



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 05, 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: Supported by its safe-haven status, gold retained a positive tone while in FX markets, the JPY and the CHF extended yesterday's gains against the USD. The RBA monetary policy meeting earlier today proved uneventful, as expected, with the Central Bank leaving the Official Cash Rate (OCR) stable at 1.50% and releasing a policy statement with a largely unchanged tone. Looking at today's diary, the euro area's final service sector PMI reading and UK's Markit service sector PMI, both for August are due for release shortly, followed by July factory orders in the US later today. A number of FOMC members are due to speak in the remainder of the week starting today with Laei Brainard at the Economic Club in NY at 13:30 CET and Neel Kashkari who will speak twice at 18:30 CET and 19:10 CET.

GREECE: The technical staff of the institutions (EU/ECB/ESM/IMF) that are expected to arrive in Athens on 11 September will reportedly tend to pending items from the 2nd programme review while the prior actions agenda for the 3rd programme review will likely be determined after the German elections (24 September) and the appointment of the German Minister of Finance.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets mostly firmed on Tuesday, after coming under pressure in the previous session on escalating geopolitical tensions.

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Latest world economic & market developments

GLOBAL MARKETS

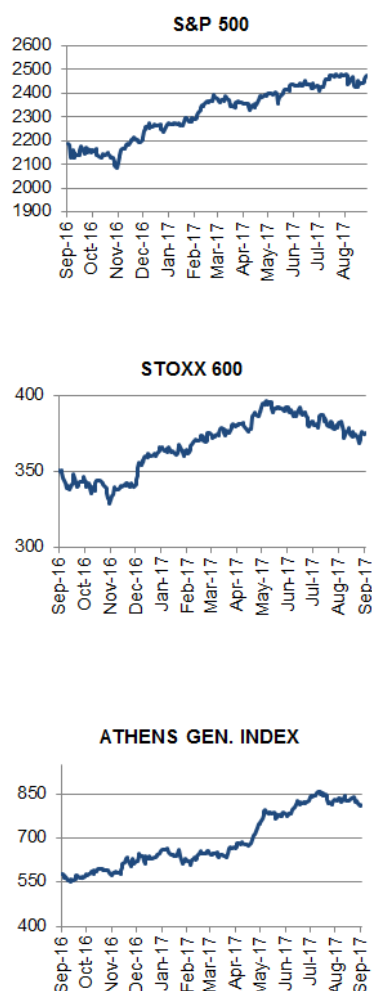
Geopolitical tensions over North Korea continued to have an impact on market sentiment with the White House warning in an official statement yesterday that “all options to address the North Korean threat are on the table”. Supported by its safe-haven status, gold retained a positive tone hovering around \$1,334 an ounce in early European trade, close to Monday’s 11-month high of \$1,340. Separately, oil prices moved lower with crude standing at \$52.25 per barrel at the time of writing, 0.2% lower on the day and down 1.3% from a multi-session peak hit late last week as Texas refineries start running again. In FX markets, G10 currencies were mostly muted with the JPY and the CHF extending yesterday’s gains against the USD by 0.3% and 0.2% respectively. The AUD was also firmer against the USD supported by positive economic fundamentals, improved market perception over China’s growth prospects and higher commodity prices. The RBA monetary policy meeting earlier today proved uneventful, as expected, with the Central Bank leaving the Official Cash Rate (OCR) stable at 1.50% and releasing a policy statement with a largely unchanged tone. With the RBA meeting out of the way, focus now turns on Australian GDP for Q2 2017 due on Wednesday. In terms of sovereign bonds, USTs were well supported with the 10-yr yield falling to the 2.14% area after ending close to 2.16% in the prior session. Looking at today’s diary, the euro area’s final service sector PMI reading and UK’s Markit service sector PMI, both for August are due for release shortly, followed by July factory orders in the US later today. A number of FOMC members are due to speak in the remainder of the week starting today with Laei Brainard at the Economic Club in NY at 13:30 CET and Neel Kashkari who will speak twice at 18:30 CET and 19:10 CET.

