

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 02, 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: Wall Street slumped overnight as the US ISM manufacturing index for August came in softer-than-expected. Elsewhere, the picture in Asian equity markets was rather mixed on Wednesday, with Chinese bourses trimming losses on their last trading day of the week as they are closed in the next two days for holiday. The China's State Council has reportedly decided to take some measures to stabilize the market and support economic growth, which provided some respite in domestic equity markets. In Europe, although major bourses opened in the black, they turned negative shortly after. It seems that the slump in oil prices for a second day in a row has put significant pressure on the energy price sector. In FX markets, the yen weakened against its major currency peers, as the recent downtrend in Japanese stocks eased today dulling demand for the safe-haven currency. On the data front, focus today is on the US ADP employment report which may give a direction for the more important US non-farm payrolls release due on Friday.

GREECE: Briefing the IMF Executive Board on Greece's new ESM loan facility, the Director of the IMF's European Department, Poul Thomsen, reportedly cautioned that post-election talks on the formation of a new government in the country will probably take some time. As per the same sources, such a development could probably push back the completion of Greece's first programme review, initially scheduled for October 2015, and entails a risk of a delay in the release of additional official funding under the new ESM loan facility as well as in the commencement of official discussions on the sustainability of Greece's public debt and the potential provision of new debt relief measures.

SOUTH EASTERN EUROPE

SERBIA: According to a statement released at the IMF's website yesterday upon the conclusion of a 2-week visit to Serbia, the Fund's mission reached a staff-level agreement with domestic authorities on the set of policies needed to complete the second review under the country's 3-year precautionary Stand-By Arrangement with the Fund.

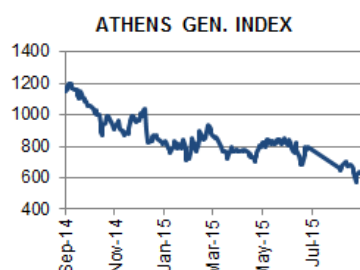
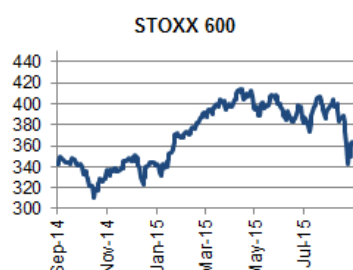
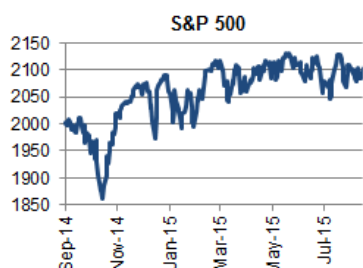
CESEE MARKETS: CESEE stock markets and government bonds were mixed in early trade on Wednesday, amid persisting global growth concerns, while investor caution prevailed ahead of key data releases and events globally due later in the week. In the FX markets, most CESEE currencies extended their recent losses at the time of writing.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street slumped overnight as the US ISM manufacturing index for August came in softer-than-expected. In more detail, the index fell to 51.5 in August from 52.7 in the prior month, revealing broad-based softness across production, new orders and employment, while export demand continued to contract amid the US dollar's strength. Elsewhere, the picture in Asian equity markets was rather mixed on Wednesday, with the Chinese bourses trimming losses on their last trading day of the week as they are closed in the next two days for holiday. The China's State Council has reportedly decided to take some measures to stabilize the market and support economic growth, which provided some respite in domestic bourses. As a result, the Shanghai Composite Index modestly lower (-0.2% to 3,160.17 points), paring an intraday drop of 4.7%. In Europe, although major bourses opened in the black, they turned negative shortly after with the Stoxx600 index losing further ground for the third consecutive day at the time of writing. It seems that the slump in oil prices for a second day in a row has put significant pressure on the energy price sector. In FX markets, the yen weakened against its major currency peers, as the recent downtrend in Japanese stocks eased today dulling demand for the safe-haven currency. Having said that, the USD/JPY was trading around levels of 119.77/119.78 at the time of writing, after posting its highest daily gain in a week achieved yesterday. Elsewhere, the EUR/USD was losing 0.3% at the time of writing hovering around levels of 1.1278/1.1279, after yesterday's increase of 0.9% when it closed at 1.1315. On the data front, focus today is on the US ADP employment report which may give a direction for the more important US non-farm payrolls release due on Friday.

