

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: Wall Street closed in the black overnight while US 10yr Treasury yields rose as the Fed's Beige Book, which contains a valuation of economic conditions from the 12 Federal Reserve districts, reported continued economic growth into the third quarter. Trailing overnight gains from Wall Street, most Asian equity indices closed higher. Elsewhere, major European bourses opened firmer on Thursday ahead of the ECB monetary policy meeting later in the day and the ensuing press conference. ECB President Mario Draghi is likely to adopt a more dovish tone compared to last month due to lingering concerns about China's growth outlook and persisting subdued inflation pressures in the euro area.

GREECE: In a document submitted to the Dutch Parliament, Eurogroup President and Dutch Minister of Finance Jeroen Dijsselbloem reportedly argued that the upcoming Greek snap election will not delay the comprehensive assessment of Greek banks' balance sheets and the recapitalization of the banking system which is expected to be completed by the end of this year.

SOUTH EASTERN EUROPE

SERBIA: The finance ministry sold on Wednesday RSD 9.45bn (~78.65mn) in 2-year T-bonds, at an average accepted yield of 6.8%, below 7.2% achieved at a prior auction of similar maturity paper held in May.

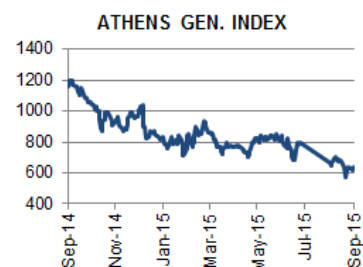
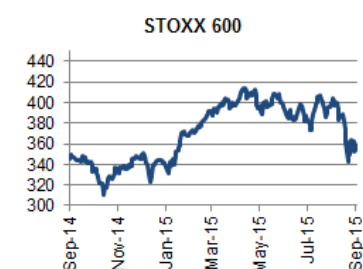
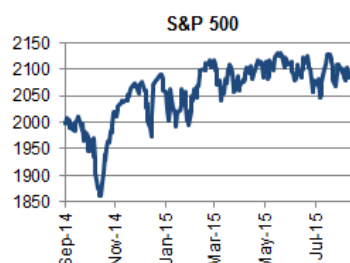
CESEE MARKETS: Trailing gains in Wall Street overnight as well as in major European bourses earlier today, **CESEE stock markets** moved broadly higher in European trade on Thursday ahead of the ECB meeting later on the day. In the **external debt markets**, Poland sold on Wednesday €1bn of EUR-denominated 10-year Eurobonds, which mature on September 9, 2025. **Focus today** is primarily in Romania, where the lower house of Parliament is expected to debate and vote on amendments of the fiscal code and the finance ministry plans to sell RON 400mn (~€90.16mn) of January 2018 T-Notes.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed in the black overnight while US 10yr Treasury yields rose by 3bps to 2.18%, as the Fed's Beige Book, which contains a valuation of economic conditions from the 12 Federal Reserve districts, reported continued economic growth into the third quarter. Trailing overnight gains from Wall Street, most Asian equity indices closed higher with the Nikkei index rising for the first time in four days (+0.50%). China's markets will remain closed for two days due to national holiday. It seems that the increase of the Japanese PMI Composite index to 52.9 in August, from 51.5 in the prior month, had a positive impact on investors' risk appetite in the region. Elsewhere, major European bourses opened higher on Thursday ahead of the ECB monetary policy meeting later in the day. In FX markets, the EUR/USD and the USD/JPY consolidated in early European trade around yesterday's levels of 1.1227/1.1228 and 120.38/120.39, respectively. Investors are expected to shift attention today on the ECB meeting, which will be followed by the press conference where President Mario Draghi is likely to adopt a more dovish tone compared to last month due to lingering concerns about China's growth outlook and persisting subdued inflation pressures in the euro area.

