

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- September 10: Initial jobless claims (Sep 5)
- September 11: UoM sentiment (Sep, p)

EUROZONE

- September 8: GDP (Q2, p)
- September 9: EU Commission President Juncker speaks in EU parliament
- September 11-12: Eurogroup/EU FinMins and central bankers hold informal meeting

GREECE

- September 9
 - Industrial production (Jul)
 - CPI /HICP (Aug)
- September 10: U/E rate (Jun)

SEE

BULGARIA

- September 7
 - Reserve assets (Aug)
 - 3Y T-Notes auction
- September 7-15: U/E rate (Aug)
- September 8
 - Industrial production (Jul)
 - Retail sales (Jul)
- September 11: Trade balance (Jul)

ROMANIA

- September 7: Net wages (Jul)
- September 8: Industrial sales (Jul)
- September 9: Trade balance (Jul)
- September 10: CPI (Aug)
- September 11: Industrial production (Jul)

SERBIA

- September 10: MPC meeting
- September 11: HICP (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street posted modest gains overnight, as the positive jobless claims release overshadowed the weak wholesale inventories. Elsewhere, Asian bourses swung between gains and losses on Friday amid mounting speculation about a potential further policy action by the Chinese authorities to boost the slowing domestic economy. In Europe, major equity indices opened lower, trimming their biggest weekly gains in almost two months. On the data front, focus today is on the University of Michigan's index of US consumer sentiment, which is expected to decline to 91.1 in September from 91.9 in August. Additionally, European Union finance minister and central bankers hold a two-day informal meeting in Luxembourg that starts today.

GREECE: In his speech at the 10th Athens Stock Exchange Roadshow in London yesterday, the Greek Finance Minister George Houliarakis, reportedly said that he expects milder-than-expected economic recession in 2015 and return to growth in 2016.

SOUTH EASTERN EUROPE

ROMANIA: CPI came at -0.5%MoM/-1.9%YoY in August down from -0.2%MoM/-1.7%YoY in July vs. -2.95%MoM/-1.55%YoY in June, lower than a market consensus of -0.1%MoM/-1.5%YoY.

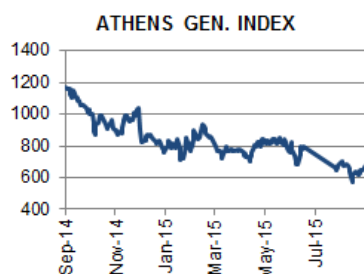
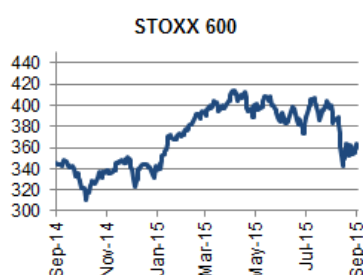
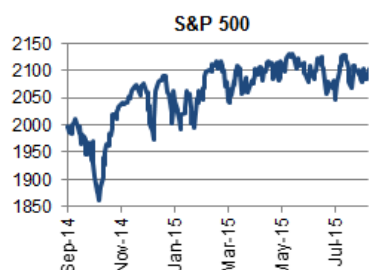
SERBIA: The National Bank of Serbia (NBS) took financial markets by surprise on Thursday, cutting the benchmark interest rate by 50bps for the 2nd month running to a new record low of 5.00%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street posted modest gains overnight, as the positive jobless claims release overshadowed the weak wholesale inventories. In more detail, US initial jobless claims fell by 6k to 275k in the week ending September 5, while continuing claims were broadly unchanged in the week ending August 29. Moreover, wholesale inventories fell by 0.1%MoM in July confounding market expectations for a 0.3% increase. Meanwhile June wholesale inventories were revised lower (to 0.7%MoM from an initial estimate of 0.9%MoM), implying less overall inventory investment in Q2 and Q3. Elsewhere, Asian bourses swung between gains and losses on Friday amid mounting speculation about a potential further policy action by the Chinese authorities to boost the slowing domestic economy. In Europe, major equity indices opened lower, trimming their biggest weekly gains in almost two months. In FX markets, the US dollar fell against its major currency peers, with the DXY index easing to a one-week low of 95.20 earlier today. At the time of writing, the USD/JPY consolidated near a week high of 120.60, while the EUR/USD was up ca. 0.2% to a 1-week high of 1.1300. On the data front, focus today is on the University of Michigan's index of US consumer sentiment, which is expected to decline to 91.1 in September from 91.9 in August. Additionally, European Union finance minister and central bankers hold a two-day informal meeting in Luxembourg that starts today.

