

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, August 31, 2015

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: Following China's government decision to abandon its large-scale share purchases to boost the equity market, Chinese bourses lost ground on Monday paring cumulative gains of ca 10% registered in the two prior sessions. Elsewhere, the picture in European equity markets was rather mixed in early trade ahead of key US macroeconomic data that could potentially give clues on the timing of the first US interest rate increase since 2006. In FX markets, the US dollar started the week under pressure amid increased uncertainty about global monetary policy direction and renewed signs of weakness in global equity markets on Monday. Focus this week is on the US and China PMI manufacturing due on Tuesday, as well as on the US nonfarm payrolls and unemployment rate releases on Friday, expected to underpin the ongoing improvement in labor market conditions. Market participants will closely scrutinize the ECB's policy meeting on Thursday for any hints on a possible further monetary policy easing ahead amid the recent global financial turmoil, although no imminent monetary policy action is expected.

GREECE: A Presidential Decree dissolving Parliament and officially calling for national elections was issued on Friday, August 28. As per the said decree, general elections will take place on September 20th with the new Parliament is scheduled to convene on October 1st. On the data front, provisional national accounts data for the second quarter of the year which released on Friday surprised positively showing an upward revision in real GDP growth to 0.9%/+1.6% QoQ/YoY, from an initial reported estimate of +0.8%/+1.4% QoQ/YoY primarily driven by resilient consumer spending. Elsewhere, the Economic Sentiment Indicator for Greece deteriorated in August for the sixth month in a row coming in at 75.2, its lowest level since March 2009.

SOUTH EASTERN EUROPE

BULGARIA: The Ministry of Finance released last week the much-anticipated September debt auction calendar last week, envisioning T-Bond tenders for paper of 3, 5 and 10-year maturities with a total nominal value of BGN 300mn (~€153mn).

ROMANIA: The finance ministry reportedly plans to sell RON3.5bn (~€0.79bn) of RON-denominated government bills and bonds in September, with another RON 345mn (~€77.94mn) penciled in for non-competitive offers.

SERBIA: The EUR/RSD closed little changed last week, after renewed Central Bank interventions in the FX markets.

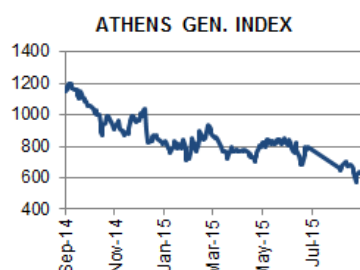
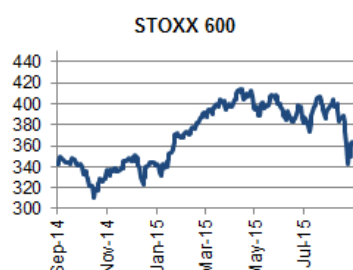
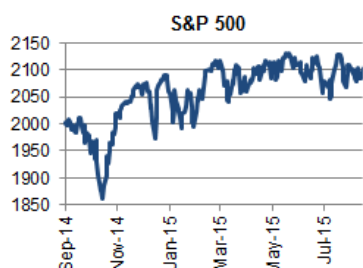
CESEE MARKETS: CESEE assets were mixed in early European trade on Monday as China-related worries remained in the forefront, while investor caution prevailed ahead of a string of key macroeconomic data releases and events in the region as well as globally are anticipated in the coming days.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Following China's government decision to abandon its large-scale share purchases to boost the equity market, Chinese bourses lost ground on Monday paring cumulative gains of ca 10% registered in the two prior sessions. Elsewhere, the picture in European equity markets was rather mixed in early trade, with the Stoxx600 Index declining modestly at the time of writing ahead of key US macroeconomic data that could potentially give clues on the timing of the first US interest rate increase since 2006. Expectations of an interest rate hike in September have increased once again, after Fed Vice Chairman Stanley Fischer highlighted that a possible acceleration in US inflation and an easing in global financial volatility could pave the way for a rate hike. In FX markets, the US dollar started the week under pressure amid increased uncertainty about global monetary policy direction and renewed signs of weakness in global equity markets on Monday. In more detail, the DXY index hovered around levels of 95.900 in early European trade, but remained still well above its seven-month low of 92.621 reached intraday about a week ago. On the data front, focus this week is on the US and China PMI manufacturing due on Tuesday, as well as on the US nonfarm payrolls and unemployment rate releases on Friday, expected to underpin the ongoing improvement in labor market conditions. Market participants will closely scrutinize the ECB's policy meeting on Thursday for any hints on a possible further monetary policy easing ahead amid the recent global financial turmoil, although no imminent monetary policy action is expected.

