

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, August 28, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- August 25
 - FHFA home prices (Jun)
 - Markit Composite & Services PMI (Aug, p)
 - New home sales (Jul)
 - Consumer Conf (Aug)
- August 26
 - Durable goods (Jul)
 - Fed's Dudley speaks
- August 27
 - GDP (Q2, 2nd)
 - Initial jobless claims (Aug 23)
 - Pend. home sales (Jul)
- August 27-29: Fed's annual economic symposium in Jackson Hole
- August 28
 - Personal income & spending (Jul)
 - Core PCE (Jul)
 - UoM sentiment (Aug, f)

EUROZONE

- August 25
 - German Ifo (Aug)
 - GDP (Q2, f)
 - ECB's Merkel & Constancio speak
- August 26: ECB's Praet speaks

GREECE

- August 28: GDP (Q2, f)

SEE

BULGARIA

- August 26: External debt (Jun)
- August 29: Budget bal (Jul)

ROMANIA

- August 24: RON300mn 2020 T-bonds auction
- August 27: RON300mn 5-Y T-bonds auction

SERBIA

- August 25: Wages (Jul)
- 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 remained in the black yesterday for a second consecutive day, as Q2 GDP growth was revised up more-than-expected and crude oil prices surged by over 10%. Trailing overnight gains in Wall Street, major Asian bourses extended yesterday's up-move on Friday, while major European equity indices eased back in early trade. In FX markets, the US dollar consolidated around Thursday's levels against its major currency peers in early European trade. Focus today is on the US core PCE due for release later today, for which consensus expects to hold steady at 1.3%YoY in July. Additionally, Fed officials' speeches at the annual Jackson Hole's Economic Symposium (Aug. 27-29) are also worth watching, possibly including hints on Fed's expected monetary policy normalization process.

GREECE: In line with the Constitution of Greece, the President of the Hellenic Republic assigned yesterday to Vassiliki Thanou, the head of the Supreme Administrative Court-one of Greece's three supreme courts- to form a temporary cabinet and carry out a snap election. The caretaker Prime Minister was sworn-in yesterday afternoon and the new cabinet was sworn-in earlier today. According to the local press, Giorgos Houliarakis, Greece's representative at the EuroWorking Group, will assign the role of Finance Minister. A Presidential Decree dissolving Parliament and officially calling for national elections on September 20, is reportedly expected to be issued later in the day.

SOUTH EASTERN EUROPE

ROMANIA: According to media reports, Romania's main political parties agreed yesterday to delay the adoption of some planned tax cuts, in order to mitigate fiscal slippage risks.

SERBIA: Speaking on the sideline of a Western Balkans summit in Vienna, EU enlargement commissioner Johannes Hahn signaled on Thursday that official negotiations with Serbia for the country's accession to the bloc may start "very soon".

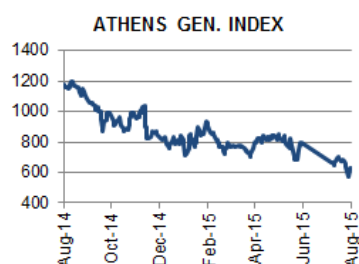
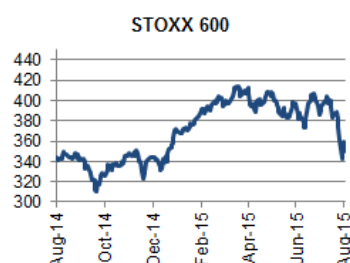
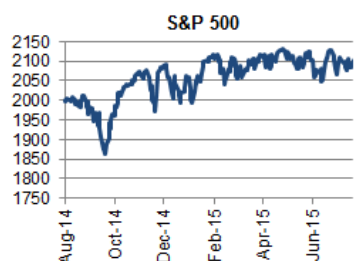
CESEE MARKETS: CESEE assets were mixed in early European trade on Friday, as yesterday's upbeat US GDP data reinforced optimism about the prospects of the world's biggest economy, but expectations for higher Fed interest rates ahead - albeit later than previously expected - and China-related jitters prevail. Despite a notable recovery staged after the global sell-off in the beginning of the week, most regional stock indices were poised to end the week in the red. Financial markets in **Ukraine** appeared to be in a consolidation mode after registering hefty gains on Thursday following news that the government reached a much-anticipated agreement with its creditors over a **restructuring of the country's sovereign debt**.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street remained in the black yesterday for a second consecutive day, as Q2 GDP growth was revised up more-than-expected and crude oil prices surged by over 10%. In more detail, the Q2 GDP second estimate came in at 3.7%QoQ saar, up from an advance reading of 2.3%QoQ, vs. market expectations for a 3.2%QoQ increase. Trailing overnight gains in Wall Street, major Asian bourses extended yesterday's up-move on Friday, with the Chinese Shanghai Composite Index having increased by over 10% cumulatively over the last two sessions. Elsewhere, major European equity indices eased back in early trade, with the Euro Stoxx 600 Index trading ca. 0.50% lower at the time of writing. In FX markets, the US dollar consolidated around Thursday's levels against its major currency peers in early European trade. In this context, the DXY dollar index was trading around levels of 95.51, within distance from yesterday's multi-session intraday high of 96.03. Elsewhere, 10yr US Treasuries, 10yr Bunds and the gold price rose on Friday, reflecting a shift in demand towards safe haven assets. As a result, the 10yr UST and Bund yields were trading ca. 3bps lower each in early European trade, with the former hovering around 2.15% and the latter around 0.71%. Focus today is on the US core PCE due for release later today, for which consensus expects to hold steady at 1.3%YoY in July. Additionally, Fed officials' speeches at the annual Jackson Hole's Economic Symposium (Aug. 27-29) are also worth watching, possibly including hints on Fed's expected monetary policy normalization process.