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GREECE

Briefing the IMF Executive Board on Greece's new ESM loan facility, the Director of the IMF's European Department, Poul Thomsen, reportedly cautioned that post-election talks on the formation of a new government in the country will probably take some time. As per the same sources, such a development could probably push back the completion of Greece's first programme review, initially scheduled for October 2015, and entails a risk of a delay in the release of additional official funding under the new ESM loan facility as well as in the commencement of official discussions on the sustainability of Greece's public debt and the potential provision of new debt relief measures. According to the ESM, the second part of the first loan tranche under the new ESM programme, amounting to €3bn, will be disbursed no later than November 30, 2015, upon fulfillment of additional prior actions. As a reminder, the first loan tranche, amounts to €23bn, included: (i) an up-front €10bn buffer to repair the Greek banking system; and (ii) a tranche of €16bn to cover the repayment of the €7.2bn bridge loan granted from the ESM to Greece in July, certain ECB and IMF payments and part of State arrears. The up-front €10bn buffer will be disbursed upon a request by Greece while €13bn out of the €16bn tranche was disbursed to Greece on August 20th. Speaking during the press conference that followed the completion of the August 14th Eurogroup, ESM Managing Director Klaus Regling had stated that that the remaining part of the first tranche, amounting to €3bn, would be probably released in two sub-tranches, in September and in October. According to the local press, available liquidity at State coffers is currently adequate until the end of November. According to the same sources, official creditors and domestic authorities will discuss at the upcoming Eurogroup scheduled for September 12, among others, the prior actions that need to be fulfilled for the disbursement of the next ESM loan sub-tranches to Greece.

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Latest world economic & market developments in the CESEE region

SERBIA

According to a statement released at the IMF's website yesterday upon the conclusion of a 2-week visit to Serbia, the Fund's mission reached a staff-level agreement with domestic authorities on the set of policies needed for the completion of the second review under the country's 3-year precautionary Stand-By Arrangement (SBA) with the Fund. The completion of the review is subject to a final approval by the Fund's Management and the Executive Board, tentatively scheduled for mid-October. It is expected to make about €147mn available for disbursement, bringing the total amount offered to €528mn. That said, the government has noted that it does not intend to draw any of the program's €1.2bn funds. In the said statement, the IMF mission acknowledged that "the program is delivering good results", as strong policies have assisted in a return to positive economic growth and improving labour market conditions. In response, the IMF mission revised upwards its real GDP growth forecast for 2015 to 0.5% from flat before, citing improved domestic demand dynamics thanks to lower oil prices, stronger-than-previously anticipated private sector wages and a better exports performance. On the fiscal front, the mission noted that "performance of Serbia in the first half of 2015 was strong", with the general government deficit considerably outperforming forecasts. Moreover, the IMF urged Serbian authorities to strengthen the implementation of reforms of state-owned companies, and step up other structural reforms to stimulate private sector investment and growth. The Fund also noted that "the recent easing of monetary policy is appropriate and would support the economic recovery". This, in our view, signals a softening of the Fund's stance back in May, which was supportive of further rate cuts ahead. Also, it vindicates our expectations that the Central Bank appears to be close to the end of the current monetary cycle. While domestic demand dynamics remain weak and HICP stood at 1.0%YoY in July standing below the lower bound of the Central Bank's 4±1.5% target tolerance band for the 17th month running, external risks linger, inflation is anticipated to rebound within its target in the coming months, and the Fed is anticipated to incept its rate-hiking cycle in the not too distant future.

CESEE MARKETS

CESEE stock markets and government bonds were mixed in early trade on Wednesday, amid persisting global growth concerns, while investor caution prevailed ahead of key global data releases and events due later in the week. In the FX markets, most **CESEE currencies** extended their recent losses at the time of writing, in the wake of yesterday's downbeat PMI manufacturing data for August released for several countries in the region. In detail, data for the Polish economy showed that growth in the manufacturing sector decelerated sharply last month. Although the headline index remained above the 50 boom-or-bust threshold for the 11th consecutive month indicating ongoing expansion in the sector, it fell to 51.1 from 54.5 in July vs. a market consensus of 54.2. Additionally, the rates of increase for output, new orders and exports all slowed sharply, while input prices rose only marginally signaling weak inflationary pressures. In Turkey, the corresponding headline PMI manufacturing index slid to 49.3 in August from 50.1 a month earlier, moving below the 50-threshold for the 6th time this year indicating a modest contraction in the sector. Employment, stocks of purchases and suppliers' delivery times were the main culprits of the said deterioration in the country's manufacturing business conditions in August. Additionally, new orders declined for the 8th month running as domestic political uncertainty weighed. Output was little changed, but input price inflation accelerated to an 18-month high as a result of the FX pass through of a weaker lira, which hit a 2.9989/USD record trough on August 20.