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GREECE

A Presidential Decree dissolving Parliament and officially calling for national elections was issued on Friday, August 28, a week after outgoing Prime Minister Alexis Tsipras resigned and near a fortnight after the Hellenic Parliament approved a new 3-year ESM loan facility. As per the said decree, general elections will take place on September 20th with the new Parliament scheduled to convene on October 1st. The majority of public opinion polls published over the last few sessions showed that SYRIZA leads over New Democracy by a narrow margin, but, as things stand at this point, it seems unlikely to gain enough support to form a single-party government. As per the same opinion polls, the new Parliament may consist of as many as nine political parties – provided that both former junior government coalition partner ANEL and Union of Centrists (EK) succeed in surpassing the 3% threshold while there is still a high number of undecided voters. On the data front, provisional national accounts data for the second quarter of the year released on Friday surprised positively showing an upward revision in real GDP growth to 0.9%/+1.6% QoQ/YoY, from an initial reported estimate of +0.8%/+1.4% QoQ/YoY primarily driven by resilient consumer spending, which recorded positive real growth for the 5th quarter running (+1.0%/2.5% QoQ/YoY in real terms). For the full year real output growth, we now see considerable upside risks to our earlier estimate (-2.05%) as well the respective European Commission forecast (-2.3%), looking for a realization closer to -1.5%. That is provided that i) the just-announced September 20th snap national election will not lead to a prolonged period of domestic political uncertainty and ii) major delays will be avoided in successfully completing the first review of the new bailout (3rd) programme (Oct 2015). In other news, the Economic Sentiment Indicator for Greece deteriorated in August for the sixth month in a row coming in at 75.2, its lowest level since March 2009. The breakdown of the report showed that all five main components moved lower, especially the Services Confidence Indicator which fell by 15.2pts to a 3 ½ year trough of -42.8 and the Consumer Confidence Indicator which declined by 11.9bps to a 1 ½ year low of -64.8.

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Latest world economic & market developments in the CESEE region

BULGARIA

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

The major benchmark SOFIX closed 2.9% lower on a weekly basis on Friday, on fears about China's slowing economy. Against a backdrop of heightened risk aversion, investors remained very cautious and trade volumes sunk back to their August lows. Meanwhile, the Ministry of Finance released last week the much-anticipated September debt auction calendar last week, envisioning T-Bond tenders for paper of 3, 5 and 10-year maturities with a total nominal value of BGN 300mn (~€153mn). The next auction is scheduled for September 7th, when the government plans to issue 3-year Notes. Both the Eurobond and local sovereign markets ended last week nearly unchanged with little adjustments along the curve.

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ROMANIA

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

The finance ministry reportedly plans to sell RON3.5bn (~€0.79bn) of RON-denominated government bills and bonds in September, with another RON 345mn (~€77.94mn) penciled in for non-competitive offers. This compares with debt worth RON 2.45bn (~€0.55bn) sold in August. September's issuance calendar envisions two auctions for five-month and one-year paper worth RON 1.2bn (~€0.27bn) cumulatively and six auctions for bonds with maturities up to ca 10 years.

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SERBIA

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

The EUR/RSD closed little changed around 120.22/42 last week, having pulled back from a multi-week peak of 120.70/90 hit on Monday on China-related jitters after the Central Bank intervened anew (€10mn) in the FX markets to halt the pair's upside momentum. A recovery witnessed in risky assets later in the week pushed the cross to levels just below 120.00 where the Central Bank intervened again, though now on the €-buying side, in order to stem the dinar's gains.

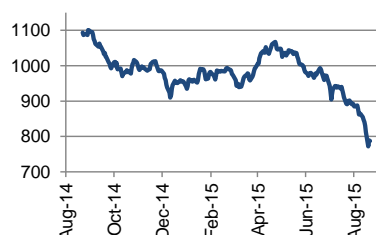
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CESEE MARKETS

CESEE assets were mixed in early European trade on Monday as China-related worries remained in the forefront, while investor caution prevailed ahead of a string of key macroeconomic data releases and events in the region as well as globally anticipated in the coming days. Main stock indices in Hungary and Poland encountered daily losses to the tune of ca 0.4-0.6% at the time of writing, while Bulgaria's SOFIX broadly outperformed its regional peers with a near 1% rise. In FX markets, **CESEE currencies** mostly weakened with the Polish zloty leading the downtrend. The currency has come under pressure over the last couple of months on the back of global growth as well as domestic concerns. Domestic political uncertainty is likely to persist in the run up to October's general elections, while worries over the prospects of the domestic banking sector prevail ahead of plans to convert Swiss franc mortgages into zlotys. Against this backdrop, the EUR/PLN rose by 0.4% to around 4.2310 in European trade on Monday, standing within distance from a 7-month peak of 4.2656 hit a week ago in view of mounting concerns over the prospects of China's economy. This week's MPC meeting is not expected to yield any major surprises, with the market's consensus being for stable interest rates at the current record low of 1.50%. Elsewhere, CPI for August in Turkey and GDP data from Serbia, Romania, Hungary and Bulgaria also **lure market attention in the CESEE region this week**.