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GREECE

In line with the Constitution of Greece, the President of the Hellenic Republic assigned yesterday to Vassiliki Thanou, the head of the Supreme Administrative Court-one of Greece's three supreme courts- to form a temporary cabinet and carry out a snap election. In an official statement released a few hours earlier, the President of the Hellenic Republic had made known that his effort to summon all the leaders of the political parties that have parliamentary representation to form a government from the current Parliament, failed. As per the same statement, the proposed meeting did not eventually take place after leader of SYRIZA Alexis Tripras, leader of ANEL Panos Kammenos, General Secretary of the Communist Party of Greece (KKE) Dimitris Koutsoumpas and General Secretary of Golden Dawn Nikos Michaloliakos indicated that they do not intend to take part in such talks. Note that these four political parties control 169 deputies cumulatively in the 300-seat Parliament. The caretaker Prime Minister was sworn-in yesterday afternoon and the new cabinet was sworn-in earlier today. According to the local press, Giorgos Houliarakis, Greece's representative at the EuroWorking Group, will assign the role of Finance Minister. A Presidential Decree dissolving Parliament and officially calling for national elections on September 20, is reportedly expected to be issued later in the day.

On the data front, the most recent Bank of Greece data revealed that euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in July for the tenth month in a row. Specifically, private sector deposits came in at ca €120.8bn, the lowest level in near 12 years, after marking a €1.4bn monthly drop, the lowest pace of deposit outflows since October 2014 as a result of the imposition of capital controls in late June. Separately, credit to domestic non-MFIs residents by domestic MFIs excluding the Bank of Greece shrunk in July on an annual basis for the 50th consecutive month, having declined by 20.3% cumulatively from a peak of near €260bn hit in June 2010.

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Latest world economic & market developments in the CESEE region

ROMANIA

According to media reports, Romania's main political parties agreed yesterday to delay the adoption of some planned tax cuts, in order to mitigate fiscal slippage risks. An ambitious government-backed fiscal easing plan, inclusive of VAT cuts, had recently raised concerns about a potential derailment in the country's fiscal consolidation efforts. The latest agreement includes a cut to 20% in the main VAT rate as of next year, a smaller reduction compared to the 19% envisioned in the initial plan, from 24% currently. A further reduction in the VAT to 19% is scheduled for 2017. Other planned tax cuts will also be postponed. Amid ongoing discussions about the Tax Code, the Ministry of Finance sold at an auction on Thursday the planned RON 300mn (~69mn) in 5.6% November 2018 T-bonds. The tender's bid to cover ratio came in at 2.34 and the average accepted yield was at 2.22%, a tad below 2.27% achieved at a prior auction of the same paper held in July.

SERBIA

Speaking on the sideline of a Western Balkans summit in Vienna, EU enlargement commissioner Johannes Hahn signaled on Thursday that official negotiations with Serbia for the country's accession to the bloc may start "very soon". His comments come on the heels of renewed efforts between Serbia and the breakaway province of Kosovo to improve relations. On Tuesday, the two parties signed energy and telecoms agreements, following EU-mediated talks.

CESEE MARKETS

CESEE assets were mixed in early European trade on Friday, as yesterday's upbeat US GDP data reinforced optimism about the prospects of the world's biggest economy, but expectations for higher Fed interest rates ahead - albeit later than previously expected - and China-related jitters prevail. Despite a notable recovery staged after the global sell-off in the beginning of the week, most regional stock indices were poised to end the week in the red. Financial markets in **Ukraine** appeared to be in a consolidation mode after registering hefty gains on Thursday following news that the government reached a much-anticipated agreement with its creditors over a **restructuring of the country's sovereign debt**. According to media reports, the proposed deal includes a 20% write-down on the principal value of ca \$18bn Eurobonds, as well as a 4-year maturity extension. The deal was well-received by market participants and was welcomed by the IMF, with which Ukraine has a bailout programme. In a statement published at the Fund's website on Thursday, Managing Director Christine Lagarde noted that "the announced parameters of the agreement will help restore debt sustainability and - together with the authorities' policy reform efforts - will substantively meet the objectives set under the IMF-supported program. Specifically, full implementation of the agreement will provide the targeted external debt service relief, reduce annual post-program gross financing needs as envisaged, and place public debt on a clearly downward path. It is therefore important that the agreement gains broad support by all concerned Eurobond holders." Russia's finance minister Anton Siluanov said shortly after the announcement about the deal that Russia will not take part in the restructuring. The country is among Ukraine's biggest creditors, with a \$3bn eurobond redemption to Russia expiring in December.

