



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, September 04, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 5: Factory orders (Jul)
- Sep 6
 - ISM non-manufacturing (Aug)
 - Trade balance (Jul)
 - Fed Beige Book
- Sep 7: Jobless claims (weekly)

EUROZONE

- Sep 5
 - PMI services (Aug, f)
 - GDP (Q2, 2nd est.)
- Sep 7: ECB monetary policy meeting & press conference

GREECE

- Sep 7: U/E rate (Jun)
- Sep 8
 - Industrial production (Jul)
 - CPI/HICP (Aug)

CYPRUS

- Sep 7: CPI (Aug)
- Sep 8: GDP (Q2, 2nd est.)

SEE

BULGARIA

- Sep 5: GDP (Q2, f)
- Sep 8
 - Industrial production (Jul)
 - Retail sales (Jul)

ROMANIA

- Sep 4: Retail sales
- Sep 5: GDP (Q2, p)
- Sep 7
 - Net wages (Jul)
 - 5.75% 202 T-Bonds auction

SERBIA

- Sep 7
 - PPI (Aug)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Risk off sentiment prevailed in European trade on Monday following news that North Korea successfully tested a hydrogen bomb. The majority of European equity markets opened lower while safe haven assets firmed with the JPY and the CHF outperforming in FX markets and German Bund yields moving lower. Looking at this week's calendar, the ECB meeting on Thursday takes centre stage with the Central Bank expected to stay put on its monetary policy while, at the post-meeting press conference, President Mario Draghi is likely to prepare markets for an announcement on QE extension, possible in October and intervene verbally to halt the EUR's upward momentum. US markets are closed on Monday on Labor Day.

GREECE: The Euroworking Group that is scheduled to convene today will reportedly assess the progress made in the prior actions remaining from the 2nd programme review and discuss the potential timing for the commencement of the 3rd review. According to the Hellenic Statistical Authority seasonally adjusted provisional data, the GDP in volume terms increased by 0.5% compared to Q1 2017 and 0.8% compared to Q2 2016. According to Markit, the PMI Manufacturing index in August 2017 came in at 52.2, the highest level since August 2008 and up from 50.2 in July 2017.

SOUTH EASTERN EUROPE

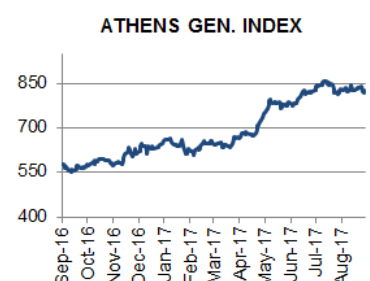
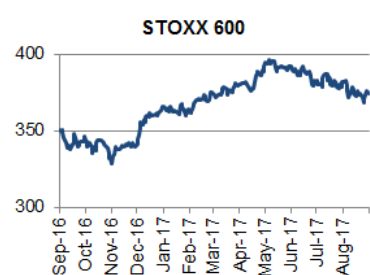
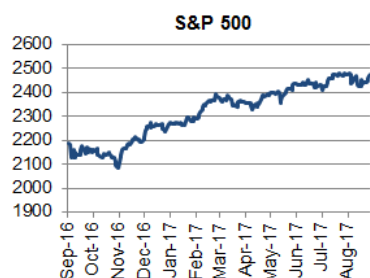
SERBIA: The EUR/RSD continued to trade sideways last week, remaining within its three-week range of 119.0 -119.50.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Risk off sentiment prevailed in European trade on Monday following news that North Korea successfully tested a hydrogen bomb. Taking their cue from weaker Asian bourses, the majority of European equity markets opened lower while safe haven assets firmed. As is usually the case during periods of heightened risk aversion, the JPY and the CHF were the main outperformers in FX markets with the USD/JPY recording a session low of 109.30, 0.9% lower compared to Friday's settlement while the USD/CHF tested levels slightly below 0.9600 after marking a multi-session peak of 0.9680 late last week. Elsewhere, the EUR/USD was hovering around 1.1890/95 at the time of writing with investors eagerly awaiting Thursday's ECB monetary policy meeting after rising as high as 1.1980 on Friday soon after the release of the disappointing US non-farm payrolls report. The headline rose by a lower than expected 156k in August and the unemployment rate edged up to 4.4% from 4.3% in the prior month while average hourly earnings were weak rising by just 0.1% mom after jumping 0.3% in July with the annual rate remaining steady at 2.5%. The soft payrolls report contracted with a rebound in the ISM manufacturing index to a six-year high of 58.8 in August from 56.3 in July mainly supported by a significant improvement in the employment component. Turning to bond markets, German Bund yields were slightly lower with the 10-yr paper yielding levels around 0.37% at the time of writing, roughly in line with the year-to-date average, after rising above 0.40% on Friday in reaction to comments by ECB Ewald Nowotny that he wouldn't "interpret or dramatize" the EUR's appreciation. Looking at this week's calendar, the ECB meeting takes centre stage with the Central Bank expected to stay put on its monetary policy while, at the post-meeting press conference, President Mario Draghi is likely to prepare markets for an announcement on QE extension, possible in October and intervene verbally to halt the EUR's upward momentum. US markets are closed on Monday on Labor Day.

