



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 06, 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 market talk that North Korea may be preparing for a further missile test. European equity markets opened lower, government bonds retained a positive tone and the USD remained under selling pressure against the majority of its currency peers. Turning to today's calendar, the Fed's Beige Book is scheduled for release while on the macro front, US July trade balance and the August non-manufacturing ISM should be of particular interest. The BoC meets at 16:00 CET.

GREECE: According to press reports, during the meeting of Tuesday between the Greek FinMin Euclid Tsakalotos and the European Commissioner Pierre Moscovici it was agreed that the 3rd programme review will comprise 95 prior actions (out of the remaining 113 prior actions in total of the current economic adjustment programme). Dependence of the 4 systemic banks by the Eurosystem is steadily decreasing since June 2016, with ECB and ELA funding dropping to €15.8bn and €34.6bn respectively in July 2017 (from €16.3bn and €37.9bn respectively in June 2017). The French President Emmanuel Macron is scheduled to visit Greece tomorrow accompanied by a number of French entrepreneurs/investors who are reportedly interested in major privatisation projects as well as in energy and defense projects.

SOUTH EASTERN EUROPE

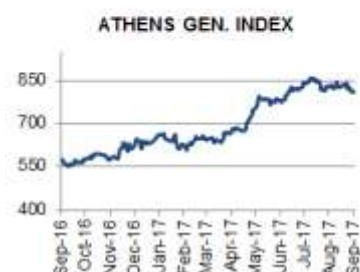
CESEE MARKETS: The majority of emerging market assets traded on the backfoot earlier on Wednesday amid lingering geopolitical tensions in the Korean peninsula. Meanwhile, caution also prevailed ahead of the ECB meeting tomorrow.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Risk-off sentiment prevailed in European trade on Wednesday on market talk that North Korea may be preparing for a further missile test. The ambassador of the Democratic People's Republic of Korea to the United Nations warned that his country is ready to send "more gift packages" to the US, while on the sidelines of a summit of the BRICS countries, China and Russia expressed opposition to the likelihood of tougher sanctions. Against this background, European equity markets opened lower, taking their cue from the negative tone in Wall Street overnight after returning from Monday's Labor Day holiday. Elsewhere, government bonds retained a positive tone favored by their safe-haven allure. The 10-yr German Bund was yielding levels around 0.34% at the time of writing, the second lowest in around two months while the 10-yr UST yield was hovering around 2.07% after falling to 2.05% earlier in the day, the lowest so far this year. Dovish comments by Fed officials were also behind the latest downward pressure on Treasury yields. Fed Governor Lael Brainard noted that the US central bank should be cautious about further tightening until it is confident that inflation is back on track, while in a similar vein, Minneapolis Fed's Neel Kashkari cautioned that Fed interest hikes over the last 18 months may be "doing real harm" to the US economy. In FX markets, the USD remained under selling pressure against the majority of its currency peers with the USD/JPY hitting multi-session lows of 108.50 earlier today and the GBP/USD approaching levels close to 1.3050 for the first time in nearly two months. Turning to today's calendar, the Fed's Beige Book is scheduled for release while on the macro front, US July trade balance and the August non-manufacturing ISM should be of particular interest. The BoC meets at 16:00 CET with investors assigning a probability of around 50% for a 25bps rate hike.

ppetropoulou@eurobank.gr

GREECE

According to press reports, during the meeting of Tuesday between the Greek FinMin Euclid Tsakalotos and the European Commissioner Pierre Moscovici it was agreed that the 3rd programme review will comprise 95 prior actions (out of the remaining 113 prior actions in total of the current economic adjustment programme). One of the sticking points of that review will likely be the asset quality review (AQR), stress tests and potential €10bn re-capitalisation of banks that the IMF will reportedly request as a means to address the significant NPLs problem. European institutions and the Bank of Greece on the other side, reportedly argue that the procedure and targets set by the Single Supervisory Mechanism for the gradual reduction of NPLs are adequate and that the stress tests will be carried out in May 2018 as planned by the ECB. It should be noted that dependence of the 4 systemic banks by the Eurosystem is steadily decreasing since June 2016, with ECB and ELA funding dropping to €15.8bn and €34.6bn respectively in July 2017 (from €16.3bn and €37.9bn respectively in June 2017). In other news, the French President Emmanuel Macron is scheduled to visit Greece tomorrow accompanied by a number of French entrepreneurs/investors. Among others, the visit agenda includes discussions on projects with investment potential such as the privatisation of the Thessaloniki Port Authority SA (OLTH), the Athens Water Supply and Sewerage SA (EYDAP) and the Thessaloniki Water Supply and Sewerage SA (EYATH), while there also appears to be strong interest in energy and defense projects.

