

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, September 07, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 10: Initial jobless claims (Sep 5)
- September 11: UoM sentiment (Sep, p)

EUROZONE

- September 8: GDP (Q2, p)
- September 9: EU Commission President Juncker speaks in EU parliament
- September 11-12: Eurogroup/EU FinMins and central bankers hold informal meeting

GREECE

- September 9
 - Industrial production (Jul)
 - CPI /HICP (Aug)
- September 10: U/E rate (Jun)

SEE

BULGARIA

- September 7
 - Reserve assets (Aug)
 - 3Y T-Notes auction
- September 7-15: U/E rate (Aug)
- September 8
 - Industrial production (Jul)
 - Retail sales (Jul)
- September 11: Trade balance (Jul)

ROMANIA

- September 7: Net wages (Jul)
- September 8: Industrial sales (Jul)
- September 9: Trade balance (Jul)
- September 10: CPI (Aug)
- September 11: Industrial production (Jul)

SERBIA

- September 10: MPC meeting
- September 11: HICP (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street closed in the red on Friday, as the August non-farm payrolls report was rather mixed failing to contain market uncertainty about the timing of the first fed funds rate, especially in view of a thin US macro data calendar in the coming days. Elsewhere, most Asian markets are trading lower at the time of writing, while in FX markets, the EUR/USD consolidated around levels of 1.1150/55 in early European trade. On this week's data front, investors will focus on the euro area Q2 GDP release (second estimate) due on Tuesday, while US initial jobless claims and University of Michigan consumer sentiment are scheduled for Thursday and Friday, respectively. Additionally, European Commission President Jean-Claude Juncker speaks to the European Parliament on Wednesday, while European Union finance ministers and central bankers hold an informal meeting in Luxembourg on September 11-12.

GREECE: According to the results of the majority of opinion polls published so far this month, SYRIZA leads over New Democracy with a narrow margin. Against this environment, a number of political commentators suggested that the September 20th election outcome remains too close to call and inter-party talks for the formation of a coalition or unity government are likely to resume after the elections.

SOUTH EASTERN EUROPE

BULGARIA: Domestic bourses closed little changed on a weekly basis on Friday, having largely erased gains recorded at the start of the week following upbeat Q2 corporate earnings results. Ongoing concerns over the prospects of the global economy and thin trade volumes weighed on domestic stocks.

ROMANIA: According to Q2 2015 preliminary data released on Friday by the National Institute of Statistics, real GDP rose by 0.1%QoQ, bringing the annual rate of increase to 3.7%, on a seasonally adjusted basis, a tad below a 3.8%YoY print registered in the January-March 2015 period. On an unadjusted basis, real economic activity slowed to 3.3%YoY from 4.3%YoY a quarter earlier.

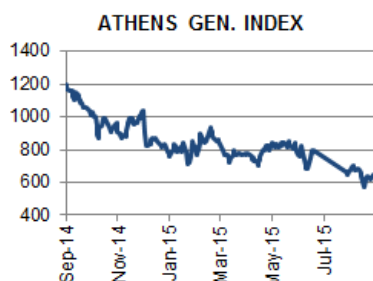
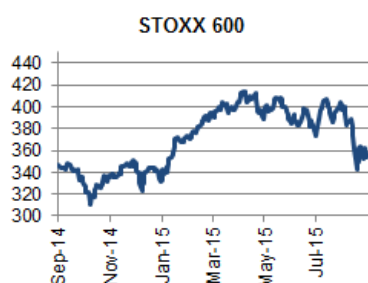
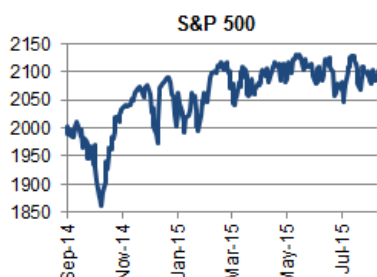
SERBIA: The EUR/RSD remained last week within the 120.00-121.00 range it has maintained for a few months now with market participants awaiting clues that could set the tone for the pair higher.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed in the red on Friday, as the August non-farm payrolls report was rather mixed failing to contain market uncertainty about the timing of the first fed funds rate, especially in view of a thin US macro data calendar in the coming days. In more detail, nonfarm payrolls increased by 173k in August vs. consensus estimate of 217k, though upward revisions to July (+30k) and June (+14k) somewhat counterbalanced the lower-than-expected monthly payroll gain. Meanwhile, the unemployment rate fell to its lowest level since April 2008 (to 5.1% from 5.3% in July), reaching the Fed's long-run unemployment rate projection. Elsewhere, most Asian markets are trading lower at the time of writing, with the Chinese Shanghai Composite Index down by 2.5% after remaining closed over the last two sessions on holiday. In FX markets, the EUR/USD consolidated around levels of 1.1150/55 in early European trade, while the USD/JPY was trading close to 119.35/119.40, having recovered from Friday's a two-week closing low of 118.99. On this week's data front, investors will focus on the euro area Q2 GDP release (second estimate) due on Tuesday, while US initial jobless claims and University of Michigan consumer sentiment are scheduled for Thursday and Friday, respectively. Additionally, European Commission President Jean-Claude Juncker speaks to the European Parliament on Wednesday, while European Union finance ministers and central bankers hold an informal meeting in Luxembourg on September 11-12.

