

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: In line with market expectations, the Bank of Japan (BoJ) stayed put on interest rates at its two-day policy meeting which concluded earlier today. Favored by the BoJ's decision to refrain from adopting further monetary policy easing in spite of a recent string of weak domestic data, the JPY strengthened against the US dollar. Elsewhere, the EUR/USD consolidated in early European trade, ahead of this week's two-day FOMC monetary policy meeting that starts on Wednesday.

GREECE: With just six days to go before the upcoming general election, the leaders of the two biggest parties SYRIZA and ND, Alexis Tsipras and Evangelos Meimarakis respectively, held a second and last televised debate late yesterday. Both leaders ruled out the scenario of a repeat election. They also pledged to honour the country's commitments under the new bailout program adding though that they would attempt to cushion the negative impact of the MoU on certain heavily affected social groups./ According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in August for the second month in a row coming in at €124.6bn, €1.2bn lower compared to the prior month's level.

SOUTH EASTERN EUROPE

BULGARIA: Inflation came out flat on both a monthly and annual basis in August. Consumer prices edged up to 0%MoM/0%YoY up from -0.2%MoM /-0.2%YoY in July.

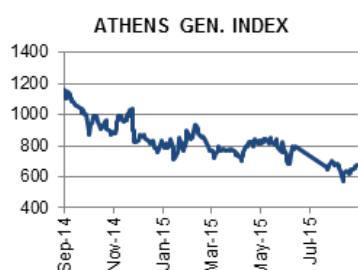
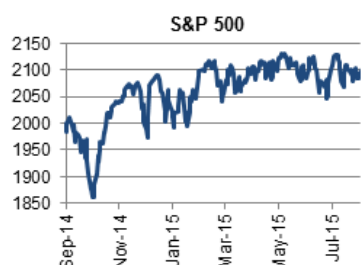
ROMANIA: The current account deficit came in at €347mn in Jan-July down from €997mn in the same period a year ago.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the Bank of Japan (BoJ) stayed put on interest rates at its two-day policy meeting which concluded earlier today. It also decided to continue conducting monetary market operations so that the monetary base to be increased by about an annual pace of JPY 80trn. Although the BoJ lowered its assessment for exports and industrial production due to the slowdown in emerging markets, it retained the outlook for the Japanese economy broadly unchanged, noting that “it is expected to continue recovering moderately”. Favored by the BoJ’s decision to refrain from adopting further monetary policy easing in spite of a recent string of weak domestic data, the JPY strengthened against the US dollar, with the USD/JPY falling by ca. 0.4% to a one week low of 119.75/119.76 earlier today. Elsewhere, the EUR/USD consolidated around 1.1292/1.1293 in early European trade, ahead of this week’s two-day FOMC monetary policy meeting that starts on Wednesday. On the US data front, focus today is on retail sales and industrial production for August, while, in the euro area, the German ZEW survey is also expected to lure market attention.

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GREECE

With just six days to go before the upcoming general election, the leaders of the two biggest parties SYRIZA and New Democracy (ND), Alexis Tsipras and Evangelos Meimarakis respectively, held a second and last televised debate late yesterday. Both of them said that they would honor the country’s commitments under the new bailout program adding though that they would attempt to cushion the negative impact of the MoU on certain heavily affected social groups. Furthermore, both leaders ruled out the scenario of a repeat election. Alexis Tsipras expressed his belief that SYRIZA would win an overall majority in the upcoming ballot. However, he added that, should post-election collaboration be needed, he would be prepared to ally with other smaller parties for the formation of a “progressive” coalition”, leaving the door open for alliances with PASOK and/or To Potami (The River), under certain conditions. Yet, the SYRIZA leader once again downplayed the possibility of a “grand coalition” with ND arguing that the two parties have fundamental differences on key policy issues. On his part, ND leader Evangelos Meimarakis reiterated his call for the formation of a “grand coalition” to hammer out a growth plan for the domestic economy and the establishment of a national negotiating team (for the upcoming program reviews).

In other news, according to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in August for the second month in a row coming in at €124.6bn, €1.2bn lower compared to the prior month’s level. In more detail, funding received through the ECB’s Emergency Liquidity Assistance (ELA) dropped by €1.3bn to c. €84bn while ECB funding edged up by €0.1bn to a seven-month peak of €40.1bn.

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September 15, 2015

Latest world economic & market developments in the CESEE region

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

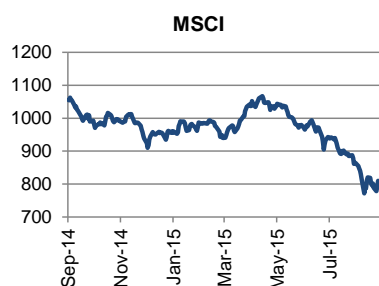
ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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-

Source: IMF, EC, Reuters, Bloomberg, National Authorities, Eurobank Research

BULGARIA

Inflation came out flat on both a monthly and annual basis in August. Consumer prices edged up to 0% MoM/0% YoY up from -0.2% MoM /-0.2% YoY in July and down from -0.9% MoM/+0.4% YoY in June. As a result, the average annual inflation stood at -0.3% YoY in the first eight months of the year. On a monthly basis, the group of clothing & footwear recorded the largest decline (-2.4% MoM/+1.2% YoY) and the group of food & non-alcoholic beverages the largest increase (+0.6% MoM/+0.1% YoY). On an annual basis, transportation recorded a hefty decline (-0.4% MoM/-8.2% YoY) driven by lower world energy prices while regulated prices (+3.6% YoY in August down from +3.8% YoY in July) had still one of the highest positive contribution to annual inflation.

