



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 01, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Aug 29: CB Consumer confidence (Aug)
- Aug 30
 - ADP employment change (Aug)
 - GDP (Q2, 2nd)
- Aug 31
 - Jobless claims (weekly)
 - Personal Income/spending (Jul)
 - Core PCE deflator (Jul)
 - Chicago PMI (Aug)
 - Pending home sales (Jul)
- Sep 1
 - Non-farm payrolls (Aug)
 - U/E rate (Aug)
 - ISM manufacturing (Aug)
 - UoM Consumer Confidence (Aug)
 - Auto sales (Aug)

EUROZONE

- Aug 29: DE: Gfk consumer confidence (Sep)
- Aug 30: Economic sentiment indicator (Aug)
- Sep 1: PMI manufacturing (Aug)

GREECE

- Aug 31: Retail sales (Jun)
- Sep 1
 - PMI manufacturing (Aug)
 - GDP (Q2, F)

SEE

BULGARIA

- Aug 29-Sep1: Budget Balance (Jul)

ROMANIA

- Aug 28: RON 500mn 1.35% 2019 T-bonds auction
- Aug 31: ILO U/E rate (Jul)
- Sep 1: International reserves (Aug)

SERBIA

- Aug 31
 - T-Bonds auction
 - Industrial production (Jul)
 - Trade balance (Jul)
 - Retail sales (Jul)
 - GDP (Q2, f)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major currency pairs were little changed on the day with the USD retaining recent gains ahead of today's US non-farm payrolls data for the month of August. Market consensus is for an unchanged unemployment rate at 4.3% and a 160k increase in the headline from 200k in the prior month. Weaker than expected data have the potential to push the USD lower while any upside surprise is likely to exert limited positive impact on the US currency amid lingering political jitters.

GREECE: As of today, the ministerial decision (government gazette, 3 August 2017, issue B' 2723) for the further relaxation of capital controls comes into effect. According to the Hellenic Statistical Authority, the seasonally adjusted overall volume index in retail trade in June 2017 rose 2.5%MoM.

SOUTH EASTERN EUROPE

SERBIA: On the data front, final Q2 national accounts data confirmed that real GDP growth came in at 1.3%YoY, in line with the preliminary estimate.

CESEE MARKETS: Emerging market assets traded mostly in the black earlier on Friday, with the MSCI Emerging Markets index reaching a new 3-year high intraday.

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Latest world economic & market developments

GLOBAL MARKETS

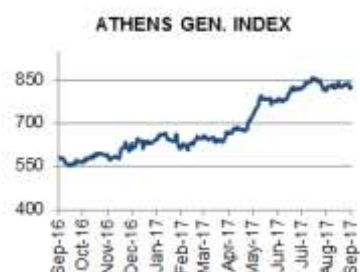
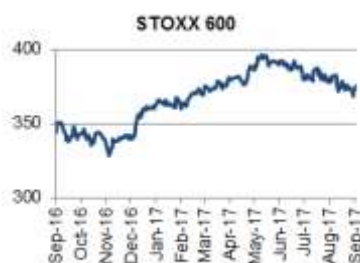
Major currency pairs were little changed on the day with the USD retaining recent gains ahead of today's US non-farm payrolls data for the month of August. Market consensus is for an unchanged unemployment rate at 4.3% and a 160k increase in the headline from 209k in the prior month. Weaker than expected data have the potential to push the USD lower while any upside surprise is likely to exert limited positive impact on the US currency amid lingering political jitters. Among the main challenges the US government has to face by mid-October, at the latest, is the timely rise in the debt ceiling so as the risk of a default of the US government on some of its obligations, to be averted. US Treasury Secretary Steven Mnuchin warned earlier this week that the tropical storm Harvey could bring forward the deadline for the congressional approval of the relevant law. With investors awaiting today's key US data, the DXY was hovering around 92.795 in European trade at the time of writing, not much changed compared to the settlement in the prior session and 1.3% higher from Tuesday's 2 ½ year lows. In spite of its latest upside attempt, the USD seems poised for weekly gains of just 0.1% amid prevailing woes and market uncertainty over the likelihood of additional Fed rate tightening by the end of this year mainly due to subdued inflation pressures. According to data released on Thursday, US core PCE, the Fed's preferred inflation measure, dropped to 1.4%YoY in August, the lowest since December 2015, from 1.5%YoY in the prior month, remaining well below the Fed's 2.0% target. Elsewhere, US government bond yields were nearly flat on the day and not much higher from Tuesday's lows amid lingering political woes and, probably, market concerns that geopolitical jitters may take the front seat again near-term.