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MSCI



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	1988.87	0.1%	-3.4%	EUR/USD	1.1206	0.2%	-7.4%	UST - 10yr	2.16	-2	-1	GOLD	1133	-0.1%	-4.4%
Nikkei 225	18890.48	-1.3%	8.3%	GBP/USD	1.5423	0.2%	-1.0%	Bund-10yr	0.73	-2	19	BRENT CRUDE	49	-2.6%	-14.9%
STOXX 600	361.72	-0.4%	5.6%	USD/JPY	121.27	0.4%	-1.3%	JGB - 10yr	0.38	0	5	LMEX	2378	1.0%	-18.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	412	2	-579
1-week	4.32	6	-569
1-month	4.69	6	-536
3-month	5.12	7	-473
6-month	5.42	10	-437

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	6.05	-1	-303
5Y RSD	8.10	0	-208
7Y RSD	8.84	0	-324

RS Eurobonds

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

CDS

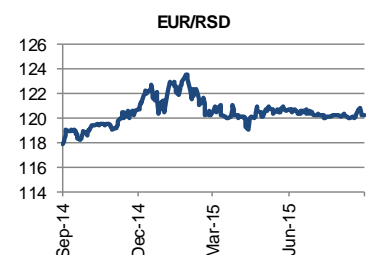
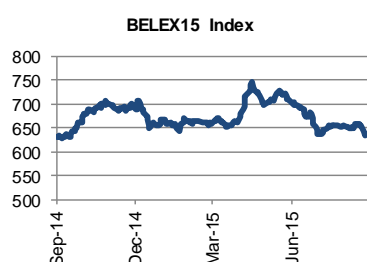
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.2	-0.08%	-4.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.25	-0.02%	0.92%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.79	15	122
1-month	1.52	8	61
3-month	1.5	4	-20
6-month	1.67	2	-34
12-month	1.73	1	-29

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	0	-40
5Y RON	2.44	0	-27
10Y RON	3.77	1	11

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.46	1	-27
USD Aug-23	3.74	2	12

CDS

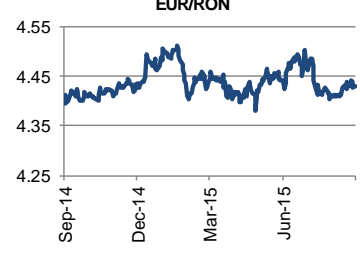
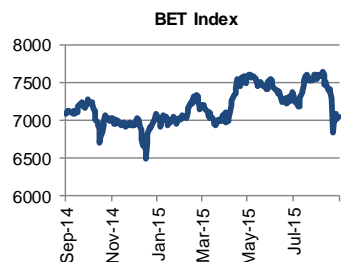
	Last	ΔDbps	ΔYTD bps
5-year	132	0	-11
10-year	177	0	-10

STOCKS

	Last	ΔD	ΔYTD
BET	7053.6	0.49%	-0.42%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4306	-0.10%	1.19%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.03	2	1
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	0.46	-1	-58
5Y BGN	1.03	2	-42
10Y BGN	2.43	0	-33

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.44	9	-72
EUR Sep-24	2.84	-10	-3

CDS

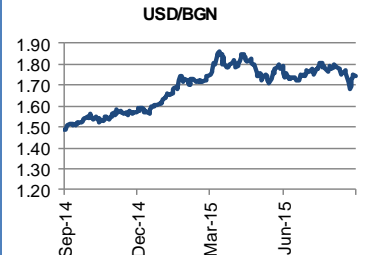
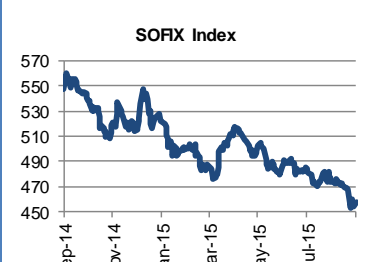
	Last	ΔDbps	ΔYTD bps
5-year	172	-1	-18
10-year	220	-1	-21

STOCKS

	Last	ΔD	ΔYTD
SOFIX	458.0	0.85%	-12.29%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7455	0.18%	-7.39%



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

Data updated as of 12:00 EEST

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