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GREECE

The Euroworking Group convened yesterday and reportedly discussed a number of issues pertaining to the pending items from the 2nd programme review such as the prosecution of the former head of the Hellenic Statistical Authority Andreas Georgiou as well as the progress made in clearing state arrears, a pre-requisite for the disbursement of the €0.8 billion sub-tranche from the 2nd review, which will also be used for this purpose. The technical staff of the institutions (EU/ECB/ESM/IMF) that are expected to arrive in Athens on 11 September will reportedly further work on these issues as well as other pending items while the prior actions agenda for the 3rd programme review will likely be determined after the German elections (24 September) and the appointment of the German Minister of Finance.

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Source: Reuters, Bloomberg, Eurobank Research

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

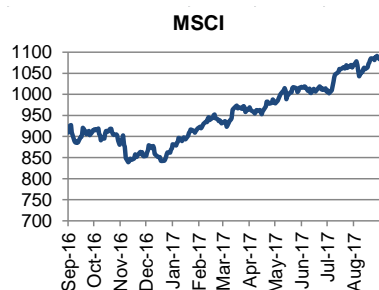
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

Emerging market assets mostly firmed on Tuesday, after coming under pressure in the previous session on escalating geopolitical tensions. In the absence of any new developments from North Korea, the MSCI Emerging Markets Index recovered some ground to stand in a modestly positive territory in early European trade. The majority of bourses in the CESEE space also firmed. Poland's main WIG led the gains in the region with a 0.8% daily advance.

In FX markets, CESEE currencies were mixed earlier today. The Turkish lira broadly underperformed its regional peers after August's consumer inflation exceeded market expectations with the annual reading bouncing back to double digits. In more detail, CPI rose by 0.52%MoM, well above a market consensus of 0.13%YoY. Consequently, the annual reading amounted to 10.68%YoY from 9.79%YoY in July, slightly surpassing a market median forecast of 10.24%YoY. All in all, the data adds to the view that monetary policy will have to remain tight until a sustainable easing in inflation becomes visible, while the 5% medium-term inflation target will most likely be missed for yet another year. Against this backdrop, the USD/TRY rose to a 2-session high of 3.4500 in European session on Tuesday, pulling further away from a 10-month low of 3.4176 hit late last week. In a similar vein, the Turkish 10-year yield rose by 5bps compared to Monday's settlement reaching a one-week high of 10.67% earlier today.

In other news, second real GDP estimates for Q2 2017, were confirmed at 5.9%YoY in Romania, 3.2%YoY in Hungary and 3.6%YoY in Bulgaria. Overall, the data continues to indicate strong economic growth dynamics in the region, driven by a revival in private consumption.

Looking into the remainder of the week, the National Bank of Poland holds its two-day monetary policy meeting on Tuesday and Wednesday. The Central Bank is broadly anticipated to stay put on its monetary policy and maintain the key rate at the current record low level of 1.50%, which has been stable since March 2015. In support of the aforementioned, CPI stood at 1.8%YoY in August, having remained persistently below the 2.5% Central Bank target since late 2012. According to the latest Inflation Report in July the Central Bank expects CPI to reach the target in 2019. Despite some hawkish comments by several MPC members in the summer, NBP Governor Adam Glapinski recently expressed belief that rates will most likely remain stable through to end-2018. In Serbia, the Central Bank holds its monetary policy meeting on Thursday. In line with the market's consensus we anticipate the key policy rate to remain at the current lifetime low of 4.00%. On Friday, August's CPI data from Hungary and Ukraine and a review by Moody's on Poland's sovereign credit rating also lure market attention. Government bond auctions in Romania, Ukraine and Hungary also scheduled for this week.

