

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, September 04, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- September 4-5: G20
FinMin, CBs meeting

CHINA

- September 1: PMI
manufacturing (Aug)

US

- August 31: Chicago PMI (Aug)
- September 1: ISM
manufacturing (Aug)
- September 2
 - ADP empl. (Aug)
 - Beige Book
- September 3
 - Initial jobless claims (Aug 29)
 - ISM non-manuf. (Aug)
- September 4
 - NFP (Aug)
 - U/E (Aug)

EUROZONE

- August 31: HICP (Aug)
- September 1
 - PMI manuf. (Aug, f)
 - U/E (Jul)
- September 3
 - ECB MPC meeting
 - PMI services (Aug)

GREECE

- August 31: Retail sales (Jun)
- September 1: PMI
manufacturing (Aug)

SEE

BULGARIA

- August 31: Budget (Jul)
- September 4: GDP (Q2, f)

ROMANIA

- September 1
 - ILO U/E (Jul)
 - CB reserves (Aug)
- September 3: Retail sales (Jul)
- September 4: GDP (Q2, p)

SERBIA

- August 31
 - Industrial prod. (Jul)
 - Trade balance (Jul)
 - Retail sales (Jul)
 - GDP (Q2, f)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: At yesterday's regular monetary policy meeting, the ECB kept the interest policy rates unchanged and increased the issue share limit it can purchase under QE from 25% to 33%, while revising downwards both growth and inflation projections for 2015-17. Furthermore, speaking in the post-meeting press conference, President Mario Draghi noted that risks to the growth and inflation outlook remain on the downside while the Governing Council will closely monitor the external environment in order to decide for a possible adjustment in the terms of the QE programme including the size, composition and duration. In equity markets, US bourses gave up earlier gains ahead of today's nonfarm payrolls report. Along these lines, most Asian markets closed in the red today, while major European equity indices opened lower, as concerns over the US employment report and its potential implications for the Fed's monetary policy deliberations overshadowed the ECB's willingness to take further steps to support the European economy if proved necessary.

GREECE: In a response to a question during yesterday's post-meeting press conference about a possible reinstatement of a Greek collateral waiver, ECB President Mario Draghi said that a key precondition is Greece to comply with the financial assistance programme and demonstrate strong programme execution and ownership. The ECB President added that such a development would not be enough for the ECB's expanded asset purchase program to envisage the purchases of Greek sovereign bonds and further conditions need to be in place.

SOUTH EASTERN EUROPE

ROMANIA: Retail sales rose by 1.1%MoM in July, bringing the annual rate of increase to a 13-month high of 8.5%, supporting the view that private consumption remains the leading growth driver in the domestic economy. In other news, the finance ministry sold on Thursday the planned amount of RON 400mn (~€90.16mn) in 3-year T-Notes at an average accepted yield of 2.01%, nearly in line with 1.96% achieved at a prior auction of the same paper held in early August. On the fiscal front, the lower house of Parliament voted in favour of changes in taxation, including a cut in the main VAT rate to 20% from 24% scheduled to come into effect at the beginning of 2016. As was broadly anticipated, the changes were in line with those agreed by political parties last week.

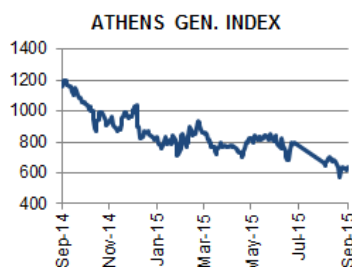
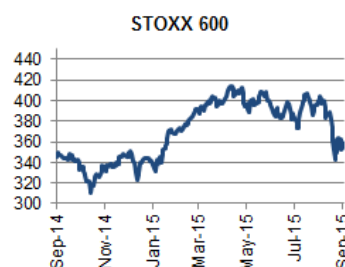
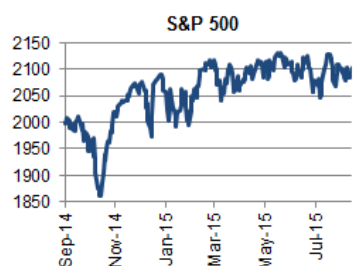
CESEE MARKETS: Emerging stock markets moved broadly lower earlier on Friday as caution prevailed ahead of key labour data from the US due for release later in the day. It is also worth noting that Chinese bourses are closed for the second consecutive for holiday and will reopen on Monday. Along similar lines, most CESEE currencies weakened and government bonds were mixed in European trade on Friday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

