



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 08, 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: In line with market expectations, the ECB did not make any policy changes at yesterday's monetary policy meeting. However, in the press conference that followed the conclusion of the meeting, ECB President Mario Draghi announced that, barring unforeseen developments, the bulk of the decisions related to the future of the QE programme will probably be made at the October meeting. Mario Draghi acknowledged that the recent volatility in the exchange rate represents a source of uncertainty that requires monitoring as regards possible implications for the medium-term outlook for price stability. In reaction to the downward adjustment in inflation ECB forecasts, German Bunds extended recent gains with the 10-yr yield testing levels just below 0.30% for the first time in the last 2 ½ months. In FX markets, the EUR/USD marked a fresh 2 ½ year high of 1.2092 in spite of Mario Draghi's attempt to talk down the common currency.

GREECE: The Bank of Greece (BoG) reduced the ELA-ceiling for Greek banks by €5.0 billion, to €33.9 billion, which according to the BoG reflects the improved liquidity conditions of domestic banks. According to the Hellenic Statistical Authority (ELSTAT) commercial transactions data, for the period January – July 2017 the total value of exports – dispatches increased +16.5% compared to the same period in 2016, while the corresponding change of the total value of imports – arrivals was +17.6%.

SOUTH EASTERN EUROPE

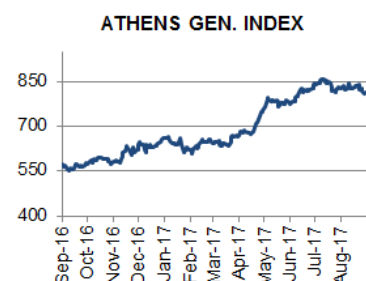
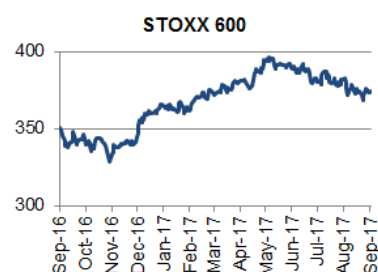
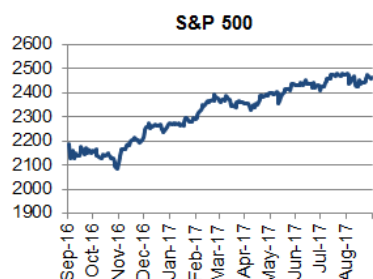
SERBIA: Confounding our and market expectations for unchanged interest rates, the National Bank of Serbia cut the key policy rate by 25bps to a new lifetime low of 3.75%.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the ECB did not make any policy changes at yesterday's monetary policy meeting. However, in the press conference that followed the conclusion of the meeting, ECB President Mario Draghi announced that, barring unforeseen developments, the bulk of the decisions related to the future of the QE programme will probably be made at the October meeting. Furthermore, Mario Draghi acknowledged that the recent volatility in the exchange rate represents a source of uncertainty that requires monitoring as regards possible implications for the medium-term outlook for price stability. As expected, the 2017 GDP growth forecast was revised upwards to 2.2% from 1.9% while the respective figure for 2018 and 2019 was left unchanged at 1.8% and 1.7% respectively. On the inflation front, the ECB forecast for 2018 and 2019 was revised lower to 1.2% and 1.5% respectively mainly due to the EUR's strengthening. In reaction to the downward adjustment in inflation ECB forecasts, German Bunds extended recent gains with the 10-yr yield testing levels just below 0.30% for the first time in the last 2 ½ months and the 2/10-yr yield curve undertaking some bullish flattening. US Treasuries also retained a firm tone outperforming Bunds. Hurricane woes are mounting as hurricane Irma is approaching Florida while yesterday's US data showed an increase in jobless claims to a 2-year high mainly due to hurricane Harvey's impact. In FX markets, the USD remained in a downward trend with the EUR/USD marking a fresh 2 ½ year high of 1.2092 earlier today and cumulative gains of 15% so far this year in spite of Mario Draghi's attempt to talk down the common currency. Looking at today's calendar, we expect July trade data in Germany and industrial reports in France and the UK along with the release of the August employment report in Canada.