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GREECE

In a document submitted to the Dutch Parliament, Eurogroup President and Dutch Minister of Finance Jeroen Dijsselbloem reportedly argued that the upcoming Greek snap election will not delay the comprehensive assessment of Greek banks' balance sheets and the recapitalization of the banking system which is expected to be completed by the end of this year. As per the same sources, Fitch estimates cumulative capital needs for all Greek banks in the range between €7.2bn and €15.1bn, depending on the minimum capital adequacy ratio requirement and assuming no changes in the deferred tax assets (DTAs) framework. On the domestic political scene, recent public opinion polls continue to point to a fragmented parliament with no political party managing to secure an outright majority. Should this be the case, inter-party coalition talks are reportedly likely to resume after the September 20th snap election for the formation of a viable and coherent coalition in an effort a second round of general election to be avoided.

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September 3, 2015

Latest world economic & market developments in the CESEE region

SERBIA

The finance ministry sold on Wednesday RSD 9.45bn (~78.65mn) in 2-year T-bonds, a tad less than an amount of RSD 10bn initially planned. The auction's average accepted yield came in at 6.8%, below 7.2% achieved at a prior auction of similar maturity paper held in May. The issue bears an annual coupon of 6% and matures on September 4, 2017, while the tender's bid-to-cover ratio stood at 1.43 yesterday.

CESEE MARKETS

Trailing gains in Wall Street overnight as well as in major European bourses earlier today, **CESEE stock markets** moved broadly higher in European trade on Thursday ahead of the ECB meeting later on the day.

In **FX markets**, CESEE currencies were largely mixed. The Polish zloty was amongst the regions' best performers for the second session running, ahead of the ECB meeting today where the Central Bank may provide hints about a potential prolongation of its QE in the foreseeable future. The Polish currency also received support yesterday by better-than-anticipated US data and the Fed beige Book which entailed a positive tone about the prospects of the US economy. Wednesday's MPC meeting, where the NBP stayed put on its monetary policy and maintained its key policy rate at the current record low level of 1.50%, appeared to have a rather limited impact on the zloty as it was largely priced in by financial markets. Similarly, market participants appeared to largely shrug off comments by Polish Central Bank Governor Marek Belka on Wednesday that a potential conversion of Swiss franc mortgages into zlotys envisioned in a bill submitted to parliament entails downside risks for the domestic currency. Against this backdrop, the EUR/PLN hovered around levels of 4.2320 in early European trade, having recoiled from a 1-week peak of 4.2575 hit in the prior session.

In the **external debt markets**, Poland sold on Wednesday €1bn of EUR-denominated 10-year Eurobonds, which mature on September 9, 2025. The issue was priced at a yield of 1.592% or 48bps above the mid-swap rate. It bears an annual coupon of 1.5%. Bids at yesterday's auction totaled €1.3bn. According to finance ministry officials, the sale will increase the country's liquidity buffer and secure borrowing needs' financing, without affecting the share of FX debt in total debt. Elsewhere, according to media reports citing Romania's Deputy Minister of Finance, the government plans to sell Eurobonds worth around \$1bn sometime between September to November this year.

Focus today is primarily in Romania, where the lower house of Parliament is expected to debate and vote on amendments of the fiscal code, including a cut in the main VAT rate to 20% from 24% scheduled to come into effect at the beginning of 2016. The changes are expected to be in line with those agreed by political parties last week, delaying the adoption of some government-backed planned tax cuts, in order to mitigate fiscal slippage risks. Also in today's focus, the finance ministry is expected to sell RON 400mn (~ €90.16mn) of January 2018 T-Notes.

