority of **emerging stock markets** moved higher in early European trade on Wednesday. Most bourses extended their recent uptrend earlier today thanks to a rally in energy shares that came on the back of recovering global oil prices. Against this backdrop, the MSCI Emerging Markets index stood 1.7% higher at the time of writing compared to yesterday's settlement, marking its sixth consecutive session in the black and hitting a 7-week peak intraday. Since mid-last week the index has registered cumulative gains in excess of 8%. In a similar vein, **CESEE currencies** and **government bonds** broadly firmed earlier on Wednesday amid improved market sentiment. In FX markets, the Polish zloty posed among the region's best performers, with the EUR/PLN standing ca 0.3% higher at 4.2260, having broadly lagged yesterday's rally after the MPC meeting announcement. As was broadly anticipated, the Central Bank stayed put on its monetary policy on Tuesday, holding its key policy rate at the current record low level of 1.50%. The Committee also maintained a relatively dovish tone, casting a note of caution about the downside risks to the inflation outlook while NBP Governor Marek Belka highlighted in the post-meeting press conference that he does not expect major changes in monetary policy outlook. Looking ahead, we anticipate stable interest rates in the coming months in Poland, with the door open for potential rate hikes in late 2016.

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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

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

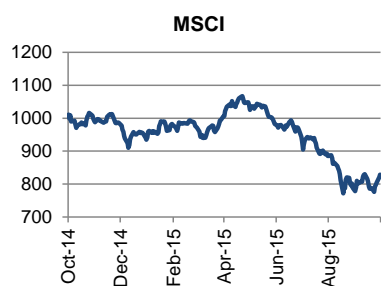
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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-

October 7, 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	1979.92	-0.4%	-3.8%	EUR/USD	1.1261	-0.1%	-6.9%	UST - 10yr	2.06	3	-11	GOLD	1153	0.5%	-2.7%
Nikkei 225	18322.98	0.8%	5.0%	GBP/USD	1.5252	0.2%	-2.1%	Bund-10yr	0.61	1	7	BRENT CRUDE	53	1.3%	-8.2%
STOXX 600	360.41	0.6%	5.2%	USD/JPY	119.97	0.2%	-0.2%	JGB - 10yr	0.34	1	1	LMEX	2354	-0.1%	-19.2%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	357	0	-634
1-week	3.85	0	-616
1-month	4.18	1	-587
3-month	4.56	1	-529
6-month	4.83	1	-496

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.25	-1	-383
5Y RSD	7.09	0	-309
7Y RSD	7.63	0	-118

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.34	0	-92
USD Nov-24	6.44	0	-15

CDS

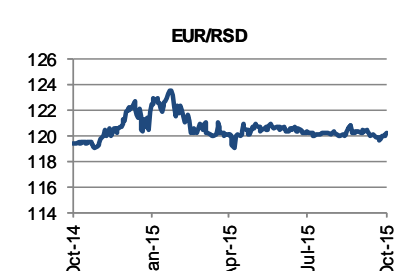
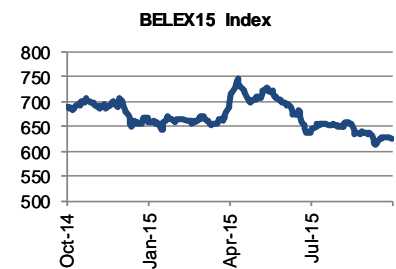
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	337	-1	-19

STOCKS

	Last	ΔD	ΔYTD
BELEX15	626.7	0.08%	-6.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.20	-0.16%	0.96%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.16	0	59
1-month	1.36	0	45
3-month	1.43	0	-27
6-month	1.63	0	-38
12-month	1.73	0	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	0	-53
5Y RON	2.18	0	-53
10Y RON	3.45	0	-21

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.32	-4	-41
USD Aug-23	3.53	0	-9

CDS

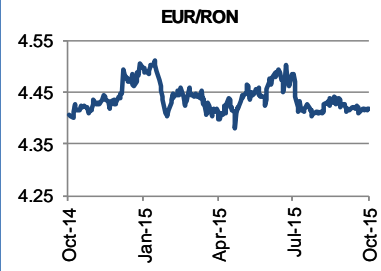
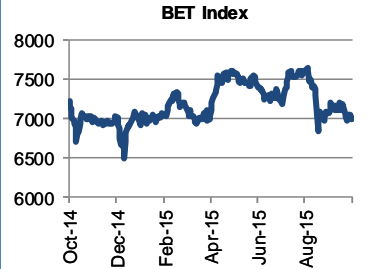
	Last	ΔDbps	ΔYTD bps
5-year	133	8	-10
10-year	173	8	-13

STOCKS

	Last	ΔD	ΔYTD
BET	6985.8	-0.97%	-1.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4178	0.02%	1.49%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.32	0	-11
6-month	0.61	0	-19
12-month	1.20	0	-31

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.28	-1	-75
5Y BGN	0.61	0	-83
10Y BGN	2.26	0	-49

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.40	0	-76
EUR Sep-24	2.76	0	-11

CDS

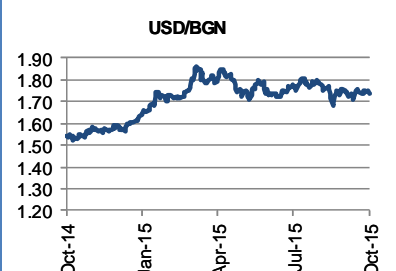
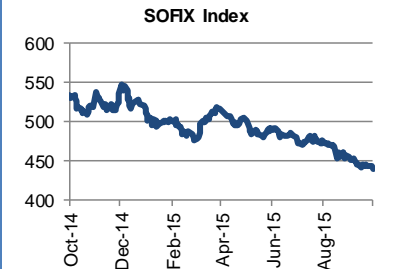
	Last	ΔDbps	ΔYTD bps
5-year	170	-3	-21
10-year	215	-3	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.5	-0.94%	-15.82%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7371	-0.11%	-6.94%



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

October 7, 2015

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