

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: Major Asian bourses lost significant ground on Tuesday, after China's PMI manufacturing index fell to its lowest level since August 2012 exacerbating worries about the prospects of the Chinese economy. Mirroring losses in Wall Street overnight and the negative tone in Asian equity markets, major European equity indices were trading in the red at the time of writing. In FX markets, the weakness in equity markets favored the low-yielding euro and the safe-haven yen against the US dollar. In commodity markets, crude oil prices gave back some of their biggest three-session surge in 25 years. On the data front, investors will probably pay attention to the US ISM manufacturing index due at 17:00 GMT today.

GREECE: According to a number of public opinion polls published since August 24, four days after outgoing Prime Minister Alexis Tsipras submitted the resignation of his government to the President of the Hellenic Republic, SYRIZA runs ahead of New Democracy by a narrow margin. As per the same opinion polls, the average popularity rate of SYRIZA stands below levels purportedly needed to secure an outright parliamentary majority i.e., 151 MPs in the 300-seat Parliament. On the data front, the year-on-year growth of the non-seasonally adjusted retail trade volume index fell by 0.4%YoY in June, recording the third annual decline so far this year. Elsewhere, the seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index came in at 39.1 in August, well below the boom-or-bust level of 50.0 and one of the lowest readings in the survey's history.

SOUTH EASTERN EUROPE

SERBIA: According to final national accounts data, real economic activity bounced back into positive growth of 2.2%QoQ seasonally adjusted in Q2 2015 after a 0.8%QoQ decline in the prior quarter, bringing the annual rate of increase to 1.0% from -2.0% in Q1 2015. Higher frequency data released yesterday signaled a further rebound in domestic economic activity in H2 2015. Firstly, industrial production growth remained robust in July (+13.0%YoY, non-seasonally adjusted), with a slowdown from 18.6%YoY in June likely attributed to the summer lull. Secondly, retail sales registered in July the highest rate of annual increase since January, (3.4% vs. 0.9% in June).

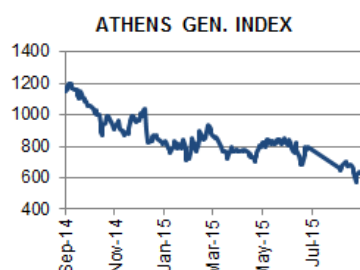
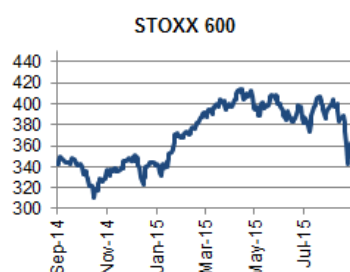
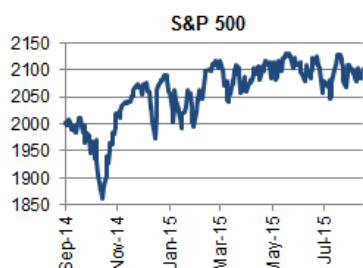
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September 1, 2015

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following Fed Vice Chairman Stanley Fischer's hawkish comments over the weekend for a possible acceleration in US inflation that could pave the way for an interest rate hike in the foreseeable future, Wall Street eased yesterday and 10yr US Treasury yields rose by 4bps to 3-week high of 2.22%. Moreover, the Dallas Fed manufacturing activity index fell short of expectations in August (-15.8 vs. consensus estimate of -4.0, from -4.6 in July), while the Chicago PMI came in slightly lower-than-expected. Elsewhere, major Asian bourses lost significant ground on Tuesday, after China's PMI manufacturing index fell to its lowest level since August 2012 exacerbating worries about the prospects of the Chinese economy. In more detail, the Shanghai Composite and the Shenzhen Composite Indices closed 1.2% and 4.6% lower, respectively, extending the biggest two-month decline since the onset of the 2008 global financial crisis. Mirroring losses in Wall Street overnight and the negative tone in Asian equity markets, major European equity indices were trading in the red at the time of writing, with the Stoxx600 index losing ca. 2.5%. In FX markets, the weakness in equity markets favored the low-yielding euro and the safe-haven yen against the US dollar. In more detail, the EUR/USD rose to an intraday high of 1.1332, extending its recovery from one-week lows of 1.1156 reached last Friday. Additionally, the USD/JPY fell to 119.83/199.84 in early European trade, retreating from a multi-day peak of 121.75 hit during Friday's session. In commodity markets, crude oil prices gave back some of their biggest three-session surge in 25 years. On the data front, investors will probably pay attention to the US ISM manufacturing index due at 17:00 GMT today.