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GREECE

As of today, the ministerial decision (government gazette, 3 August 2017, issue B' 2723) for the further relaxation of capital controls comes into effect. The decision foresees among others that: 1) cash that has not been withdrawn on a day or number of days can be cumulatively withdrawn up to the amount of €1,800 per calendar month, 2) legal entities with a single- or double-entry bookkeeping system are permitted to open a current or deposit account in a financial institution through a new Customer ID, regardless of the existence of another account to which they are beneficiaries, 3) professional farmers are permitted to open a bank account as long as they do not already have another bank account, 4) employees are permitted to open a wage account in a financial institution other than the one in which they already have an account, if their new employer uses for payroll a different financial institution than that in which they already have an account, and 5) a natural person is permitted to open a new account in order to deposit the payments from an insurance contract and/or indemnity from an insurance company. In other news, according to the Hellenic Statistical Authority, the seasonally adjusted overall volume index in retail trade in June 2017 rose 2.5%MoM. All individual store categories recorded increases in the said index on a monthly basis, with the most marked ones being in automotive fuel (+3.9%), pharmaceutical products and cosmetics (+3.8%) and books, stationary and other goods (+3.0%).

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Source: Reuters, Bloomberg, Eurobank Research

September 1, 2017

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

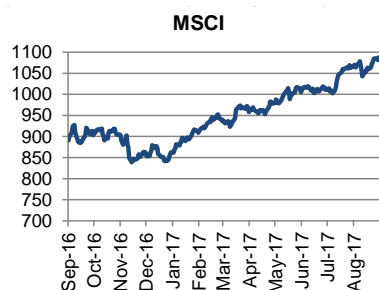
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

On the data front, final Q2 national accounts data confirmed that real GDP growth came in at 1.3%YoY, in line with the preliminary estimate. Albeit having slightly picked up pace from 1.0%YoY in the prior quarter, the data indicates that economic activity in H1 2017 slowed down to 1.2%YoY from 2.9%YoY over the same period a year earlier and 2.6% in H2 2016. Adverse weather conditions in the first half of the year appear to have taken a significant toll on economic activity. From the production side, very cold temperatures in the winter weighed on agriculture, construction, mining and energy, while the summer drought decimated crops and resulted in a 10.0%YoY decline in Q2 in agricultural activity that followed an 8.0%YoY plunge in Q1. The CESEE region reportedly endured one of the hottest and driest summers in years, with Serbia having been amongst the countries hit the most. From the expenditure side, household consumption has gained momentum in H1 2017, while growth in investments has slowed. Strong imports dynamics (11.7%YoY in Q117 and 10.3%YoY in Q217), reflecting strengthening domestic demand and higher energy imports, mitigated the positive impact from robust exports' growth (9.7%YoY in Q117 and 11.5%YoY in Q2). Looking ahead, Prime Minister Ana Brnabic acknowledged that the earlier official government economic activity projection of 3.0% for the whole of the year currently appears rather optimistic, expressing hopes for growth of 2.5%. In this context, she recently announced that the government plans to adopt short-term measures that will provide an additional impulse of 0.2-0.3% to GDP growth. However, the PM's forecast remains rather optimistic in our view due to the limited amount of time that is left in the remainder of the year (it is already beginning of September) and taking into account that growth of near 4% is required in each of the remaining two quarters in order to achieve full-year 2.5% figure.

