

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, September 14, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL US

- September 15
  - Retail sales (Jul)
  - Empire State Index (Sep)
  - Industrial production (Aug)
- September 16
  - CPI ((Aug)
  - NAHB (Sep)
- September 17
  - Initial jobless claims (Sep 12)
  - Housing starts (Aug)
  - Housing permits (Aug)
  - Philadelphia Fed Index (Sep)
  - FOMC meeting & press conference

### EUROZONE

- September 15: ZEW Index (Sep)
- September 16: HICP (Aug)

### GREECE

- September 14: Televised debate of the leaders of the two largest political parties
- September 17: U/E (Q2)
- September 20: National elections

### SEE

#### BULGARIA

- September 14: CPI (Aug)
- September 17: Current account balance (Jul)

#### ROMANIA

- September 14: Current account balance (Jul)

#### SERBIA

- September 16: 2017 T-Notes auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Wall Street closed modestly higher on Friday as better-than-expected US producer prices upstaged the weaker US consumer sentiment index. Trailing mild gains in Wall Street on Friday, major European equity indices opened modestly higher today. Elsewhere, Chinese bourses recorded on Monday the biggest daily decline in the last three weeks as domestic macro-economic releases on Sunday added to concerns for a deepening economic slowdown in China. In FX markets, the US dollar eased modestly against its major currency peers ahead of the two-day FOMC monetary policy meeting that concludes on Thursday. On the data front, this week's major releases include US retail sales, industrial production, consumer price inflation and several housing market indicators. Elsewhere, German ZEW survey for September and August HICP are due on Tuesday and Wednesday, respectively.

**GREECE:** Speaking in the press conference that followed the conclusion of the Eurogroup that took place on Friday, September 12, President Jeroen Dijsselbloem said that euro area finance ministers were informed by their Greek counterpart that the caretaker government continues the preparatory work in order to avoid any significant delays in the review process after the formation of the new government. In other news, the leaders of the two largest parties SYRIZA and New Democracy, Alexis Tsipras and Evangelos Meimarakis respectively, will hold a televised debate at 21:00 local time today while a number of recent opinion polls continue to show that the outcome of the upcoming national ballot remains too close to call.

### SOUTH EASTERN EUROPE

**ROMANIA:** Already in September, RON markets appear mired in the summer doldrums with trade activity remaining subdued, especially in FX. The EUR/RON drifted slightly lower last week, trading between 4.4120/4.4340 and closing around 4.4180 compared to last Friday's settlement of 4.4315. Elsewhere, RON money market rates were little changed over the last few days, while investor interest was more evidenced in RON-denominated government bonds.

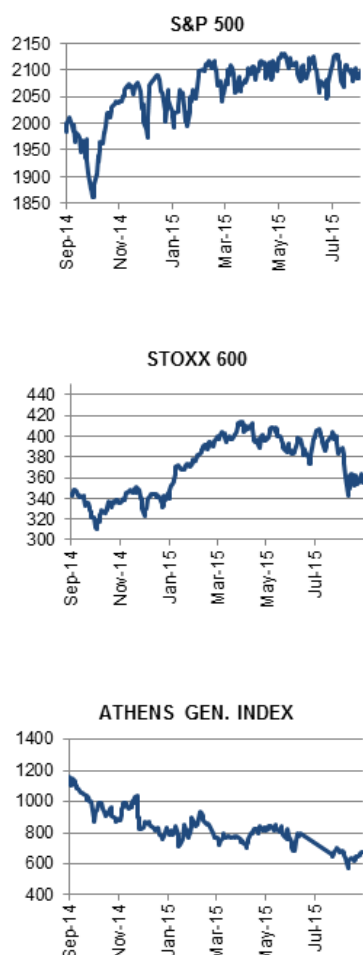
**SERBIA:** Consumer prices increased by 0.9%MoM in August, bringing the annual rate of increase to 2.1% from 1.0% in the prior month, in line with a market's median forecast. In the FX markets, the EUR/RSD remained bound last week within its recent trading range of 120.00-121.00.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed modestly higher on Friday as better-than-expected US producer prices upstaged the weaker US consumer sentiment index. In more detail, producer prices were flat in August vs. a consensus estimate for a 0.1%MoM decline as rising services prices offset declines in goods prices. On the other hand, the University of Michigan index of consumer sentiment fell to 85.7 in September from 91.9 in August, its lowest level in a year. Trailing mild gains in Wall Street on Friday, major European equity indices opened modestly higher today. Elsewhere, Chinese bourses recorded on Monday the biggest daily decline in the last three weeks as domestic macro-economic releases on Sunday added to concerns for a deepening economic slowdown in China. While retail sales surprised on the upside (10.8%YoY in August from 10.5%YoY in July), industrial production fell short of market expectations increasing by 6.1%YoY in August (vs. consensus of 6.5%YoY) from 10.5%YoY in July. Additionally, China's investment growth slowed to 10.9% in August from 11.2%YoY in July, its lowest level since 2000. In FX markets, the US dollar eased modestly against its major currency peers ahead of the two-day FOMC monetary policy meeting that concludes on Thursday, with the DXY index falling ca. 0.1% to a two-week low of 95.07 earlier today. Elsewhere, the USD/JPY was trading 0.3% lower, having hit a 1-week low of 120.25 at some point earlier today, with market consensus expecting the Bank of Japan (BoJ) to stay on hold at its two-day monetary policy meeting that ends tomorrow. On the data front, this week's major releases include US retail sales, industrial production, consumer price inflation and several housing market indicators. Elsewhere, German ZEW survey for September and August HICP are due on Tuesday and Wednesday, respectively.

