

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, September 16, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 12: Fed's Lockhart, Kashkari, Brainard speak
- Sep 15
 - Jobless claims (weekly)
 - Retail sales (Aug)
 - Philly Fed (Sep)
 - Empire manufacturing (Sep)
 - Industrial production (Aug)
- Sep 16
 - CPI (Aug)
 - UoM sentiment (Sep, p)

EUROZONE

- Sep 14: Industrial production (Jul)
- Sep 15: CPI (Aug, f)

GREECE

- Sep 12
 - Representatives of the institutions (EC, ESM, ECB & IMF) arrive in Athens to monitor the implementation of the milestones
 - Building Activity (Jun)
- Sep 13: Production Index in Construction (Q2)
- Sep 15: Labor Force Survey (Q2)

CYPRUS

- Sep 16: Sovereign credit rating review by S&P

SEE

BULGARIA

- Sep 12: Trade balance (Jul)
- Sep 13: CPI (Aug)
- Sep 15: U/E rate (Aug)
- Sep 12: Current account (Jul)

ROMANIA

- Sep 12
 - CPI (Aug)
 - 3.25% 2024 T-bonds auction
- Sep 14: Industrial production (Jul)

SERBIA

- Sep 12: HICP (Aug)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In line with market expectations, the BoE's MPC kept its monetary policy unchanged at the September meeting that took place yesterday (September 15th). The overall tone of the minutes was similar to the one adopted at the August meeting with the MPC reiterating that the majority of the Committee members are expected to support a further cut in Bank Rate during the course of the year. Awaiting the outcome of the key Fed and BoJ monetary policy meetings next week, major currency pairs continued to consolidate within recent ranges. Today, the leaders of the EU27 meet in Bratislava to discuss on the future of the European Union after Brexit.

GREECE: The representatives of the institutions will reportedly convene today with Greek officials in order to review a number of pending actions in view of the September 29th Euroworking Group with the aim to have the remaining €2.8bn sub-tranche approved for release at the October 10th Eurogroup. The legislation for the ratification of the Hellinikon S.A. concession agreement – one of the pending prior actions for the next sub-tranche – was submitted for consultation to the Hellenic Parliament yesterday and will reportedly be put to vote on the coming Wednesday.

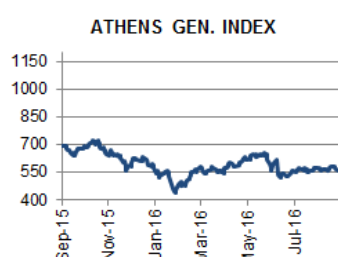
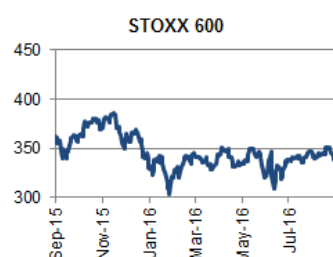
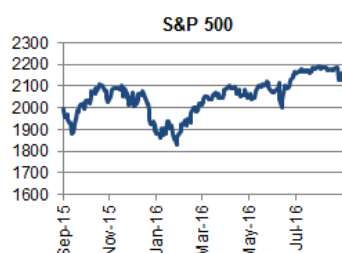
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets trimmed part of their recent losses earlier on Friday on scaled back expectations for a Fed rate hike this year. In the FX markets, most regional currencies firmed modestly in European trade today, with the Hungarian forint outperforming its peers ahead of an S&P review over the country's sovereign credit ratings.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

