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Eurobank

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 09, 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:** Asian bourses rallied on Wednesday following a late recovery in the Chinese equity markets while the majority of European equity markets firmed in early trade on market optimism that the Chinese authorities are ready to adopt further measures, if needed, to boost the domestic economy. The improved tone in global equity markets dented the safe-haven appeal of the JPY with the USD/JPY rising near a week high in European trade, while higher US Treasury yields also helped. With investors eagerly awaiting next week's FOMC monetary policy meeting, focus today is on US July's job openings data which are expected to suggest a gradual ongoing improvement of the domestic labor market.

**GREECE:** The pre-election debate with the leaders of all political parties with parliamentary representation, aside from far-right Golden Dawn, will take place today at 21:00 local time. In other news, Bank of Greece Governor Yannis Stournaras and interim Minister of Finance George Chouliarakis reportedly held a meeting yesterday to discuss, among others, the bank recapitalization plan. As per the same sources, the two officials ruled out any mergers between the four systemic banks and expressed their willingness domestic banks to remain under private management.

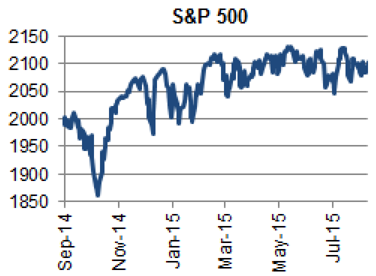
## SOUTH EASTERN EUROPE

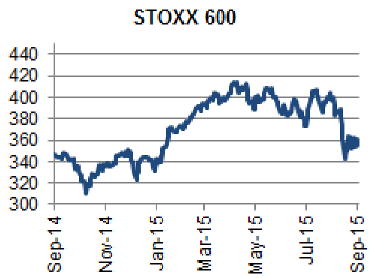
**BULGARIA:** In other news, after a three month absence in the bond markets, the finance ministry sold at an auction on Tuesday BGN 150mn (~€76.7mn) of January 2018 T-Notes at an average accepted yield of 0.49%, a tad below 0.68% achieved at the prior auction of the same paper held in May.

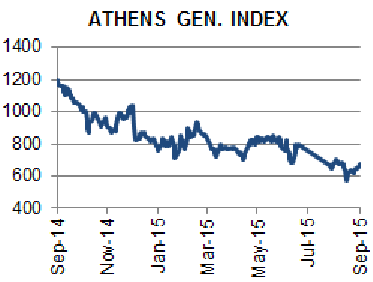
**ROMANIA:** The turnover in industry, per total (domestic and non-domestic market), increased by 2.2%MoM in July in nominal terms, pushing the YoY reading to 6.4%.

**CESEE MARKETS:** **Emerging stock markets** moved broadly higher earlier on Wednesday on optimism that Chinese authorities will render further stimulus measures in order to support the slowing economy. An unexpected upward revision in Eurozone's Q2 GDP data announced yesterday also continued to favour investor sentiment. In the FX markets, **CESEE currencies** broadly firmed in European trade on Wednesday on the back of improved risk appetite.

# Latest world economic & market developments




*Source: Reuters, Bloomberg, Eurobank Research*

## GLOBAL MARKETS

Asian bourses rallied on Wednesday following a late recovery in the Chinese equity markets while the majority of European equity markets firmed in early trade on market optimism that the Chinese authorities are ready to adopt further measures, if needed, to boost the domestic economy. In a statement released earlier this week, China's Ministry of Finance said that it will speed up reform of the tax system, boost infrastructure spending and accelerate the use of the public-private-partnership model, to support economic growth. Positive data from the euro area yesterday may also had an impact. According to the 2nd (and final) estimate, Q2 2015 GDP was revised up slightly to 0.4%QoQ from 0.3%QoQ initially reported with net trade recording the largest contribution to growth since Q4 2013 mainly due to stronger exports. In addition, German trade flows surprised to the upside in July with both exports and imports hitting record highs in value terms, suggesting foreign appetite for goods from the euro area's largest economy remains robust despite a slowing Chinese economy. The improved tone in global equity markets dented the safe-haven appeal of the JPY with the USD/JPY rising near a week high of 120.73 in European trade, posting gains of c. 0.8% compared to yesterday's settlement. Higher US Treasury yields ahead of next week's FOMC monetary policy meeting and a heavy sovereign debt issuance of 10-yr notes today and 30-year bonds on Thursday also supported the USD. On the data front, focus today is on US July's job openings data which are expected to suggest a gradual ongoing improvement of the domestic labor market.

