



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, September 25, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 26
 - CB Consumer confidence (Sep)
 - New home sales (Aug)
 - Fed Chair Yellen speaks
- Sep 27
 - Durable goods orders (Aug)
 - Pending home sales (Aug)
- Sep 28
 - GDP (Q3, 3rd est.)
 - Jobless claims (weekly)
- Sep 29
 - Personal income / spending (Aug)
 - Core PCE deflator (Aug)
 - Chicago PMI (Sep)
 - U. of Mich. Sentiment (Sep,p)

EUROZONE

- Sep 25: DE: Ifo business climate (Sep)
- Sep 28
 - DE: GfK consumer climate (Oct)
 - ESI (Sep)
- Sep 29: HICP (Sep)

GREECE

- Sep 29: Retail sales (Jul)

SEE

BULGARIA

- Sep 25: 0.8% 2025 T-bonds auction
- Sep 26: Gross external debt (Jul)
- Sep 29: Moody's rating review
- Sep 29-Oct 1: Budget balance (Aug)

ROMANIA

- Sep 25: 3.4% 2022 T-bonds auction

SERBIA

- Sep 25: Gross wages (Aug)
- Sep 29
 - Industrial output (Aug)
 - Trade balance (Aug)
 - Retail sales (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Angela Merkel won a fourth term as German chancellor in Sunday's federal election, in line with expectations. Yet, Angela Merkel's CDU/CSU alliance secured just 33% of the vote, the second-lowest since 1948 and below c. 36% recent opinion polls suggested. The SDP took 20.5% , its worst performance ever with Martin Schultz announcing that his party will go into opposition, presumably in an attempt to rebuild its credibility. The so-called 'Jamaica' coalition seems to be the most likely scenario consisting of CDU/CSU, FDP and the Greens. In reaction to the German election outcome, the EUR came under some pressure and EMU sovereign debt spreads undertook some widening on the view that the FDP, a potential coalition partner in the new German government, is firmly against any further EU integration. Looking at this week's calendar, focus is on a numerous Fed and ECB speakers including ECB President Mario Draghi on Monday and Fed Chair Janet Yellen on Tuesday. On the data front, inflation data from the euro area and the US both on Friday, lure market attention.

GREECE: The Eurogroup President Jeroen Dijsselbloem is expected to arrive in Athens today where, among others, he will discuss the post-programme regime for Greece, which will have to be agreed upfront between the institutions and the Greek authorities. On Greece's public debt, Eurogroup President argued in an interview that as previously (May 2016) agreed, the matter will be discussed after the completion of the programme and, provided that it is deemed necessary and that Greece will have fulfilled its obligations, further debt relief measures will be adopted. On the privatisations front, the CEO of HCAP Rania Ekaterinari stated in an interview that the revenue targets from privatisations for 2017 and 2018 are in the area of EUR1.9billion and EUR2.5billion respectively. Meanwhile, the BoD of the HRADF decided in agreement with HELPE that two investment schemes are qualified to proceed to the next phase of the tender process for the acquisition of 66% of DESFA share capital.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities lacked direction last week, while the domestic sovereign debt yield curve experienced a drop directed by the 8 and 9 year tenors. Meanwhile, Eurobond yields were little changed.