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GREECE

The Bank of Greece reduced the ELA-ceiling for Greek banks by €5.0 billion, to €33.9 billion. According to the BoG announcement, the reduction reflects the improvement of the liquidity situation of Greek banks, taking into account private sector deposit flows. According to the Hellenic Statistical Authority (ELSTAT) commercial transactions data, the total value of exports – dispatches in July 2017 recorded an increase of 6.5%YoY compared to July 2016. The corresponding change excluding oil products was +0.5% while excluding oil products and ships it was +1.1%. The total value of imports – arrivals in July 2017 recorded an increase of 6.3%YoY compared to July 2016. The corresponding change excluding oil products was +4.4% while excluding oil products and ships it was +6.7%. For the period January – July 2017 the total value of exports – dispatches was up by 16.5% compared to the same period in 2016. The corresponding change excluding oil products was +6.7%, while excluding oil products and ships it was +7.0%. For the period January – July 2017 the total value of imports – arrivals was up by 17.6% compared to the same period in 2016. The corresponding change excluding oil products was +11.0%, while excluding oil products and ships it was +6.6%.

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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

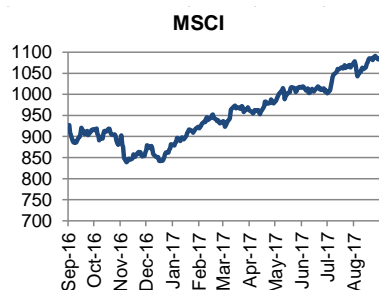
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

SERBIA

Confounding our and market expectations for unchanged interest rates, the National Bank of Serbia (NBS) cut the key policy rate by 25bps to a new lifetime low of 3.75%. NBS had kept interest rates stable since July 2016, when it had last rendered a 25bps cut. Behind this unexpected decision yesterday, the MPC cited low inflation pressures adding that the cut will provide an additional boost to credit and economic activity.

On the latter, the latest available national accounts data confirmed that real GDP growth slowed down in H1 2017 as very cold temperatures in the winter weighed on agriculture, construction, mining and energy, while the summer drought decimated crops taking a further toll on agricultural activity. On Wednesday, an IMF representative had signaled that the Fund is likely to soon revise downwards its current 3% real GDP growth forecast for Serbia for this year. Meanwhile, earlier in the week, Prime Minister Ana Brnabic was quoted as saying to media that growth is expected at 2.5% in 2017 before picking up pace towards 3.5% in 2018.

On the inflation front, the Central Bank reiterated that it expects CPI to remain within the target tolerance band of $\pm 1.5\%$ in the period ahead. Moreover, despite some uptick in CPI in recent months (at 3.2%YoY in July) it expects a slowdown as of early 2018 on the back of favorable base effects. At the same time, the MPC underscored that core inflation pressures remain relatively subdued, with the consumer price index excluding food, energy, alcohol and cigarettes hovering around levels of 2.0%YoY, having slid to 1.7%YoY in July, while inflation expectations remain well anchored within the tolerance band. Nonetheless, NBS acknowledged that the conduct of monetary policy requires caution amid ongoing uncertainty regarding movements in the international commodity prices and financial markets. Additionally, it cited risks surrounding the impact of diverging monetary policies pursued by major central banks on capital flows to emerging economies.

The next MPC meeting is scheduled to take place on October 9. Albeit our baseline scenario is for stable interest rates for the remainder of the year, upcoming data releases on the inflation and economic activity front, among other, are likely to be central on the upcoming NBS rate-setting decisions.