## GREECE

The pre-election debate with the leaders of all political parties with parliamentary representation, aside from far-right Golden Dawn, will take place today at 21:00 local time. A second debate will follow on September 14th with the participation of the leaders of the two biggest parties, SYRIZA and ND. In other news, Bank of Greece Governor Yannis Stournaras and interim Minister of Finance George Chouliarakis reportedly held a meeting yesterday to discuss, among others, the bank recapitalization plan. As per the same sources, the two officials ruled out any mergers between the four systemic banks and expressed their willingness domestic banks to remain under private management. Reportedly, the stress testing exercise is expected to have been completed by late October with an intention the bank recapitalisation plan to commence in early November and be finalized by end-December.

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# Latest world economic & market developments in the CESEE region

## BULGARIA

According to the preliminary data released yesterday by the National Statistics Institute, seasonally adjusted industrial output fell by 0.7%MoM in July, bringing the annual rate of increase to 3.4% after growth of 5.8% (revised from 5.7% initially announced) in the prior month. The breakdown of the data showed that activity in *manufacturing* and *mining & quarrying* recorded the highest pace of annual increase (+3.6% each), followed by electricity production (+2.3%). In a separate data release yesterday, the retail trade turnover (excl. motor vehicles and motorcycles) declined by 0.6%MoM in real terms in July, posting a marginal 0.1%YoY increase. The latter reading marks the slowest pace of increase in more than two years, when the sector was last in contraction, and compares with a 2.7%YoY advance in June. In all, the data continues to reflect weak domestic consumption amid unfavorable base effects and fiscal restraint. In other news, after a three month absence in the bond markets, the finance ministry sold at an auction on Tuesday BGN 150mn (~€76.7mn) of January 2018 T-Notes. The average accepted yield came in at 0.49%, a tad below 0.68% achieved at the prior auction of the same paper held in May. The issue bears an annual coupon of 1.1%, while yesterday's tender produced a bid to cover ratio of 2.15.

## ROMANIA

The turnover in industry, per total (domestic and non-domestic market), increased by 2.2%MoM in July in nominal terms, pushing the YoY reading to 6.4%. The breakdown of the data showed that *manufacturing* led the way higher with a 6.9%YoY increase, while *mining and quarrying* contracted by 11.5%YoY.

## CESEE Markets

**Emerging stock markets** moved broadly higher earlier on Wednesday on optimism that Chinese authorities will render further stimulus measures in order to support the slowing economy. An unexpected upward revision in Eurozone's Q2 GDP data announced yesterday also continued to favour investor sentiment. Against this backdrop, the MSCI Emerging Markets index rose by 2% at some point in Asian trade, standing in the black for the second session running and hitting a multi-session peak intraday. In a similar vein, Turkey's BIST 100 and Romania's BETI rallied by ca 1.0% and 1.6% respectively shortly after the session's open. In the FX markets, **CESEE currencies** broadly firmed in European trade on Wednesday on the back of improved risk appetite. The Turkish lira led the gains in the region recovering some of the recent losses it incurred in view of escalating domestic political uncertainty in the run-up to the November repeat general elections and increased fighting near the country's south-east boarder. On the former, Deputy Prime Minister Cevdet Yilmaz highlighted, among other, on Tuesday that uncertainty will end after the November 1st national election, adding that real GDP growth of 3% this year is possible and expressing belief that economic activity will likely pick up pace in 2016. Against this backdrop, the USD/TRY hovered around levels of 2.9875 at the time of writing to stand ca 0.7% lower compared to the prior session's settlement. Nonetheless, the pair remained within distance from a record peak near 3.0455 hit earlier in the week. Elsewhere, the Serbian dinar was little changed trading at 120.15/EUR in European trade ahead of tomorrow's MPC meeting, remaining within the 120-121 range it has held over the last few months. Despite weak domestic demand and below NBS-target inflation we anticipate the Central Bank to stand pat at its monetary policy and maintain the benchmark interest rate at the current record low of 5.50% in view of the recent increase in volatility in financial markets and mounting global growth concerns.