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### GREECE

Speaking in the press conference that followed the conclusion of the Eurogroup that took place on Friday, September 12, President Jeroen Dijsselbloem said that euro area finance ministers were informed by their Greek counterpart that the caretaker government continues the preparatory work in order to avoid any significant delays in the review process after the formation of the new government. Furthermore, the Eurogroup expressed its confidence that the new Greek government "will work constructively with its euro area partners and the institutions to implement Greece's new economic adjustment programme agreed in August". Meanwhile, local press reports quoted unnamed euro area high level officials stressing that the new Greek government should not expect renegotiation on any of the agreed terms under the new bailout program. In other news, S&P affirmed its 'CCC+/C' foreign and local currency long-term and short-term sovereign credit ratings on the Hellenic Republic and retained a stable outlook. Yet, the rating agency warned that it would lower Greece's ratings "if the new government cannot implement the reforms it has agreed to in the MoU signed with the European Commission". On the flipside, S&P said that it could potentially raise Greece's sovereign credit ratings if it considered that the likelihood of the country defaulting was less than one in two, which in turn would hinge on an improvement in the country's economic fundamentals. Meanwhile, the leaders of the two largest parties SYRIZA and New Democracy, Alexis Tsipras and Evangelos Meimarakis respectively, will hold a televised debate at 21:00 local time today while a number of recent opinion polls continue to show that the outcome of the upcoming national ballot remains too close to call.

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## Latest world economic & market developments in the CESEE region

### ROMANIA

Already in September, RON markets appear mired in the summer doldrums with trade activity remaining subdued, especially in FX. The EUR/RON drifted slightly lower last week, trading between 4.4120/4.4340 and closing around 4.4180 compared to last Friday's settlement of 4.4315. Elsewhere, RON money market rates were little changed over the last few days, with the 1W implied rate from swaps standing just under 1.00% and the 1M rate around 1.15%. Investor interest was more evidenced in RON-denominated government bonds in view of recently scaled back expectations for the looming inception of the Fed's rate-hiking cycle. Additional support was provided by August's inflation data, which revealed higher than anticipated deflation pressures, of -1.9%YoY, vs. a market median forecast of -1.5%YoY. As a result, bonds fully recovered from the late-August losses with further gains likely to be witnessed ahead. In more detail, 3-10Y yields moved some 5-10bps lower over the week, with 5Y yields closing around 2.62% and 10Y ca. 3.72%. Both primary market auctions held last week, for 2Y and 5Y bonds, saw strong demand and were allocated at lower than expected yields despite the MoF increasing the offered amounts to RON 500mn/auction compared to the usual 300mn/auction seen over the last few months.

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### SERBIA

Consumer prices increased by 0.9%MoM in August, bringing the annual rate of increase to 2.1% from 1.0% in the prior month, in line with a market's median forecast. The breakdown of the data showed that the rise in inflation came primarily on the back of a 1.0%MoM increase in the *food and non-alcoholic beverages* prices and a 4.5%MoM advance in the component of *housing, water, electricity, gas and other fuels*. Notably, the latter rise came on the back of a 12% hike in electricity prices which came into effect that month. On the other hand, transport prices recorded the highest decline (-0.8%MoM). In all the data signals that a return within the official NBS target band of 4+/-1.5% may materialize sooner than the Central Bank forecasts. Recall that, the NBS expects inflation to remain near the lower bound of the official target range and possibly return within it in late 2015 or early 2016 before moving closer to the 4% mid-point from mid-2016. In view of the increase in August's inflation and taking into account the looming Fed rate hikes as well as lingering external risks, further cuts in the key policy rate appear rather questionable at this juncture.

In the FX markets, the EUR/RSD remained bound last week within its recent trading range of 120.00-121.00, with improved demand for the pair being largely offset by increased inflow of euros ahead of the RSD 25bn 3-year T-bond auction held on Thursday. Although interest from foreign investors appeared to be rather limited, the said tender attracted RSD 26bn bids vs RSD 23.4bn allotted. Meanwhile, the average accepted yield came in at 6.59% considerably below 8.23% achieved at a prior auction of the same paper in April. From a technical perspective, FX range-trading around 120.00-120.50/121.00 is likely to prevail in the weeks ahead. Strong support for the pair lies at 120.00, a level that is likely to trigger new Central Bank intervention. On the other hand, a retest/upward break of last week's peak of 120.50 may pave the way towards 121.00.