ppetropoulou@eurobank.gr

GREECE

The Euroworking Group that is scheduled to convene today will reportedly assess the progress made in the prior actions remaining from the 2nd programme review and discuss the potential timing for the commencement of the 3rd review. Among others, the pending items include: the change of the legal framework regarding casinos in the Attica region which is a pre-requisite for the Hellinikon project; the presidential decree for the deregulation of the profession of engineers; the re-calculation of 30% of pension claims that were submitted between May and December 2016 and the evaluation and mobility scheme for public servants. As things stand, the institutions' technical staff are expected to arrive in Athens on Monday 11 September while the 3rd review is likely to begin in mid-October. In other news, according to the Hellenic Statistical Authority seasonally adjusted provisional data, the GDP in volume terms increased by 0.5% compared to Q1 2017 and 0.8% compared to Q2 2016. With regard to the GDP drivers, on an annual basis final consumption expenditure rose by 1.3%, with households and NPISH expenditure increasing however only by 0.7%, gross fixed capital formation down by 4.6% and exports of goods and services improving by 9.5%. According to Markit, the PMI Manufacturing index in August 2017 came in at 52.2, the highest level since August 2008 and up from 50.2 in July 2017. According to the Markit report, the significant improvement was underpinned by solid rise in new business – the sharpest since May 2014 - with new orders from both domestic and foreign clients. Increased demand led to a rise in employment - for the fourth month in a row while purchasing activity picked up for the second consecutive month.

andimitriadou@eurobank.gr

Latest economic & market developments in the CESEE region

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

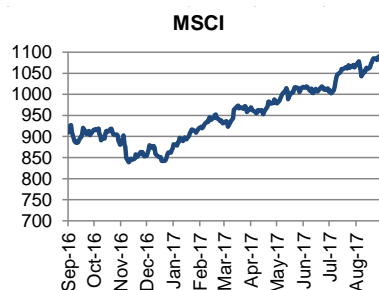
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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	4.00	4.00

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

SERBIA

The EUR/RSD continued to trade sideways last week, remaining within its three-week range of 119.0 -119.50. The pair closed Friday's session at 119.20/40, 15 paras higher compared with the prior session's settlement.

In order to mitigate the pair's downmove there were repeated Central Bank (NBS) interventions on EUR/RSD spot market on a daily basis over the last five sessions, which had not been the case for a while. That kind of behavior could imply that the National Bank of Serbia aims to put a lid on further dinar strengthening.

Indeed, the EUR/RSD has remained above the key psychological 119.0 level thanks to those interventions, which could also indicate this is likely to prove the floor for the pair on a year-date-basis. On the upside, some modest recovery could drive the EUR/RSD towards the 121.0 area, albeit there appears to be a lack of strong catalysts for a significant recovery of the pair. In support of the aforementioned, we do expect to see a sturdy demand for hard currency from corporate starting from November. Therefore we expect modest correction, projecting to see EUR/RSD at 119.80 in 1-month, 120.80 in 2-months and 121.50 in 3-months.