At yesterday's regular monetary policy meeting, the ECB kept the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility unchanged at 0.05%, 0.30% and -0.20% respectively. Additionally, the Central Bank increased the issue share limit it can purchase under QE from 25% to 33%, while revising downwards both growth and inflation projections for 2015-17. Furthermore, speaking in the post-meeting press conference, President Mario Draghi noted that risks to the growth and inflation outlook remain on the downside while the Governing Council will closely monitor the external environment in order to decide for a possible adjustment in the terms of the QE programme including the size, composition and duration. The dovish message was well received by the market, with the 10yr Bund yield declining to 0.71% in early European trade today after hitting two-week highs above 0.80% earlier this week. Taking their cue from the positive tone in German Bunds, US Treasuries also moved higher today. Yet, gains were limited amid market anxiety ahead of the US non-farm payrolls report for the month of August, due for release later today. In equity markets, US bourses gave up earlier gains ahead of today's nonfarm payrolls report. Along these lines, most Asian markets closed in the red today, while major European equity indices opened lower, as concerns over the US employment report and its potential implications for the Fed's monetary policy deliberations overshadowed the ECB's willingness to take further steps to support the European economy if proved necessary. In FX markets, the EUR/USD was trading around levels of 1.1135/1.1136 in early European trade at the time of writing, after sliding to a two-week low of 1.1087 reached at some point yesterday pressured by the perceived monetary policy divergence between the ECB and the Fed. Elsewhere, the USD/JPY was down ca. 0.6% to 119.28/119.29 in early European trade, as the safe-haven yen was favored by the negative tone in the majority of global equity markets.

okosma@eurobank.gr

GREECE

In a response to a question during yesterday's post-meeting press conference, ECB President Mario Draghi said that the Central Bank insisted to exclude any bail-in of depositors in the upcoming recapitalisation of Greek banks on the basis that such a measure would be counterproductive for the economic recovery as it would hit especially SMEs and corporations. The ECB President added that such considerations were deemed not to be applicable to senior bondholders. With regard to potential reintroduction of a Greek collateral waiver i.e., the reacceptance of bonds issued or guaranteed by the Hellenic Republic as eligible collateral in its regular liquidity provision operations, the ECB President stressed that a key precondition is Greece to comply with the financial assistance programme and demonstrate strong programme execution and ownership. Furthermore, Mario Draghi clarified that potential reintroduction of the waiver is not enough for the ECB's expanded asset purchase program to envisage the purchases of Greek sovereign bonds as further conditions need to be in place. The ECB President noted that the ECB cannot purchase sovereign bonds for the period during which the country's program is under review while the 33% issuer's debt limit as well as the 33% per-bond limit (from 25% previously) should be respected. In other news, the ECB reportedly decided yesterday to reduce ELA ceiling for domestic banks further by ca €0.6bn to €89.1bn amid some further improvement in Greek banks' liquidity.

ppetropoulou@eurobank.gr

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

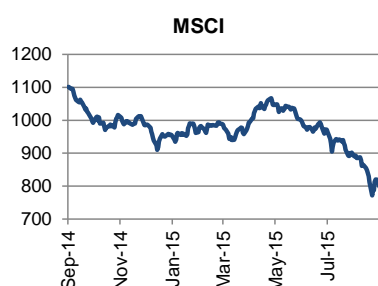
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.50	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

ROMANIA

Retail sales rose by 1.1%MoM in July, bringing the annual rate of increase to a 13-month high of 8.5%, supporting the view that private consumption remains the leading growth driver in the domestic economy. In other news, the finance ministry sold on Thursday the planned amount of RON 400mn (~€90.16mn) in 3-year T-Notes. The average accepted yield came in at 2.01%, nearly in line with 1.96% achieved at a prior auction of the same paper held in early August. The issue bears an annual coupon of 3.25% and matures on January 2018. Reflecting strong investor demand, the tender's bid-to-cover ratio stood at 2.77. On the fiscal front, the lower house of Parliament voted in favour of changes in taxation, including a cut in the main VAT rate to 20% from 24% scheduled to come into effect at the beginning of 2016. As was broadly anticipated, the changes were in line with those agreed by political parties last week. Among them, was the delay of a further reduction in the VAT rate as well as the postponement of lower levies on dividends and fuel and the deferral of the abolishment of a tax on special buildings until 2017. Speaking to reporters in the wake of yesterday's parliamentary vote, Prime Minister Victor Ponta expressed hope that the postponed tax cuts be may be gradually brought forward. The measures passed in parliament entail softer reductions compared to an earlier ambitious government-backed fiscal easing plan that had recently raised concerns about a potential derailment in the country's fiscal consolidation efforts.