In line with market expectations, the BoE's MPC kept its monetary policy unchanged at the September meeting that took place yesterday (September 15th). This followed the adoption by the BoE of a more aggressive than expected stimulus package in August and a recent bounce from a number of macro indicators after falling sharply in July in reaction to the "Leave" referendum outcome. The overall tone of the minutes was similar to the one adopted at the August meeting with the MPC reiterating that the majority of the Committee members are expected to support a further cut in Bank Rate during the course of the year if the UK's economic outlook is judged to be "broadly consistent with the August Inflation Report projections". The next BoE MPC meeting is scheduled for November 3rd when the updated forecasts will also be presented. Elsewhere, both US retail sales and industrial production data for August released on Thursday came in weaker than expected providing further support to the prevailing market view that the Fed will likely not rush to push interest rates higher as soon as next week. Fed Funds futures currently assign a c. 13% probability for a 25bps rate hike at the September meeting and 44% in December while such a move is not fully priced-in before September 2017. Awaiting the outcome of the key Fed and BoJ monetary policy meetings next week, major currency pairs continued to consolidate within recent ranges. The USD/JPY was hovering around 101.95/97 in European trade at the time of writing, continuing to consolidate within the 101.00 -103.00 recent range. Looking at today's calendar, we expect US CPI data for August and the preliminary estimate of the UM consumer sentiment index for September. The leaders of the EU27 will also meet in Bratislava to discuss on the future of the European Union after Brexit.

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GREECE

The representatives of the institutions will reportedly convene today with Greek officials in order to review a number of pending actions in view of the September 29th Euroworking Group with the aim to have the remaining €2.8bn sub-tranche approved for release at the October 10th Eurogroup. Later today, according to press reports the representatives of the ESM, the EC and the ECB will depart with the intention to return to Athens in a month for the second review while the IMF's representatives will reportedly remain in Athens for the collection of data for the regular Article IV Consultation, which will form the basis for the debt sustainability analysis. Meanwhile, the legislation for the ratification of the Hellinikon S.A. concession agreement – one of the pending prior actions for the next sub-tranche – was submitted for consultation to the Hellenic Parliament yesterday and will reportedly be put to vote on the coming Wednesday.

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BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

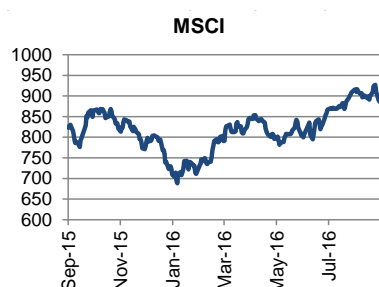
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

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

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets trimmed part of their recent losses earlier on Friday on scaled back expectations for a Fed rate hike this year. Against this backdrop, the MSCI Emerging Markets index advanced for the second day running in Asian trade today. That said the index fell over the prior four consecutive sessions and is poised to end the week with losses to the tune of ca 2% weighed down by the recent steepening in developed market yield curves and ongoing uncertainty over global major Central Banks' monetary policy deliberations ahead. In the CESEE region, main bourses were little changed with Turkey's BIST 100 index dropping by 0.5% compared to last Friday's settlement, the first day it opened after a four-day holiday.

In the FX markets, most regional currencies firmed modestly in European trade today. The Hungarian forint broadly outperformed its peers ahead of an S&P review over the country's sovereign credit ratings. Albeit an upgrade from the current non-investment grade rating (BB+) is not expected by market participants, a change on the outlook to positive from stable appears to be on the cards. In this context, the EUR/HUF hit a multi-session trough near 309.10 in European trade, having eased from Monday's 1-month peak of 310.70.

Elsewhere, long-term local currency sovereign bonds recouped some of their recent losses earlier on Friday, having been under pressure this week in tandem with Eurozone's amid skepticism over whether the ECB will deliver in the near future further monetary stimulus. Poland's 10-year benchmark bond yield traded at 2.919% earlier today, ca 2bps lower on the day, and easing further below an 8-week peak hit this week.

Looking into the coming days, the CESEE region's calendar remains relatively light. Amongst the most notable is Turkey's Central Bank monetary policy meeting on Thursday, where the market's median forecast is for the key policy and the overnight borrowing rate to remain unchanged at 7.50% and 7.25%, respectively, while the overnight lending is expected to be reduced by another 25bps to 8.25%. Hungary's MPC meeting also lures market interest on Tuesday. The MNB is broadly anticipated to hold its key policy rate at the current record low level of 0.90%, but according to consensus it is expected to announce a HUF 630bn reduction in its 3-month deposits by the end the year in order to support bank lending and purchases of government bonds. That said, next week's focus is primarily on developments abroad, particularly on the FOMC's and BoJ's meetings.