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GREECE

According to a number of public opinion polls published since August 24, four days after outgoing Prime Minister Alexis Tsipras submitted the resignation of his government to the President of the Hellenic Republic, SYRIZA runs ahead of New Democracy by a narrow margin. As per the same opinion polls, the average popularity rate of SYRIZA stands below levels purportedly needed to secure an outright parliamentary majority i.e., 151 MPs in the 300-seat Parliament. Should this be the case, SYRIZA should reportedly have to seek potential coalition partners. Speaking to a local radio station yesterday, former Minister of the Interior and Administrative Reconstruction Nikos Voutsis ruled out the prospect of repeated elections and suggested that the formation of a coalition government with democratic parties, aside from New Democracy, could be considered, dependent on the election outcome. However, speaking to a local TV station a few hours later, former Minister of State Nikos Pappas said that should SYRIZA fail to gain a clear mandate in the upcoming general election, all possibilities are open. On the data front, the year-on-year growth of the non-seasonally adjusted retail trade volume index fell by 0.4%YoY in June, recording the third annual decline so far this year. The non-seasonally adjusted retail trade turnover index declined by 1.7%YoY in June, marking the fifth annual fall in the last six months. Elsewhere, the seasonally adjusted Markit Greece Manufacturing Purchasing Managers' Index came in at 39.1 in August, well below the boom-or-bust level of 50.0 and one of the lowest readings in the survey's history mainly due to the lack of new orders and a further sharp drop in production.

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September 1, 2015

Latest world economic & market developments in the CESEE region

SERBIA

According to final national accounts data, real economic activity bounced back into positive growth of 2.2%QoQ seasonally adjusted in Q2 2015. The reading follows a 0.8%QoQ decline in the prior quarter and is the highest pace of increase since Q1 2013. On an annual non-seasonally adjusted basis, economic activity returned to expansion of 1.0%, breaking a 5-quarter streak of negative growth rates and coming on the heels of a 2.0% drop recorded in the January-March 2015 period. The breakdown of the data showed that the said return to positive real GDP growth rates came on the back of an 8.6%YoY expansion (4.3%YoY in Q1 2015) in the gross fixed capital formation, which marked in Q2 2015 the third consecutive quarter of positive growth readings. The slowdown to 3.0%YoY in the pace of increase in imports, from 11.3%YoY in Q1 2015, in tandem with a concomitant 8.7%YoY rise in exports (+8.6%YoY in the prior quarter) also favoured. On a less positive note, domestic consumption remained a drag on growth, with household and government expenditure recording respective annual declines of 1.4% and 2.9%, due to the ongoing impact of fiscal restraint.

Higher frequency data released yesterday signaled a further rebound in domestic economic activity in H2 2015. Firstly, industrial production growth remained robust in July (+13.0%YoY, non-seasonally adjusted), with a slowdown from 18.6%YoY in June likely attributed to the summer lull. The breakdown of the data showed that production of electricity, gas, steam and air-conditioning jumped by 50.3%YoY. The sectors of mining and quarrying also registered a hefty increase of 39.6%YoY, while manufacturing output advanced by 3.8%YoY. In all, the data continues to point to a robust growth pattern in industrial production thanks to favorable base effects and improved production in the energy sector, since damages incurred as a result of last year's floods appeared to have been restored. Looking ahead, we anticipate the current robust growth momentum in industrial output to continue this year thanks to the accommodative monetary policy conditions, the renewed downtrend in commodity prices and economic recovery in the Euro Area, a key trade partner for Serbia. Secondly, retail sales registered in July the highest rate of annual increase since January, (3.4% vs. 0.9% in June), possibly indicating a modest recovery in domestic consumption in H2 2015.

In other data releases on Monday, according to Labor Force Survey data for Q2 2015, the unemployment rate eased to 17.9% from 19.2% in January-March 2015, marking the lowest reading since Q4 2014. Although the data may point to a timid improvement in labour market conditions, which appears to be mostly supported by the sharp recovery in the domestic industrial sector over recent months, an IMF backed downsizing in the public sector headcount may lead to higher unemployment rates by year-end. Separately, Serbia's trade balance came in at a deficit of €283.5mn in July, with exports amounting to €1,090.4mn, following an 11.6%YoY increase and imports totaling €1,373.9mn, having decreased by 1.3%YoY.