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GREECE

In his speech at the 10th Athens Stock Exchange Roadshow in London yesterday, the Greek Finance Minister George Houliarakis, reportedly said that he expects milder-than-expected economic recession in 2015 and return to growth in 2016. Note that in the new ESM programme real growth rate is expected at -2.3%, -1.3%, 2.7% and 3.1% for 2015, 2016, 2017 and 2018 respectively. According to press reports, Mr. Houliarakis expressed the government's commitment on implementing the agreed MoU and added that the main goal of economic policy should be none other than the swift return to the markets.

According to data released by the Hellenic Statistical Authority (ELSTAT) yesterday, the seasonally adjusted unemployment rate for June 2015 was 25.2% compared to 26.6% in June 2014 and 25.0% in May 2015. According to data released by the Association of Hellenic Tourism Enterprises (SETE) for the January – August 2015 period, total international arrivals at Greece's main airports increased by 6.3%YoY, with the biggest increases being recorded in Athens (26.0%YoY) and Santorini (16.3%YoY).

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Latest world economic & market developments in the CESEE region

ROMANIA

CPI came at -0.5%MoM/-1.9%YoY in August down from -0.2%MoM/-1.7%YoY in July vs. -2.9%MoM/-1.5%YoY in June, lower than a market consensus of -0.1%MoM/-1.5%YoY. The breakdown of the data showed that the hefty drop of food prices (-0.8%MoM/-7.1%YoY up from -1.2%MoM/-7.3%YoY in July) was once more the main driver behind the decline in headline inflation. As it was widely anticipated, the implementation of the front-loaded food VAT rate cut-from 24% to 9% effective from June 1st- has pushed inflation into negative territory, given the high share of food products in the consumption basket (32%). In addition, favorable developments in the volatile food items and declining prices of commodities also provided a negative input. On the other hand, inflation of non-food items decelerated on the back of lower world energy prices and a firmed RON in August. Finally, services were almost flat on a monthly basis. NBR downgraded recently its year end inflation forecast to -0.3% in 2015 down from 0.2% and 0.7% in 2016 up from 0.5% in the previous report. The NBR anticipates now that headline inflation will remain in negative territory over the next three quarters and stay below the lower bound of target interval (2.5%±1%) until the beginning of 2017. Netting out the impact of the frontloaded VAT rate cut for food and the planned headline VAT rate cut effective from 2016, inflation is projected to reach 2.8% and 2.4% at end-2015 and end-2016 respectively, in a return within the target band.

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SERBIA

The National Bank of Serbia (NBS) took financial markets by surprise on Thursday, cutting the benchmark interest rate by 50bps for the 2nd month running to a new record low of 5.00%. In an effort to further support domestic economic activity, the NBS also announced y-day its decision to cut the FX reserve requirements for commercial banks as of February 18, 2016 to boost credit activity and underpin growth. In more detail, those for deposits with a maturity of up to two years would be lowered by 6bps to 20%, while those for maturity of more than two years will be cut to 13% from 19%. Yesterday's cut in the main key policy rate confounded market expectations for stable interest rates on the back of looming Fed rate hikes, the recent increase in volatility in financial markets and mounting global growth concerns. It also marks the 6th reduction in the main key policy rate so far this year and brings the cumulative amount of cuts to 300bps in 2015. In the statement accompanying the announcement of its decision, the Central Bank cited subdued inflation pressures, a relatively stable dinar and the positive impact of fiscal consolidation domestically. The NBS added that although a 12% increase in electricity prices (as of August), drove annual administered price growth into a positive territory, "the contribution of administered prices to inflation this year should be smaller than in the previous years". Against this backdrop as well as taking into account the impact of recent monetary easing and waning disinflationary effects in primary commodity prices, the Central Bank foresees inflation remaining near the lower bound of the official NBS target band of 4+/-1.5% in the coming period and possibly return within the said range in late 2015 or early 2016 before moving closer to the 4% midpoint from mid-2016. The NBS also appeared to be optimistic that the ECB's QE, as well as the prospect of its extension, will cushion the impact of the upcoming higher US interest rates on capital flows towards emerging economies. In our view, one more 50bps rate cut in the coming months remains on the cards especially should the Fed push back the inception of its rate-hiking cycle. In other news, the finance ministry sold on Thursday RSD 23.5bn (~€195.5mn) of 3-year T-Notes. The average accepted yield came in at 6.59% vs. 8.23% at a prior auction of similar maturity paper held in April.