According to the latest data from the Employment Office, the rate of registered unemployment fell for the fifth month running in August, coming in at 9.3% down from 9.4% in July and a 9.6% print in June, recoiling further below an 8-month high of 11.09% hit in January. August marked the third month since October 2011 when the jobless rate last stood in a single-digit figure (9.6%). The said improvement came on the back of an increase in seasonal employment, primarily witnessed in the processing industry, administrative and support activities and education. On an annual basis, the number of unemployed individuals dropped by 35,682 in August marking the biggest decline for the month since 2008. Meanwhile, youth unemployment also fell for a seventh month in a row, with the number of young people under 29 years of age easing below 50,000 (46,840 persons or 15.3% of total registered unemployed). The good news adds to last year's employment gains and is a sign of the improvement in the economic environment, especially taking into account that fiscal policy restraint is not helping at this point.

ROMANIA

The current account deficit came in at €347mn in Jan-July down from €997mn in the same period a year ago. The decline on an annual basis was driven by the decrease of the primary income gap (by €595mn) and the rise of the surpluses of the services (by €310mn) and secondary income surplus (by €276mn). It is worth noting that the services surplus covers the deficit on the trade of goods side in the same period. On the financing side, FDI inflows increased by 18.7% YoY in Jan-July reaching €2.1bn, out of which capital investments accounted for €1.2bn and intra-group loans €856mn. The external debt amounted to €90.6bn in June down by 3.7bn since the end of 2014. The long-term external debt accounted for 77.8% of the total compared to 22.2% for the short-term.

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September 15, 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	1953.03	-0.4%	-5.1%	EUR/USD	1.1311	0.0%	-6.5%	UST - 10yr	2.17	-1	0	GOLD	1107	-0.2%	-6.6%
Nikkei 225	18026.48	0.3%	3.3%	GBP/USD	1.5434	0.0%	-0.9%	Bund-10yr	0.66	1	12	BRENT CRUDE	47	0.4%	-18.8%
STOXX 600	353.90	0.1%	3.3%	USD/JPY	119.46	0.7%	0.2%	JGB - 10yr	0.38	2	5	LMEX	2422	-1.5%	-16.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	363	0	-628
1-week	3.82	0	-619
1-month	4.19	4	-586
3-month	4.58	10	-527
6-month	4.86	13	-493

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.66	-1	-337
5Y RSD	7.08	0	-310
7Y RSD	8.47	-4	-361

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.29	-1	-97
USD Nov-24	6.45	0	-14

CDS

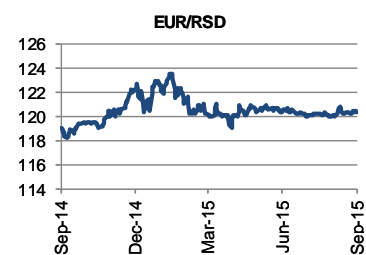
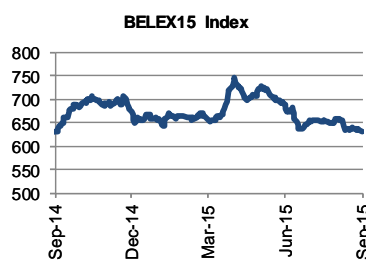
	Last	ΔDbps	ΔYTD bps
5-year	277	0	-13
10-year	321	0	-35

STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.1	0.02%	-5.39%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.37	0.07%	0.81%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.67	-28	10
1-month	1.3	-5	39
3-month	1.44	-3	-26
6-month	1.64	0	-37
12-month	1.72	0	-30

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.90	0	-41
5Y RON	2.30	-1	-41
10Y RON	3.72	1	6

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.38	-2	-35
USD Aug-23	3.74	-1	12

CDS

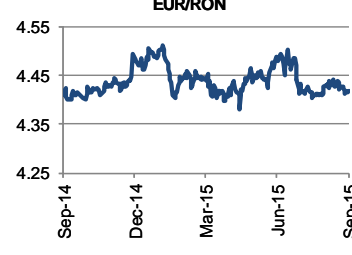
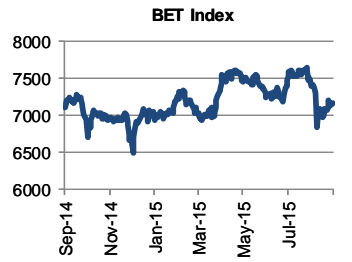
	Last	ΔDbps	ΔYTD bps
5-year	117	-5	-26
10-year	157	-4	-30

STOCKS

	Last	ΔD	ΔYTD
BET	7139.4	-0.24%	0.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4182	-0.05%	1.48%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	1	-4
3-month	0.33	0	-10
6-month	0.62	0	-17
12-month	1.22	1	-29

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.51	11	-53
5Y BGN	0.71	-3	-74
10Y BGN	2.19	0	-56

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.41	9	-75
EUR Sep-24	2.75	18	-12

CDS

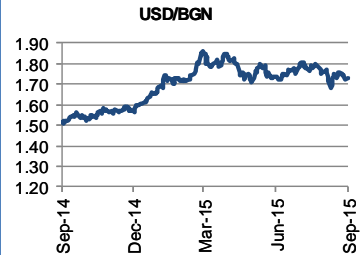
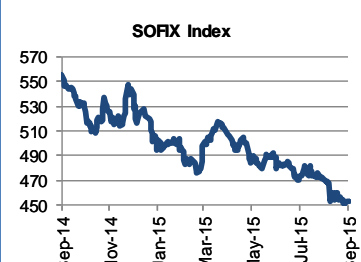
	Last	ΔDbps	ΔYTD bps
5-year	179	-1	-12
10-year	226	0	-14

STOCKS

	Last	ΔD	ΔYTD
SOFIX	452.7	0.05%	-13.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.729	-0.04%	-6.51%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:00 EEST

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