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

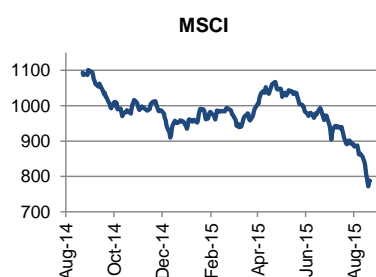
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	1913.85	-3.0%	-7.0%	EUR/USD	1.1269	-0.4%	-6.9%	UST - 10yr	2.15	0	-2	GOLD	1140	0.0%	-3.8%
Nikkei 225	18095.40	-0.4%	3.7%	GBP/USD	1.527	-0.2%	-2.0%	Bund-10yr	0.77	-2	23	BRENT CRUDE	49	-1.3%	-14.7%
STOXX 600	351.24	-0.5%	2.5%	USD/JPY	119.92	-0.5%	-0.2%	JGB - 10yr	0.40	3	7	LMEX	2360	-0.8%	-19.0%

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	6.16	-2	-289
5Y RSD	8.10	0	-208
7Y RSD	8.56	0	-351

RS Eurobonds

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

CDS

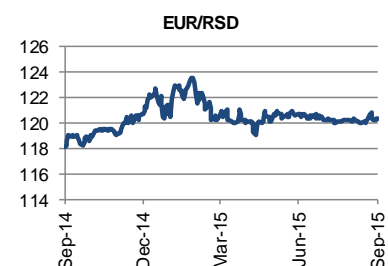
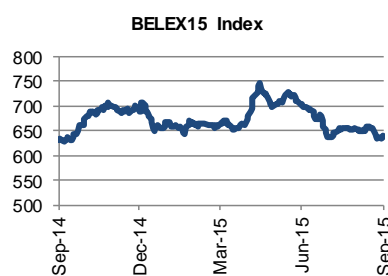
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	322	1	-34

STOCKS

	Last	ΔD	ΔYTD
BELEX15	641.3	0.78%	-3.86%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.33	-0.03%	0.85%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.68	-10	111
1-month	1.48	-4	57
3-month	1.51	0	-19
6-month	1.67	-2	-34
12-month	1.75	0	-27

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.00	3	-31
5Y RON	2.48	1	-23
10Y RON	3.82	2	16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.48	3	-25
USD Aug-23	3.85	9	23

CDS

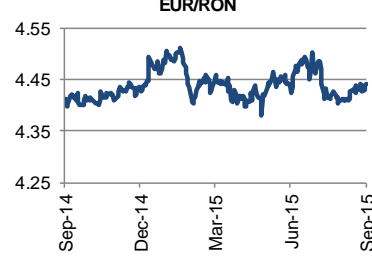
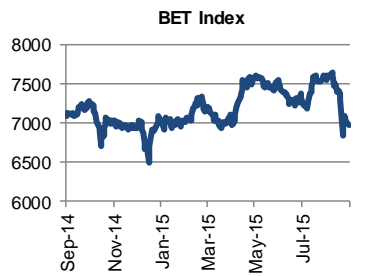
	Last	ΔDbps	ΔYTD bps
5-year	130	3	-13
10-year	170	3	-17

STOCKS

	Last	ΔD	ΔYTD
BET	6971.7	0.08%	-1.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4427	-0.07%	0.92%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.04	0	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	0.46	-6	-58
5Y BGN	0.90	-14	-55
10Y BGN	2.32	0	-44

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.51	0	-65
EUR Sep-24	2.84	8	-3

CDS

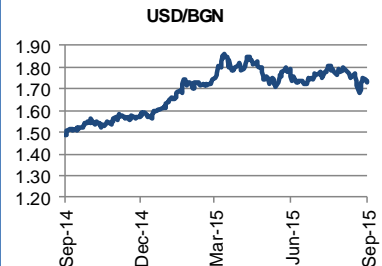
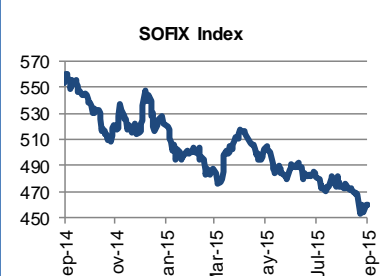
	Last	ΔDbps	ΔYTD bps
5-year	180	4	-11
10-year	227	3	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	459.9	-0.01%	-11.91%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7356	-0.40%	-6.86%



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

Data updated as of 12:30 EEST

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