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September 5, 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	1.1881	-0.1%	12.9%	UST - 10yr	2.14	-2	-30	GOLD	1331	-0.1%	15.5%
Nikkei 225	19385.81	-0.6%	1.4%	GBP/USD	1.2925	-0.1%	4.6%	Bund-10yr	0.38	1	17	BRENT CRUDE	52	-0.4%	-8.2%
STOXX 600	375.51	0.4%	3.9%	USD/JPY	109.5	0.2%	6.8%	JGB - 10yr	0.01	2	-4	LMEX	3263	0.6%	22.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.99	-1	-1
1-week	3.13	0	-4
1-month	3.32	0	-3
3-month	3.55	0	8
6-month	3.77	1	11

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.83	0	-21
5Y RSD	5.07	0	-28
7Y RSD	5.45	0	-18

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.34	#N/A	N/A
USD Nov-24	6.27	0	-14

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	-3	-77
10-year	179	-5	-76

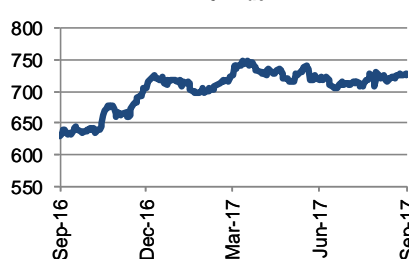
STOCKS

	Last	ΔD	ΔYTD
BELEX15	725.8	-0.20%	1.18%

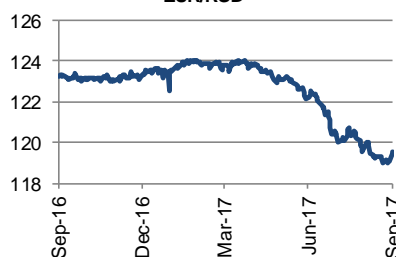
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.52	-0.03%	3.29%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.61	-2	5
1-month	0.71	1	-5
3-month	0.94	2	4
6-month	1.13	1	2
12-month	1.31	1	6

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.39	-1	-23
5Y RON	2.28	0	-24
10Y RON	3.59	0	-6

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	0	-54
USD Jan-24	2.88	0	-102

CDS

	Last	ΔDbps	ΔYTD bps
5-year	93	0	-17
10-year	148	0	-5

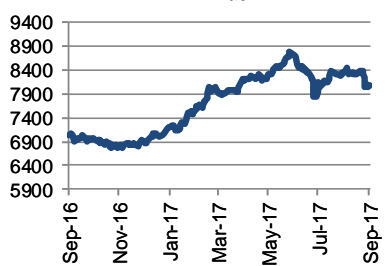
STOCKS

	Last	ΔD	ΔYTD
BET	8084.4	0.70%	14.10%

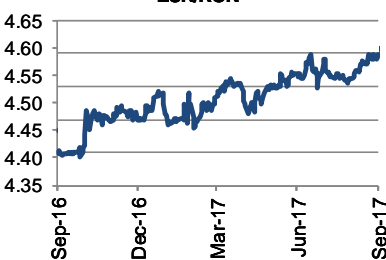
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5998	-0.14%	-1.32%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	1	1
3-month	-0.08	1	-1
6-month	0.04	0	-4
12-month	0.38	0	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.20	-1	-36
5Y BGN	0.04	-1	-46
10Y BGN	1.41	0	-48

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	-1	-70
EUR Sep-24	0.96	5	-72

CDS

	Last	ΔDbps	ΔYTD bps
5-year	98	-2	-54
10-year	146	-4	-48

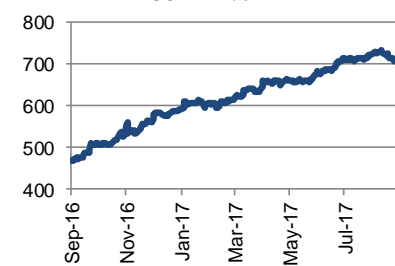
STOCKS

	Last	ΔD	ΔYTD
SOFIX	709.9	0.60%	21.06%

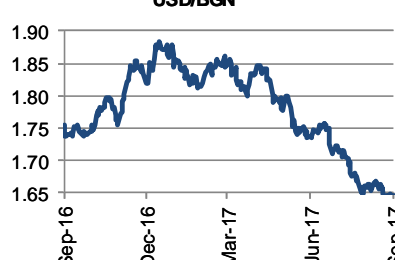
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6462	-0.13%	12.89%

SOFIX Index



USD/BGN



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

Data updated as of 10:40 EEST

September 5, 2017

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