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

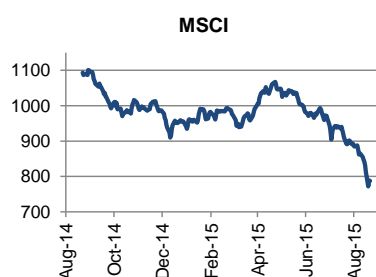
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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 3, 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	1948.86	1.8%	-5.3%	EUR/USD	1.1239	0.1%	-7.1%	UST - 10yr	2.18	0	1	GOLD	1133	-0.1%	-4.4%
Nikkei 225	18182.39	0.5%	4.2%	GBP/USD	1.5254	-0.3%	-2.1%	Bund-10yr	0.79	1	25	BRENT CRUDE	50	-0.8%	-12.6%
STOXX 600	358.97	1.4%	4.8%	USD/JPY	120.27	0.0%	-0.5%	JGB - 10yr	0.40	1	7	LMEX	2376	0.7%	-18.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	407	0	-584
1-week	4.22	0	-579
1-month	4.61	0	-544
3-month	5.03	-1	-482
6-month	5.33	-1	-446

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.13	-2	-289
5Y RSD	8.09	-1	-209
7Y RSD	8.57	0	-351

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.40	-1	-86
USD Nov-24	6.49	0	-10

CDS

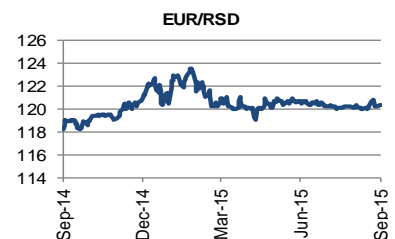
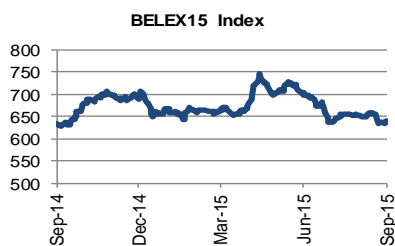
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	322	0	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.6	-0.37%	-4.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.39	-0.07%	0.80%



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	2.02	2	-29
5Y RON	2.48	0	-23
10Y RON	3.84	1	18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.45	-4	-28
USD Aug-23	3.83	-1	21

CDS

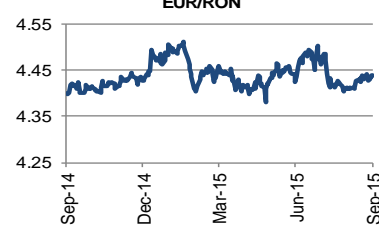
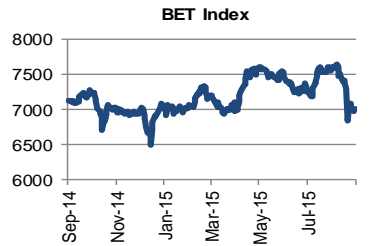
	Last	ΔDbps	ΔYTD bps
5-year	125	-5	-18
10-year	165	-5	-22

STOCKS

	Last	ΔD	ΔYTD
BET	7110.0	1.44%	0.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4385	0.07%	1.01%



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	0.47	1	-57
5Y BGN	0.92	1	-52
10Y BGN	2.38	0	-37

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.52	-5	-64
EUR Sep-24	2.85	-11	-1

CDS

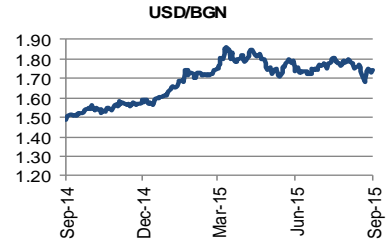
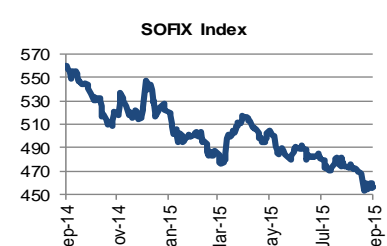
	Last	ΔDbps	ΔYTD bps
5-year	175	-5	-16
10-year	222	-5	-19

STOCKS

	Last	ΔD	ΔYTD
SOFIX	456.2	0.21%	-12.62%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7402	0.11%	-7.11%



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

Data updated as of 11:40 EEST

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