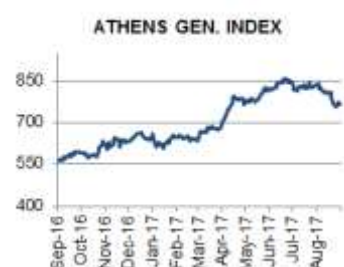
SERBIA: The EUR/RSD moved modestly higher last week, assisted by new Central Bank intervention. The pair closed on Friday at 119.25/45, having pulled back from a three-year low of 118.75/95 hit a few sessions ago.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Angela Merkel won a fourth term as German chancellor in Sunday's federal election, in line with expectations. Yet, Angela Merkel's CDU/CSU alliance secured just 33% of the vote, the second-lowest since 1948 and below c. 36% recent opinion polls suggested. The SPD took 20.5% , its worst post-World War II performance with Martin Schulz announcing that his party will go into opposition, presumably in an attempt to rebuild its credibility. The far-right AfD outperformed securing 12.6%, above the 5% minimum threshold with a far-right party making it into Bundestag for the first time since World War II. The Free Democratic Party (FDP) came fourth and managed to get into Bundestag again with 10.7% following after remaining below the 5% threshold four years ago. Die Linke and the Greens followed suit with 9.2% and 8.9% respectively. The so-called 'Jamaica' coalition (due to the colour of the parties), seems to be the most likely scenario consisting of CDU/CSU, FDP and the Greens. Such a collation has not been formed at German national level before and negotiations are likely to prove difficult and lengthy given fundamental differences between FDP and the Greens on a number of key issues including immigration. In reaction to the German election outcome, the EUR came under some pressure moving close to the 1.1900 against the USD in European trade on Monday after testing levels slightly above 1.2000 at some point on Friday. In spite of today's downward move, the EUR/USD remained above the technically important level of 1.850/1.1860 supported by the euro area's positive growth prospects and expectations for an ECB tapering announcement at the October 26th monetary policy meeting. Elsewhere, EMU sovereign debt spreads undertook some widening on the view that the FDP, a potential coalition partner in the new German government, is firmly against any further EU integration. In other news, UK PM Theresa May delivered a much-anticipated speech on Brexit on Friday proposing a two-year transition period but failed to commit to any specific payments to the EU . A few hours after PM May speech, Moodys downgraded the UK's sovereign credit rating by one notch to Aa2 citing concerns about the potential impact of Brexit on domestic economy. Looking at this week's calendar, focus is on a numerous Fed and ECB speakers including ECB President Mario Draghi on Monday and Fed Chair Janet Yellen on Tuesday. On the data front, inflation data from the euro area and the US both on Friday, lure market attention.

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GREECE

The Eurogroup President Jeroen Dijsselbloem is expected to arrive in Athens today where he is reportedly scheduled to meet the President of the Hellenic Republic Prokopis Pavlopoulos, the PM Alexis Tsipras, the Finance Minister Euclid Tsakalotos and the Governor of the Bank of Greece Yiannis Stournaras. According to local press, among the main topics of discussion during his visit will be the post-programme regime for Greece, which will have to be agreed upfront between the institutions and the Greek authorities. On the subject, Jeroen Dijsselbloem stated in an interview that the main goal of both the Greek side and the institutions in the period ahead should be to secure that by August 2018 the Greek economy will have returned to a growth path and confidence will have been restored so that the country will have become economically independent. He added that, as in all the cases of countries that carried out Economic Adjustment Programmes, so too will Greece be under surveillance during the post-programme period, particularly as there will be outstanding loans with long maturities. On Greece's public debt, Eurogroup President argued that as previously (May 2016) agreed, the matter will be discussed after the completion of the programme and, provided that it is deemed necessary and that Greece will have fulfilled its obligations, further debt relief measures will be adopted. On the privatisations front, the CEO of the Hellenic Corporation of Assets and Participations (HCAP) Rania Ekaterinari stated in an interview that the revenue targets from privatisations for 2017 and 2018 are in the area of EUR1.9billion and EUR2.5billion respectively. Meanwhile, the BoD of the Hellenic Republic Asset Development Fund (HRADF) decided in agreement with Hellenic Petroleum (HELPE) that two (out of six that participated in the 'expression of interest' phase) investment schemes are qualified to proceed to the next phase of the tender process for the acquisition of 66% (31% state owned by HRADF and 35% owned by HELPE) of the Hellenic Gas Transmission System Operator (DESFA) share capital.