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

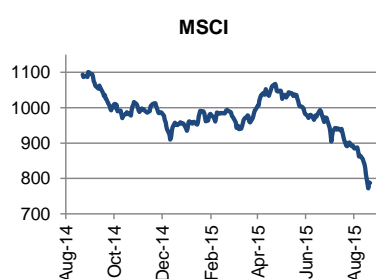
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.50	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

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September 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	1972.18	-0.8%	-4.2%	EUR/USD	1.1276	0.6%	-6.8%	UST - 10yr	2.16	-6	-1	GOLD	1142	0.6%	-3.6%
Nikkei 225	18165.69	-3.8%	4.1%	GBP/USD	1.5337	-0.1%	-1.5%	Bund-10yr	0.78	-2	24	BRENT CRUDE	52	-3.9%	-9.2%
STOXX 600	352.10	-2.9%	2.8%	USD/JPY	119.83	1.2%	-0.1%	JGB - 10yr	0.36	-2	3	LMEX	2378	1.0%	-18.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	409	-3	-582
1-week	4.24	-8	-577
1-month	4.64	-5	-541
3-month	5.05	-7	-480
6-month	5.35	-7	-444

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.18	#N/A N/A	-287
5Y RSD	8.10	0	-208
7Y RSD	8.56	-3	-351

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.42	2	-84
USD Nov-24	6.50	0	-9

CDS

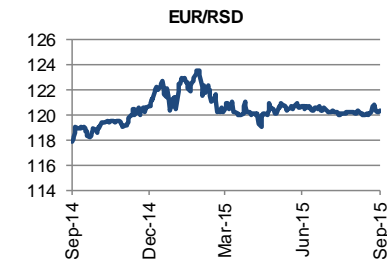
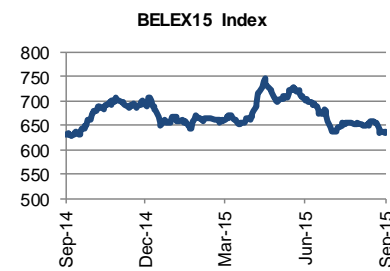
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.3	0.51%	-4.46%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.20	0.02%	0.95%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.78	-1	121
1-month	1.52	0	61
3-month	1.51	1	-19
6-month	1.69	2	-32
12-month	1.75	2	-27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.92	1	-39
5Y RON	2.44	0	-27
10Y RON	3.78	1	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.45	1	-28
USD Aug-23	3.73	0	12

CDS

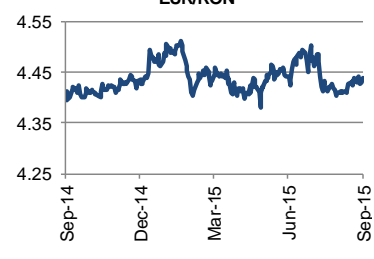
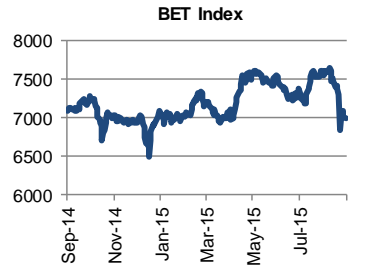
	Last	ΔDbps	ΔYTD bps
5-year	126	-6	-16
10-year	167	-9	-20

STOCKS

	Last	ΔD	ΔYTD
BET	6964.1	-0.48%	-1.68%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4379	-0.12%	1.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	1	2
1-month	0.18	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	2	-56
5Y BGN	1.01	3	-43
10Y BGN	2.37	0	-38

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.49	9	-67
EUR Sep-24	2.84	0	-3

CDS

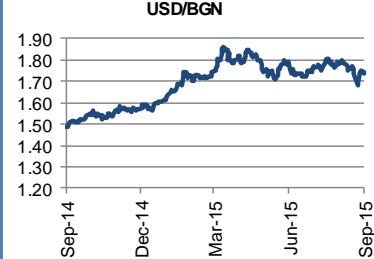
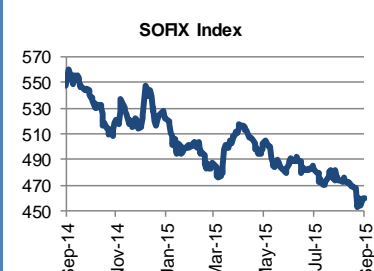
	Last	ΔDbps	ΔYTD bps
5-year	176	3	-15
10-year	224	4	-17

STOCKS

	Last	ΔD	ΔYTD
SOFIX	459.4	-0.01%	-12.01%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7346	0.57%	-6.81%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:50 EEST

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