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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*

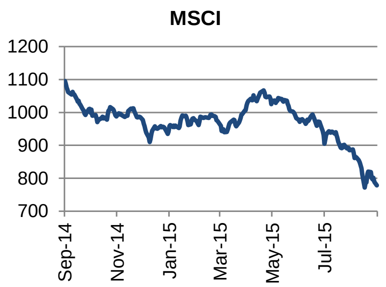
| ROMANIA: Indicators | 2014e | 2015f | 2016f |
|---|---|---|---|
| *Real GDP growth %* | 2.9 | 3.4 | 3.5 |
| *CPI (pa, yoy %)* | 1.1 | -0.5 | 1.8 |
| *Budget Balance/GDP ** | -1.9 | -1.9 | -2.8 |
| *Current Account/GDP* | -0.4 | -1.0 | -1.5 |
| *EUR/RON (eop)* | 4.40 | 4.45 | 4.40 |
| | 2014 | current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

## GLOBAL MARKETS

| Stock markets | Last | ΔD | ΔYTD | FOREX | Last | ΔD | ΔYTD | Government Bonds (yields) | Last | ΔDbps | ΔYTD bps | Commodities | Last | ΔD | ΔYTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | 1921.22 | -1.5% | -6.7% | EUR/USD | 1.1185 | 0.1% | -7.5% | UST - 10yr | 2.18 | 5 | 0 | GOLD | 1123 | 0.3% | -5.3% |
| Nikkei 225 | 17427.08 | -2.4% | -0.1% | GBP/USD | 1.5382 | 0.7% | -1.3% | Bund-10yr | 0.68 | 0 | 14 | BRENT CRUDE | 49 | 2.4% | -14.9% |
| STOXX 600 | 360.68 | 1.7% | 5.3% | USD/JPY | 120.01 | -0.6% | -0.3% | JGB - 10yr | 0.36 | -2 | 3 | LMEX | 2370 | 0.0% | -18.7% |

## CESEE MARKETS

### SERBIA

**Money Market**

| BELIBOR | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| T/N | 410 | 1 | -581 |
| 1-week | 4.23 | 4 | -578 |
| 1-month | 4.59 | 6 | -546 |
| 3-month | 5.00 | 3 | -485 |
| 6-month | 5.27 | 5 | -452 |

**RS Local Bonds**

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 3Y RSD | 6.05 | 0 | -303 |
| 5Y RSD | 8.01 | 0 | -217 |
| 7Y RSD | 8.57 | 0 | -351 |

**RS Eurobonds**

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| USD Nov-17 | 3.38 | -1 | -88 |
| USD Nov-24 | 6.47 | -1 | -12 |

**CDS**

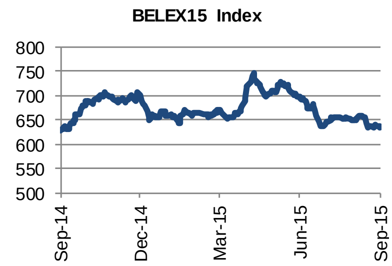
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 277 | 0 | -13 |
| 10-year | 321 | 0 | -35 |