andimitriadou@eurobank.gr

September 6, 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

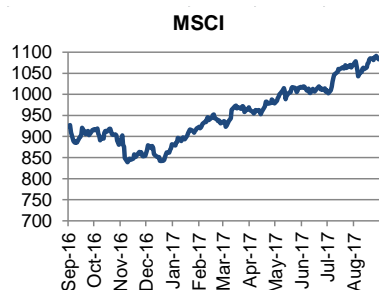
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

The majority of emerging market assets traded on the backfoot earlier on Wednesday amid lingering geopolitical tensions in the Korean peninsula. Meanwhile, caution also prevailed ahead of the ECB meeting tomorrow. In this context, the MSCI Emerging Markets Index fell by ca. 0.3% earlier today compared to the prior session's settlement. Despite coming under some pressure over the last couple of sessions, it remains not too far from a 3-year peak hit late last week, still enjoying year-to-date gains of ca. 25% following an eight-month streak in the black. Emerging market assets have been buoyed this year by strong economic growth dynamics and improving fundamentals in developing countries. Further in support of the aforementioned is an environment of relatively low interest rates and inflation globally, with recently stirred doubts over further Fed rate hikes this year having additionally boosted emerging market assets' high yield allure.

Assets in the CESEE region remained range-bound earlier today ahead of the ECB meeting. Regional bourses trod water, while currencies were mostly weaker, failing to capitalize from the USD's renewed weakness. In FX markets, the Polish zloty broadly underperformed its peers on a daily basis, with the EUR/PLN bouncing near 4.2470 in European trade from yesterday's 4.2290 1-½ month trough, as investors awaited the conclusion of the 2-day MPC meeting today and ensuing press conference. We reiterate that 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.

gphoka@eurobank.gr

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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	2457.85	-0.8%	9.8%	EUR/USD	1.1925	0.1%	13.4%	UST - 10yr	2.07	1	-37	GOLD	1338	-0.1%	16.1%
Nikkei 225	19357.97	-0.1%	1.3%	GBP/USD	1.3031	0.0%	5.5%	Bund-10yr	0.34	0	13	BRENT CRUDE	53	0.0%	-6.1%
STOXX 600	372.57	-0.3%	3.1%	USD/JPY	108.68	0.1%	7.7%	JGB - 10yr	0.01	0	-4	LME X	3236	-0.8%	21.7%

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	2.99	0	-1	O/N	0.61	0	5	LEONIA	0.01	0	1
1-week	3.13	0	-4	1-month	0.71	0	-5	1-month	-0.16	0	1
1-month	3.32	0	-3	3-month	0.94	0	4	3-month	-0.07	0	0
3-month	3.53	-2	6	6-month	1.13	0	2	6-month	0.05	0	-3
6-month	3.75	-2	9	12-month	1.31	0	6	12-month	0.38	0	-2
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.79	0	-24	3Y RON	1.40	0	-22	3Y BGN	-0.20	-1	-36
5Y RSD	5.09	0	-27	5Y RON	2.28	0	-24	5Y BGN	0.04	-1	-47
7Y RSD	5.46	0	-18	10Y RON	3.59	0	-6	10Y BGN	1.41	0	-50
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.28	-2	-105	EUR Oct-25	1.59	0	-54	EUR Mar-22	0.16	0	-71
USD Nov-24	6.27	0	-15	USD Jan-24	2.85	0	-101	EUR Sep-24	0.89	50	-79
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	130	0	-78	5-year	93	0	-16	5-year	100	2	-52
10-year	179	0	-76	10-year	148	1	-4	10-year	150	5	-43
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	725.2	0.06%	1.09%	BET	8031.2	-0.33%	13.35%	SOFIX	705.9	0.03%	20.38%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.56	0.07%	3.26%	EUR/RON	4.5966	-0.06%	-1.25%	USD/BGN	1.6403	0.09%	13.30%

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 6, 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 Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@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 Stamatou: Senior Economist
tstamatou@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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