CESEE MARKETS

Emerging market assets traded mostly in the black earlier on Friday, with the MSCI Emerging Markets index reaching a new 3-year high intraday. The said index is poised to end in a positive territory for the 3rd week running, while marking in August the eighth consecutive month of gains. That said, investor caution prevailed earlier on Friday ahead of key US labour market data due for release later in the day. In FX markets, most currencies firmed. The Turkish lira and the Hungarian forint led the gains at the time of writing, with the USD/TRY falling by 0.25% on the day to 3.4430 and the EUR/HUF easing by 0.28% to 304.78 in mid-European trade.

In the local rates markets, Serbia's Public Debt Administration sold on Thursday an amount of RSD 15.15bn (~€127mn) worth of 3-year T-bonds, in a re-tap of paper first issued on April 3rd 2017. The paper was sold at an average price of 101.1233, and the average accepted yield came in at 4.8%, 1bps lower compared to that achieved at a prior auction of the same security held in early August. The issue carries an annual coupon of 4.50% and matures on April 5, 2020. The tender's bid to cover ratio came in at 1.14 yesterday.

Following the release of PMI data for August in the CESEE region earlier on Friday, the calendar is very light for the remainder of the day. In more detail, PMI manufacturing in Hungary rose to 56.6 in August from 54.2 in July, almost in line with a market consensus of 56.5. Meanwhile, in Poland the index inched up to 52.5 from 52.3, though somewhat disappointing expectations of 53.0. Attention today now turns to the upcoming US non-farm payrolls release, where a stronger than expected reading will likely dent emerging market assets' high yield allure.

September 1, 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	2471.65	0.6%	10.4%	EUR/USD	1.1884	-0.2%	13.0%	UST - 10yr	2.12	1	-32	GOLD	1318	-0.2%	14.4%
Nikkei 225	19691.47	0.2%	3.0%	GBP/USD	1.291	-0.2%	4.5%	Bund-10yr	0.36	0	15	BRENT CRUDE	53	-0.6%	-7.5%
STOXX 600	375.43	0.4%	3.9%	USD/JPY	110.17	-0.2%	6.2%	JGB - 10yr	0.00	-1	-5	LME X	3217	0.8%	21.0%

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	3.00	1	0	O/N	0.63	0	7	LEONIA	0.01	0	1
1-week	3.13	0	-4	1-month	0.7	0	-6	1-month	-0.16	0	1
1-month	3.33	1	-2	3-month	0.91	0	1	3-month	-0.09	-1	-2
3-month	3.56	1	9	6-month	1.11	0	0	6-month	0.04	0	-4
6-month	3.77	1	11	12-month	1.28	0	3	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	4.84	0	-20	3Y RON	1.37	0	-25	3Y BGN	-0.21	-2	-36
5Y RSD	5.07	0	-28	5Y RON	2.28	0	-24	5Y BGN	0.05	0	-45
7Y RSD	5.45	0	-18	10Y RON	3.58	-1	-7	10Y BGN	1.39	0	-51
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.34	-1	-99	EUR Oct-25	1.69	0	-45	EUR Mar-22	0.20	0	-67
USD Nov-24	6.28	1	-14	USD Jan-24	2.90	-1	-100	EUR Sep-24	0.99	0	-69
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	135	2	-73	5-year	93	-2	-16	5-year	100	0	-52
10-year	186	0	-70	10-year	148	-1	-4	10-year	150	2	-44
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	725.3	-0.04%	1.10%	BET	8160.8	1.35%	15.18%	SOFIX	711.7	0.89%	21.37%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.09	-0.01%	3.67%	EUR/RON	4.5921	0.13%	-1.16%	USD/BGN	1.6458	-0.22%	12.92%

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 10:50 EEST

September 1, 2017

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