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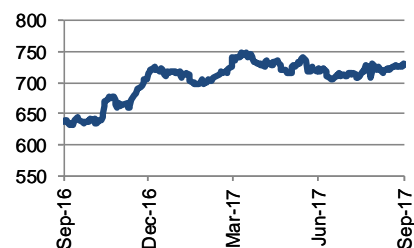
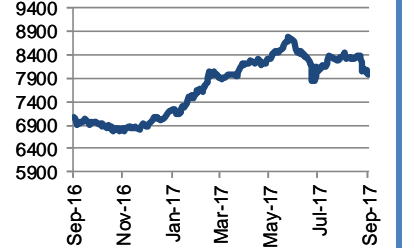
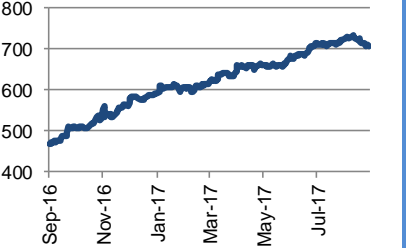
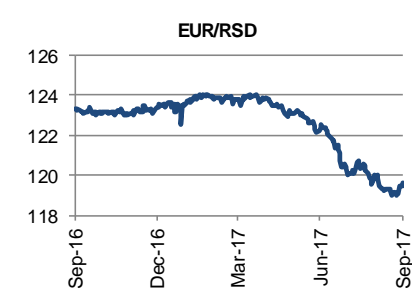
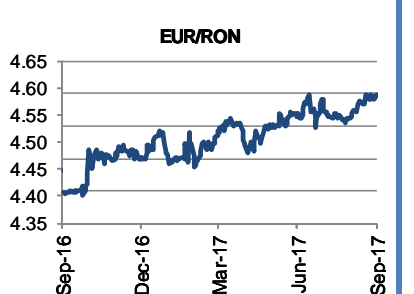

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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2463.55	-0.1%	10.0%	EUR/USD	1.201	0.8%	14.2%	UST - 10yr	2.05	-6	-40	GOLD	1346	0.9%	16.8%
Nikkei 225	19396.52	0.2%	1.5%	GBP/USD	1.3094	0.4%	6.0%	Bund-10yr	0.30	-4	10	BRENT CRUDE	54	0.0%	-4.6%
STOXX 600	374.78	0.2%	3.7%	USD/JPY	108.57	0.6%	7.8%	JGB - 10yr	0.01	0	-4	LME X	3236	0.0%	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	0.59	-1	3	LEONIA	0.01	0	1
1-week	3.13	0	-4	1-month	0.69	-1	-7	1-month	-0.16	0	1
1-month	3.32	-1	-3	3-month	0.95	0	5	3-month	-0.08	0	-1
3-month	3.53	-1	6	6-month	1.13	-1	2	6-month	0.04	0	-4
6-month	3.75	0	9	12-month	1.31	-1	6	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	4.80	#N/A N/A	-24	3Y RON	1.41	2	-21	3Y BGN	-0.20	1	-35
5Y RSD	5.09	0	-27	5Y RON	2.28	0	-24	5Y BGN	0.04	0	-47
7Y RSD	5.46	0	-18	10Y RON	3.58	-1	-7	10Y BGN	1.39	0	-52
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.52	27	-80	EUR Oct-25	1.59	0	-54	EUR Mar-22	0.12	17	-75
USD Nov-24	6.27	1	-15	USD Jan-24	2.84	0	-101	EUR Sep-24	0.86	22	-83
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	0	-52
10-year	179	0	-76	10-year	148	0	-4	10-year	150	0	-43
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	729.3	0.22%	1.66%	BET	7972.9	-0.53%	12.53%	SOFIX	705.9	-0.01%	20.37%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.62	0.00%	3.21%	EUR/RON	4.5988	-0.08%	-1.30%	USD/BGN	1.6287	0.78%	14.10%

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 17:35 EEST of previous session

September 8, 2017

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