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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

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	0.4	1.4
HICP (pa, yoy %)	-0.3	-0.8	0.9
Budget Balance/GDP*	-8.8	-1.1	-0.1
Current Account/GDP	-5.1	-3.9	-4.2

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

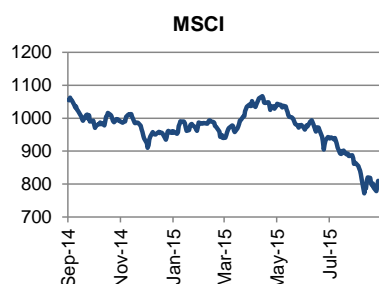
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

\* 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	5.00	4.50

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-

## 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	1961.05	0.4%	-4.8%	EUR/USD	1.1346	0.0%	-6.2%	UST - 10yr	2.19	0	2	GOLD	1108	0.0%	-6.5%
Nikkei 225	17965.70	-1.6%	3.0%	GBP/USD	1.5447	0.1%	-0.8%	Bund-10yr	0.66	1	12	BRENT CRUDE	48	-1.0%	-16.8%
STOXX 600	356.96	0.3%	4.2%	USD/JPY	120.25	0.3%	-0.5%	JGB - 10yr	0.37	2	4	LMEX	2458	-0.4%	-15.7%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	363	-47	-628
1-week	3.82	-41	-619
1-month	4.15	-44	-590
3-month	4.48	-53	-537
6-month	4.73	-55	-506

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.79	1	-329
5Y RSD	7.08	0	-310
7Y RSD	8.58	-2	-350

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.33	0	-93
USD Nov-24	6.46	0	-13

## CDS

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

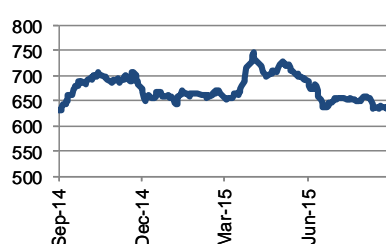
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	635.3	-0.39%	-4.75%

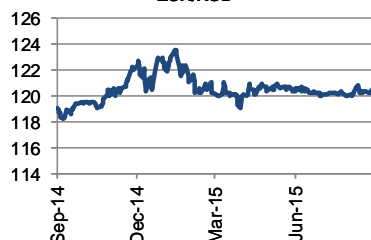
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.43	0.00%	0.76%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.08	0	51
1-month	1.36	0	45
3-month	1.45	0	-25
6-month	1.68	0	-33
12-month	1.76	0	-26

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	-1	-41
5Y RON	2.30	0	-41
10Y RON	3.71	0	5

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.41	0	-32
USD Aug-23	3.75	-1	13

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	122	-4	-21
10-year	161	-4	-26

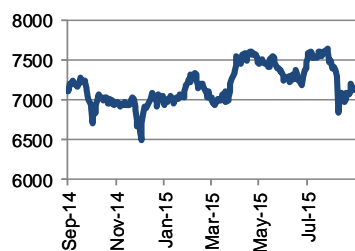
## STOCKS

	Last	ΔD	ΔYTD
BET	7128.3	0.11%	0.64%

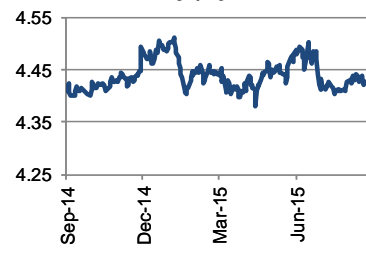
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.417	0.10%	1.51%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	-1
1-month	0.17	-1	-5
3-month	0.33	0	-10
6-month	0.62	0	-18
12-month	1.21	-1	-30

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.45	5	-59
5Y BGN	0.75	6	-69
10Y BGN	2.34	-1	-41

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.47	0	-69
EUR Sep-24	2.84	-61	-3

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	180	1	-11
10-year	227	1	-14

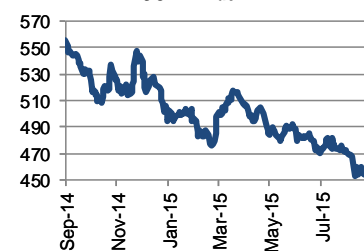
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	451.9	0.00%	-13.45%

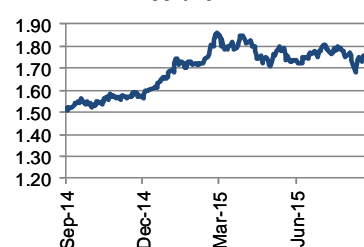
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7239	0.05%	-6.23%

SOFIX Index



USD/BGN



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

Data updated as of 10:25 EEST



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