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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

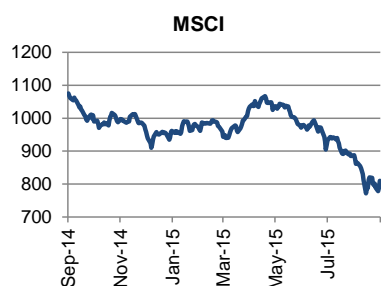
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	5.00	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-

September 11, 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	1947.16	0.3%	-5.4%	EUR/USD	1.1219	0.1%	-7.3%	UST - 10yr	2.21	1	4	GOLD	1110	0.2%	-6.3%
Nikkei 225	18299.62	-2.5%	4.9%	GBP/USD	1.542	0.3%	-1.0%	Bund-10yr	0.69	-1	15	BRENT CRUDE	48	-0.1%	-17.1%
STOXX 600	360.26	-1.0%	5.2%	USD/JPY	120.71	-0.2%	-0.9%	JGB - 10yr	0.35	-2	2	LME X	2446	0.3%	-16.1%

CESEE MARKETS

SERBIA

Money Market			
	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	4.10	0	-581
1-week	4.23	0	-578
1-month	4.59	0	-546
3-month	5.01	1	-484
6-month	5.28	0	-451

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.79	-4	-326
5Y RSD	7.39	0	-279
7Y RSD	8.64	0	-344

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.33	-1	-93
USD Nov-24	6.46	0	-13

CDS

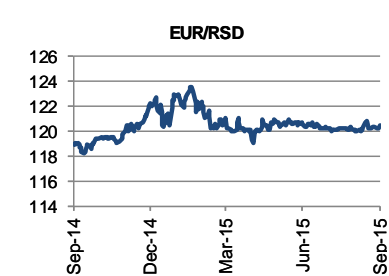
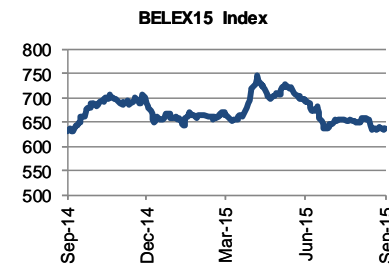
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.8	-0.07%	-4.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.31	-0.05%	0.86%



ROMANIA

Money Market			
	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	1.09	-1	52
1-month	1.35	2	44
3-month	1.45	0	-25
6-month	1.64	0	-37
12-month	1.74	2	-28

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.91	-1	-40
5Y RON	2.29	-4	-42
10Y RON	3.71	-3	5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.42	2	-31
USD Aug-23	3.77	0	16

CDS

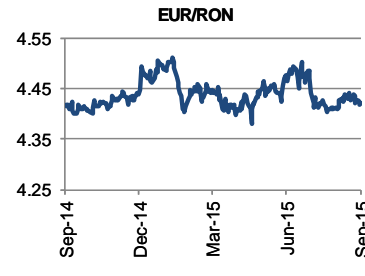
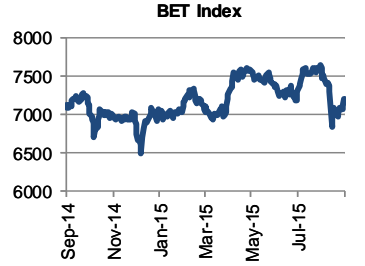
	Last	ΔDbps	ΔYTD bps
5-year	125	0	-17
10-year	165	0	-22

STOCKS

	Last	ΔD	ΔYTD
BET	7161.6	-0.54%	1.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4207	-0.05%	1.42%



BULGARIA

Money Market			
	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.33	0	-10
6-month	0.62	0	-17
12-month	1.21	0	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.43	-2	-61
5Y BGN	0.74	-2	-70
10Y BGN	2.30	0	-45

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.48	0	-68
EUR Sep-24	2.84	-17	-3

CDS

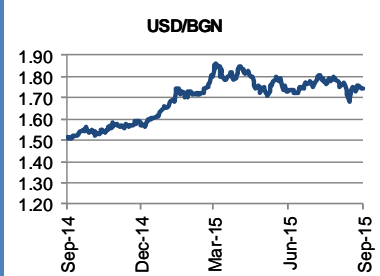
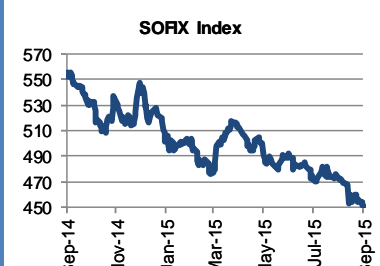
	Last	ΔDbps	ΔYTD bps
5-year	178	0	-13
10-year	225	0	-15

STOCKS

	Last	ΔD	ΔYTD
SOFIX	450.7	-0.18%	-13.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7433	0.11%	-7.27%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:00 EEST of previous session

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