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GREECE

According to the results of the majority of opinion polls published so far this month, SYRIZA leads over New Democracy with a narrow margin. Against this environment, a number of political commentators suggested that the September 20th election outcome remains too close to call and inter-party talks for the formation of a coalition or unity government are likely to resume after the elections. Speaking to a local TV station yesterday, former Prime Minister and SYRIZA leader Alexis Tsipras played down fears over a repeat election. In more detail, he claimed that, given the high number of undecided voters that is estimated at 15-20% currently, even if the party that will come first in the election does not gain an absolute majority in Parliament, "it will be close to it". Mr. Alexis Tsipras ruled out again the prospect of SYRIZA participating in a government with New Democracy insisting that "there is no room for cooperation because of the differences in our policy programs". On his part, speaking to international newswires, ND leader Evangelos Meimarakis was quoted saying that, irrespective of the post-election outcome, he will invite the SYRIZA leader to form a coalition government to safeguard Greece's interrupted euro area membership.

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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

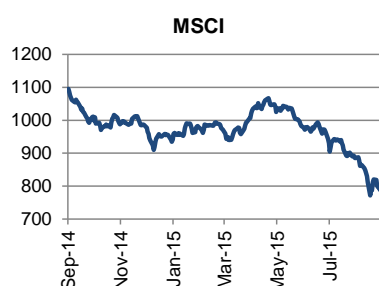
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

BULGARIA

Domestic bourses closed little changed on a weekly basis on Friday, having largely erased gains recorded at the start of the week following upbeat Q2 corporate earnings results. Ongoing concerns over the prospects of the global economy and thin trade volumes in view of the summer doldrums weighed on domestic stocks. The main SOFIX index added 0.50% to end at 456.39 points. In the meantime, the Eurobond market closed little changed, while local sovereign yields underwent some modest adjustment to the downside. After a three-month absence in the primary market, the 3-year Treasury notes auction this Monday is expected to receive significant investor demand. The issue was last reopened in May, when the achieved yield was 0.68%, in line with that achieved at a prior auction of the same paper in January. Recall that, the MinFin must repay two large discount bonds in September totaling BGN 1.08bn.

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ROMANIA

According to Q2 2015 preliminary data released on Friday by the National Institute of Statistics, real GDP rose by 0.1%QoQ, bringing the annual rate of increase to 3.7%, on a seasonally adjusted basis, a tad below a 3.8%YoY print registered in the January-March 2015 period. On an unadjusted basis, real economic activity slowed to 3.3%YoY from 4.3%YoY a quarter earlier. The breakdown of the data confirmed that consumption remained the primary growth driver last quarter, while gross fixed capital formation also exerted a positive impact. On the other hand, the slowdown from the prior quarter mainly came on the back of a larger drag from net exports and a negative input from inventories. Looking ahead, recent higher frequency indicators suggest that robust wage growth (average net wage growth came in at a multi-year high of 7.8%YoY in June) is likely to continue providing support to private expenditure. This was also evidenced in the latest retail sales data for July, released last week, which registered a 13-month high 8.5%YoY increase, supporting the view that private consumption remains the leading growth driver in the domestic economy.