CESEE MARKETS

Emerging stock markets moved broadly lower earlier on Friday as caution prevailed ahead of key labour data from the US due for release later in the day. It is also worth noting that Chinese bourses are closed for the second consecutive for holiday and will reopen on Monday. Along these lines, the MSCI Emerging Markets index fell nearly 1% in Asian trade, poised to end the week in the red. The index fully offset yesterday's gains amassed after the ECB's meeting, where the Central Bank stayed put on its monetary policy but President Mario Draghi adopted a more dovish tone than earlier in the ensuing press conference. In **FX markets**, most CESEE currencies weakened in European trade on Friday. The Turkish lira led the downtrend in the region, weighed further down by worse-than-expected inflation data for August, released yesterday, and a firmer US dollar. Against this backdrop, the USD/TRY rose by ca 0.5% on the day to stand at 2.9830 at the time of writing following yesterday's 1.0% spike. The pair currently stands not too far from a record peak near 2.9990 hit in late August amid escalating domestic political uncertainty after coalition negotiations between parties that passed the necessary 10% threshold to enter parliament in the June 7 national ballot broke down paving the way for a return to the polls later this year. With domestic political noise likely to linger ahead of the repeat polls in November, further lira weakness in the coming weeks can not be ruled out. In the **local rates markets**, government bonds were mixed. Turkish paper led the losers' pack, with the corresponding 2- and 10-year yields rising by 8-9bps each to 10.91% and 10.21% respectively.

gphoka@eurobank.gr

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	1963.63	0.8%	-4.6%	EUR/USD	1.112	-1.0%	-8.1%	UST - 10yr	2.19	0	2	GOLD	1129	-0.5%	-4.7%
Nikkei 225	18182.39	0.5%	4.2%	GBP/USD	1.5258	-0.3%	-2.1%	Bund-10yr	0.74	-4	20	BRENT CRUDE	52	2.1%	-10.1%
STOXX 600	362.15	2.3%	5.7%	USD/JPY	120.19	0.1%	-0.4%	JGB - 10yr	0.40	1	7	LMEX	2376	0.7%	-18.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	408	1	-583
1-week	4.23	1	-578
1-month	4.62	1	-543
3-month	5.04	1	-481
6-month	5.34	1	-445

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.15	-1	-290
5Y RSD	8.00	-9	-218
7Y RSD	8.57	0	-351

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.40	-2	-87
USD Nov-24	6.49	0	-10

CDS

	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	322	0	-34

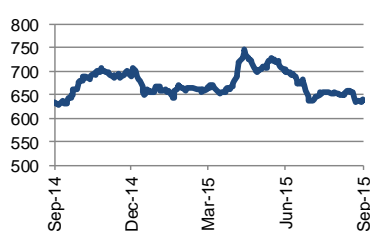
STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.8	-0.19%	-4.23%

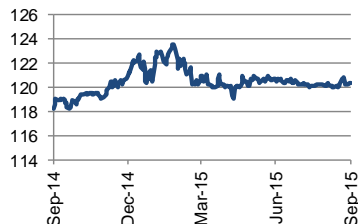
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.30	0.01%	0.87%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.31	-37	74
1-month	1.44	-4	53
3-month	1.48	-3	-22
6-month	1.66	-1	-35
12-month	1.73	-2	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.98	-2	-33
5Y RON	2.45	-3	-26
10Y RON	3.79	-4	13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.41	-7	-32
USD Aug-23	3.80	-4	19

CDS

	Last	ΔDbps	ΔYTD bps
5-year	125	-5	-18
10-year	165	-5	-22

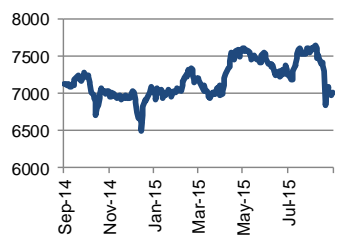
STOCKS

	Last	ΔD	ΔYTD
BET	7084.5	1.08%	0.02%

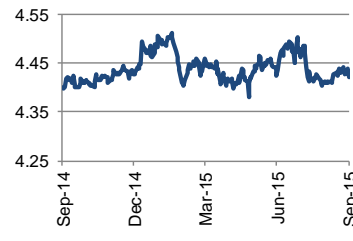
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4223	0.44%	1.38%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	2
1-month	0.17	0	-4
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	0.48	1	-56
5Y BGN	0.91	-1	-54
10Y BGN	2.40	-1	-35

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.52	-5	-64
EUR Sep-24	2.84	0	-3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	175	-5	-16
10-year	222	-5	-19

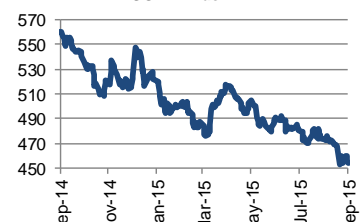
STOCKS

	Last	ΔD	ΔYTD
SOFIX	453.8	-0.32%	-13.08%

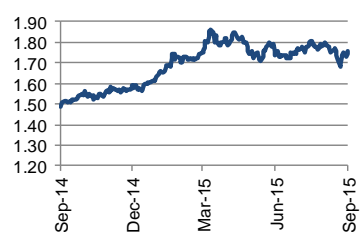
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7587	-0.94%	-8.09%

SOFIX Index



USD/BGN



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

Data updated as of 17:30 EEST of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 3371 225

Stylianos Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3371 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3371 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 3371 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371 228

Global Markets Sales

Nikos Laios: Head of Treasury Sales
nlaios@eurobank.gr, +30 210 37 18 910

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: Head of Corporate Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: Head of Shipping Sales
gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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