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September 25, 2017

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.9
Budget Balance/GDP*	-2.8	1.6	-1.4
Current Account/GDP	-0.1	4.2	2.0
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.2	1.2
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

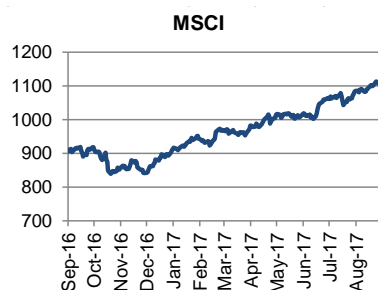
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.4	1.1	3.3
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	122.0
	2016	current	2017
Policy Rate (eop)	4.00	3.75	3.75

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

BULGARIA

Bulgarian equities lacked direction last week, with the main SOFIX index finishing -0.32% lower on Thursday at 678.65 points compared to the previous Friday's close. In view of the bank holiday on Friday, the total trading volume was lower than a week earlier, reaching €3.798mn. The domestic sovereign debt yield curve experienced a drop directed by the 8 and 9 year tenors, which moved by 15 and 9 basis points, respectively, lower. Meanwhile, Eurobond yields were little changed, with the biggest change evidenced in bonds maturing in 2023, which gained 3 basis points.

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SERBIA

The EUR/RSD moved modestly higher last week, closing on Friday at 119.25/45, 15 paras higher compared with the prior session's settlement. The pair's current recovery appears to have been assisted by Central Bank (NBS) intervention. The Central Bank bought €60mn directly in the FX market in order to avert sharp one-day rises of the local currency. As a result, the EUR/RSD bounced back towards the end of the week after bottoming out at a new three-year low of 118.75/95 a few sessions ago. In our view, the EUR/RSD will likely remain range-bound until the end of September, as NBS is likely to continue intervening on the buying side. Looking beyond, we see the pair at 119.80 in 1-month time, 120.50 in 2-months and 121.50 in 3-months.

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September 25, 2017

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	2502.22	0.1%	11.8%	EUR/USD	1.1904	-0.4%	13.2%	UST - 10yr	2.24	-1	-21	GOLD	1293	-0.3%	12.2%
Nikkei 225	20397.58	0.5%	6.7%	GBP/USD	1.3534	0.3%	9.5%	Bund-10yr	0.42	-3	21	BRENT CRUDE	57	0.4%	0.4%
STOXX 600	383.94	0.2%	6.2%	USD/JPY	112.11	-0.1%	4.4%	JGB - 10yr	0.03	-1	-2	LMEX	3122	-0.9%	17.4%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.73	0	-27	O/N	0.85	32	29	LEONIA	0.01	0	1
1-week	2.84	0	-33	1-month	0.88	7	12	1-month	-0.16	0	1
1-month	3.06	0	-29	3-month	1.11	2	21	3-month	-0.07	1	0
3-month	3.32	0	-15	6-month	1.23	2	12	6-month	0.05	0	-3
6-month	3.53	0	-13	12-month	1.44	2	19	12-month	0.38	0	-3
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.51	-1	-53	3Y RON	1.53	2	-9	3Y BGN	-0.19	0	-35
5Y RSD	5.14	3	-21	5Y RON	2.28	1	-24	5Y BGN	0.05	0	-46
7Y RSD	5.58	0	-10	10Y RON	3.55	1	-10	10Y BGN	1.32	0	-58
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.72	-1	-61	EUR Oct-25	1.62	0	-52	EUR Mar-22	0.16	-12	-71
USD Nov-24	6.34	0	-7	USD Jan-24	2.94	0	-95	EUR Sep-24	0.84	16	-84
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	140	0	-68	5-year	100	0	-9	5-year	100	-5	-52
10-year	196	0	-59	10-year	146	-4	-6	10-year	150	-10	-44
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	724.8	-0.06%	1.03%	BET	7857.4	0.12%	10.90%	SOFIX	675.4	-0.47%	15.18%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.46	-0.20%	3.35%	EUR/RON	4.5971	0.03%	-1.26%	USD/BGN	1.6429	-0.35%	13.12%

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

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

Data updated as of 12:00 EEST

September 25, 2017

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