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SERBIA

The EUR/RSD remained last week within the 120.00-121.00 range it has maintained for a few months now with market participants awaiting clues that could set the tone for the pair higher. In mid-August NBS governor Jorgovanka Tabakovic expressed belief that the recent strength of domestic currency is not sustainable on the long run. In our view, an EUR/RSD up-move towards 121.00 is likely from mid-September onwards in view of an expected increase in EUR-demand due to seasonal factors. Despite increased likelihood for some dinar depreciation in the coming months, further significant EUR/RSD upside is likely to prove limited as the Central Bank will probably intervene anew to halt any significant depreciation pressures on the currency. On the other hand, there appears to be limited potential for a breach of the lower bound as the Central Bank has repeatedly signaled its readiness to support the pair above 120. Note that, the NBS purchased €140mn last month, while the year-to-date intervention amount has climbed to €780mn.

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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	1921.22	-1.5%	-6.7%	EUR/USD	1.1149	0.1%	-7.8%	UST - 10yr	2.12	0	-5	GOLD	1122	-0.1%	-5.3%
Nikkei 225	17860.47	0.4%	2.3%	GBP/USD	1.5211	0.3%	-2.4%	Bund-10yr	0.66	-1	12	BRENT CRUDE	49	-1.1%	-14.5%
STOXX 600	356.41	0.9%	4.0%	USD/JPY	119.29	-0.2%	0.3%	JGB - 10yr	0.37	1	4	LMEX	2370	-2.0%	-18.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	408	0	-583
1-week	4.20	-3	-581
1-month	4.59	-3	-546
3-month	5.00	-4	-485
6-month	5.30	-4	-449

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.07	2	-301
5Y RSD	8.01	0	-217
7Y RSD	8.57	0	-351

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.39	1	-87
USD Nov-24	6.47	0	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

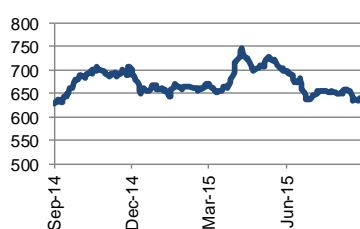
STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.8	-0.16%	-4.39%

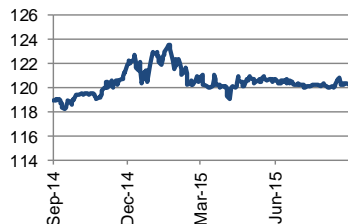
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.21	0.08%	0.95%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.1	0	53
1-month	1.35	0	44
3-month	1.44	0	-26
6-month	1.65	0	-36
12-month	1.75	0	-27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.95	-1	-36
5Y RON	2.39	-1	-32
10Y RON	3.75	-1	9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.47	0	-26
USD Aug-23	3.86	6	24

CDS

	Last	ΔDbps	ΔYTD bps
5-year	126	1	-16
10-year	166	1	-21

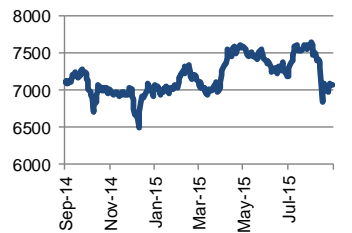
STOCKS

	Last	ΔD	ΔYTD
BET	7062.5	-0.22%	-0.29%

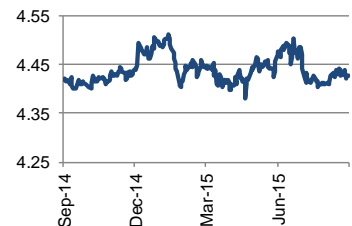
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.428	-0.01%	1.25%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.02	-2	0
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	0.53	12	-51
5Y BGN	0.97	10	-47
10Y BGN	2.34	0	-41

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.48	5	-68
EUR Sep-24	2.82	17	-5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	178	3	-13
10-year	225	3	-16

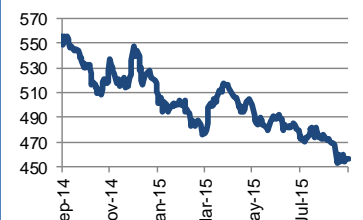
STOCKS

	Last	ΔD	ΔYTD
SOFIX	456.4	0.01%	-12.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7543	-0.01%	-7.86%

SOFIX Index



USD/BGN



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

Data updated as of 10:45 EEST

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