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

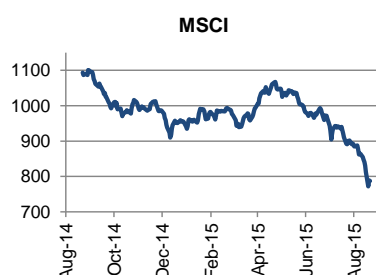
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

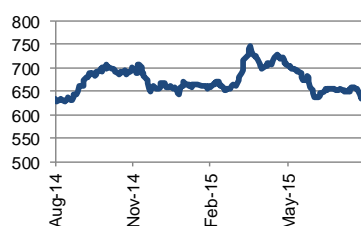
GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	1987.66	2.4%	-3.5%	EUR/USD	1.1272	0.2%	-6.8%	UST - 10yr	2.15	-4	-2	GOLD	1128	0.3%	-4.8%
Nikkei 225	19136.32	3.0%	9.7%	GBP/USD	1.5384	-0.1%	-1.2%	Bund-10yr	0.72	-3	17	BRENT CRUDE	47	-0.5%	-17.5%
STOXX 600	360.31	-0.5%	5.2%	USD/JPY	120.87	0.1%	-1.0%	JGB - 10yr	0.38	-1	5	LMEX	2353	3.4%	-19.2%

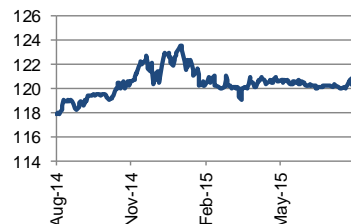
CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	412	2	-579	O/N	1.64	5	107	LEONIA	0.01	0	-1
1-week	4.32	6	-569	1-month	1.44	2	53	1-month	0.18	0	-4
1-month	4.69	6	-536	3-month	1.46	3	-24	3-month	0.33	0	-10
3-month	5.12	7	-473	6-month	1.65	1	-36	6-month	0.62	0	-17
6-month	5.42	10	-437	12-month	1.72	1	-30	12-month	1.22	0	-28
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	6.16	-1	-288	3Y RON	1.91	-1	-40	3Y BGN	0.47	0	-57
5Y RSD	8.10	0	-208	5Y RON	2.44	0	-27	5Y BGN	1.03	2	-42
7Y RSD	8.84	0	-324	10Y RON	3.75	0	9	10Y BGN	2.43	0	-32
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.41	-3	-86	EUR Sep-20	1.45	-1	-28	EUR Jul-17	0.47	0	-69
USD Nov-24	6.52	0	-7	USD Aug-23	3.72	0	10	EUR Sep-24	2.78	37	-8
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	277	0	-13	5-year	131	-6	-11	5-year	173	-5	-18
10-year	321	0	-35	10-year	177	-7	-10	10-year	221	-6	-20
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	638.7	0.14%	-4.25%	BET	7080.4	-0.03%	-0.04%	SOFIX	456.0	-0.31%	-12.66%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.14	0.12%	1.01%	EUR/RON	4.429	0.25%	1.23%	USD/BGN	1.735	0.27%	-6.83%

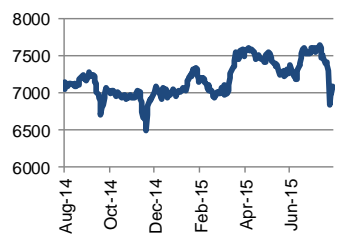
BELEX15 Index



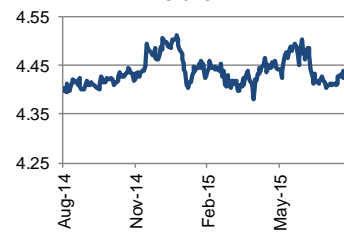
EUR/RSD



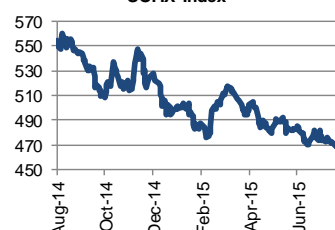
BET Index



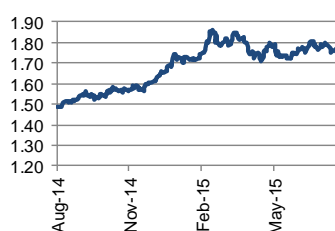
EUR/RON



SOFIX Index



USD/BGN



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

Data updated as of 13:30 EEST

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