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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	2126.25	0.0%	4.0%	EUR/USD	1.1235	-0.1%	3.5%	UST - 10yr	1.72	2	-55	GOLD	1313	-0.8%	23.7%
Nikkei 225	16405.01	-1.3%	-13.8%	GBP/USD	1.3187	-0.4%	-10.5%	Bund-10yr	0.05	3	-58	BRENT CRUDE	46	0.3%	23.4%
STOXX 600	338.03	-0.1%	-7.6%	USD/JPY	102.64	-0.2%	17.0%	JGB - 10yr	-0.04	-2	-30	LMEX	2377	2.0%	7.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	0	-1
1-week	3.15	0	-4
1-month	3.30	-1	-21
3-month	3.52	-1	-31
6-month	3.70	0	-33

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.71	xs	-87
5Y RSD	4.39	0	-72
7Y RSD	5.73	0	-196

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.25	1	-91
USD Nov-24	6.57	-1	16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	219	0	-56
10-year	261	0	-78

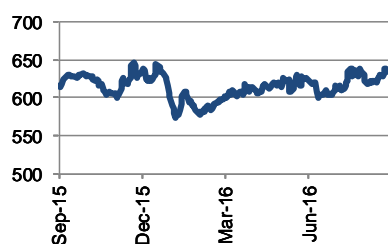
STOCKS

	Last	ΔD	ΔYTD
BELEX15	635.3	0.30%	-1.37%

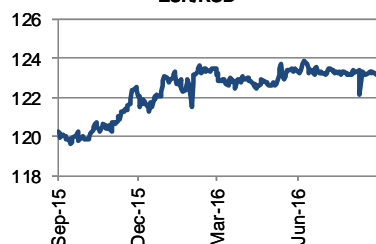
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.12	0.05%	-1.25%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-10
1-month	0.55	0	-14
3-month	0.73	-1	-29
6-month	0.95	-1	-39
12-month	1.12	1	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	-1	-43
5Y RON	2.16	0	-64
10Y RON	2.99	0	-79

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	2	-88
USD Jan-24	2.73	-6	-106

CDS

	Last	ΔDbps	ΔYTD bps
5-year	106	1	-27
10-year	149	0	-22

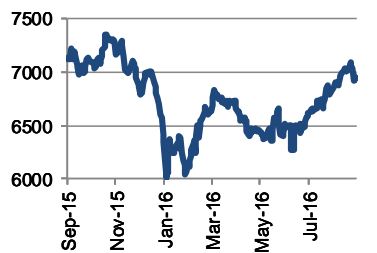
STOCKS

	Last	ΔD	ΔYTD
BET	6948.6	0.25%	-0.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4479	-0.01%	1.49%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	0	-6
1-month	-0.14	0	-29
3-month	-0.04	0	-30
6-month	0.12	0	-41
12-month	0.45	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	0	-40
5Y BGN	0.60	1	-68
10Y BGN	1.92	0	-74

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.11	0	-17
EUR Sep-24	1.47	27	-96

CDS

	Last	ΔDbps	ΔYTD bps
5-year	135	0	-37
10-year	175	-1	-41

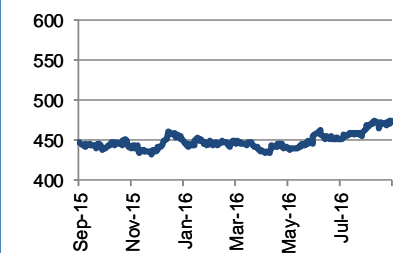
STOCKS

	Last	ΔD	ΔYTD
SOFIX	474.1	0.32%	2.87%

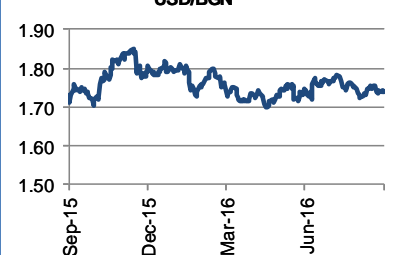
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7409	-0.13%	3.41%

SOFIX Index



USD/BGN



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

Data updated as of 17:00 EEST of previous session

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