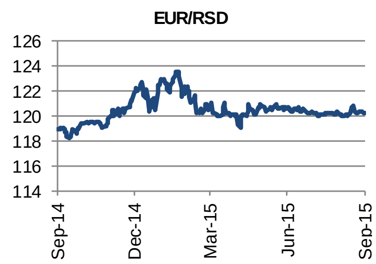
**STOCKS**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BELEX15 | 635.5 | -0.50% | -4.72% |

**FOREX**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/RSD | 120.33 | -0.07% | 0.85% |




### ROMANIA

**Money Market**

| ROBOR | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| O/N | 1.03 | 4 | 46 |
| 1-month | 1.31 | 1 | 40 |
| 3-month | 1.43 | 0 | -27 |
| 6-month | 1.63 | -1 | -38 |
| 12-month | 1.72 | -2 | -30 |

**RO Local Bonds**

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 3Y RON | 1.93 | 0 | -38 |
| 5Y RON | 2.34 | -3 | -37 |
| 10Y RON | 3.72 | -2 | 6 |

**RO Eurobonds**

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| EUR Sep-20 | 1.46 | -1 | -27 |
| USD Aug-23 | 3.83 | 0 | 21 |

**CDS**

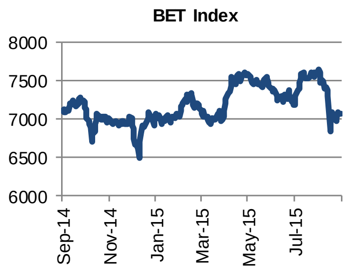
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 128 | 2 | -15 |
| 10-year | 167 | 1 | -19 |

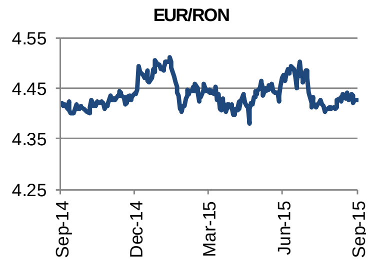
**STOCKS**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| BET | 7098.3 | 0.51% | 0.22% |

**FOREX**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| EUR/RON | 4.428 | 0.00% | 1.25% |




### BULGARIA

**Money Market**

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| LEONIA | 0.01 | -1 | -1 |
| 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 | 0.43 | 0 | -61 |
| 5Y BGN | 0.80 | 0 | -64 |
| 10Y BGN | 2.28 | 0 | -47 |

**BG Eurobonds**

| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| EUR Jul-17 | 0.50 | -14 | -66 |
| EUR Sep-24 | 2.81 | 0 | -6 |

**CDS**

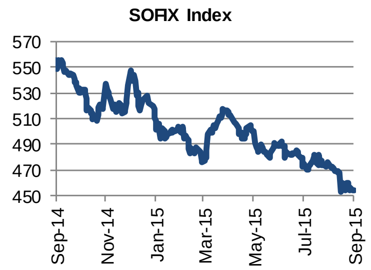
| | Last | ΔDbps | ΔYTD bps |
|---|---|---|---|
| 5-year | 181 | 3 | -10 |
| 10-year | 228 | 3 | -13 |

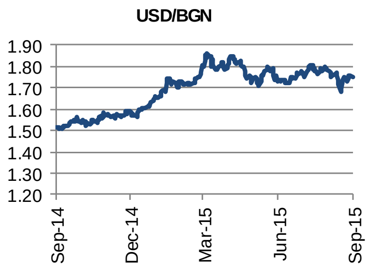
**STOCKS**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| SOFIX | 454.5 | 0.03% | -12.95% |

**FOREX**

| | Last | ΔD | ΔYTD |
|---|---|---|---|
| USD/BGN | 1.7488 | 0.13% | -7.57% |




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

*Data updated as of 16:50 EEST of previous session*

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