Djordje.Lucic@eurobank.rs

September 4, 2017

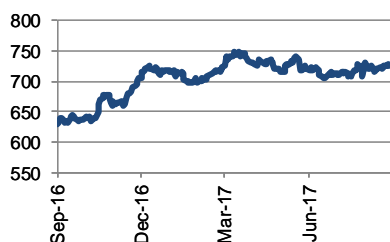
GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2476.55	0.2%	10.6%	EUR/USD	1.1889	0.2%	13.0%	UST - 10yr	2.17	0	-28	GOLD	1337	0.9%	16.0%
Nikkei 225	19508.25	-0.9%	2.1%	GBP/USD	1.2941	-0.1%	4.7%	Bund-10yr	0.37	-1	16	BRENT CRUDE	52	-0.8%	-7.9%
STOXX 600	374.56	-0.4%	3.6%	USD/JPY	109.6	0.6%	6.8%	JGB - 10yr	-0.01	-1	-6	LMEX	3243	0.8%	21.9%

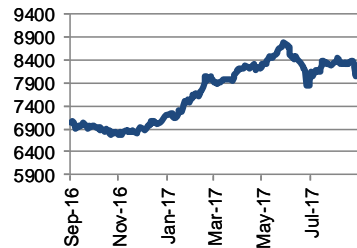
CESEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	3.00	0	0	O/N	0.64	0	8	1-month	0.01	0	1	1-month	-0.17	-1	0
1-week	3.13	0	-4	1-month	0.71	0	-5	3-month	-0.09	0	-2	3-month	-0.09	0	-2
1-month	3.32	0	-3	3-month	0.92	0	2	6-month	0.04	0	-4	6-month	0.04	0	-4
3-month	3.55	0	8	6-month	1.13	0	2	12-month	0.38	0	-3	12-month	0.38	0	-3
6-month	3.76	0	10	12-month	1.3	0	5	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	4.84	0	-20	3Y RON	1.39	2	-23	3Y BGN	-0.20	0	-36	3Y BGN	-0.20	0	-36
5Y RSD	5.07	0	-28	5Y RON	2.28	0	-24	5Y BGN	0.05	0	-45	5Y BGN	0.05	0	-45
7Y RSD	5.46	0	-18	10Y RON	3.59	0	-6	10Y BGN	1.41	0	-50	10Y BGN	1.41	0	-50
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.34	0	-99	EUR Oct-25	1.60	-9	-54	EUR Mar-22	0.16	6	-70	EUR Mar-22	0.16	6	-70
USD Nov-24	6.26	-1	-15	USD Jan-24	2.88	0	-101	EUR Sep-24	0.97	-8	-71	EUR Sep-24	0.97	-8	-71
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	133	-1	-74	5-year	93	0	-17	5-year	100	0	-52	5-year	100	0	-52
10-year	185	-1	-71	10-year	147	-1	-5	10-year	150	0	-44	10-year	150	0	-44
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	724.7	-0.12%	1.02%	BET	8062.3	-0.71%	13.79%	SOFIX	713.1	0.39%	21.60%	SOFIX	713.1	0.39%	21.60%
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.39	-0.25%	3.41%	EUR/RON	4.5931	0.03%	-1.18%	USD/BGN	1.6454	0.24%	12.95%	USD/BGN	1.6454	0.24%	12.95%

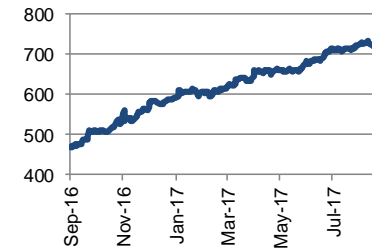
BELEX15 Index



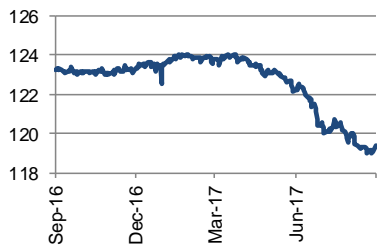
BET Index



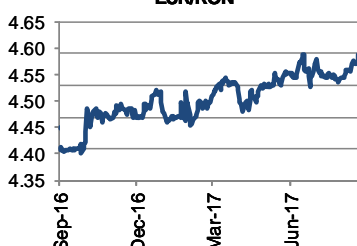
SOFIX Index



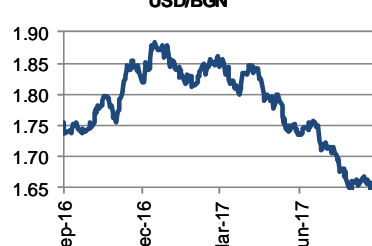
EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 10:40 EEST

September 4, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

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