



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, September 11, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 13: PPI (Aug)
- Sep 14
 - Jobless claims (weekly)
 - CPI (Aug)
- Sep 15
 - Empire State Index (Sep)
 - Retail sales (Aug)
 - Industrial production (Aug)
 - U. of Mich. Sentiment (Sep,p)

EUROZONE

- Sep 13
 - Industrial production (Jul)
 - Employment (Q2)
- Sep 15
 - Trade Balance (Jul)
 - Labour Costs (Q2)
- Sep 15/16: Eurogroup/Ecofin meetings

GREECE

- Sep 14: U/E rate (Q2)

CYPRUS

- Sep 12: HICP (Aug)
- Sep 15: S&P sovereign rating review

SEE

BULGARIA

- Sep 12: Trade balance (Jul)
- Sep 15
 - CPI (Aug)
 - U/E rate (Aug)

ROMANIA

- Sep 11
 - Trade balance (Jul)
 - Industrial sales (Jul)
 - 5.8% 2027 T-bonds auction
- Sep 12
 - Industrial output (Jul)
 - CPI (Jul)
- Sep 13: Current account (Jul)
- Sep 14: 3.25% 2024 T-bonds auction

SERBIA

- Sep 12: HICP (Aug)
- Sep 14
 - 15-year T-bonds auction
 - 2-year T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets kicked off the week in a positive tone on relief that the perceived threat of a North Korean missile or nuclear test during the weekend, when it celebrated the 69th anniversary of its founding, did not materialize. Waning worries about North Korea, along with easing concerns about the impact of Hurricane Irma in the US, pushed the US dollar higher in European trade on Monday, after recording its biggest weekly decline in two months. Turning to bond markets, improved investor sentiment tempered demand for US Treasuries and German Bunds although losses were limited. Euro area periphery government bonds underperformed on market talk that ECB policymakers shared the view at last week's meeting for reduced policy stimulus in the foreseeable future. Focus this week centres on Thursday's US CPI report for August.

GREECE: The technical staff of the institutions (EU/ECB/ESM/IMF) are reportedly expected to arrive in Athens today to assess the status of the remaining prior actions attached to the 2nd programme review and also prepare for the 3rd programme review. During a speech, ESM Managing Director Klaus Regling reportedly argued that Greece will most likely not need the whole remaining amount (c. €46 billion) that has been earmarked in the context of the 3rd Economic Adjustment Programme. According to the Hellenic Statistical Authority (ELSTAT), the consumer price index (CPI) of August 2017 compared with August 2016 increased 0.9%. In August 2016, the annual rate of change of the CPI was -0.9%.

SOUTH EASTERN EUROPE

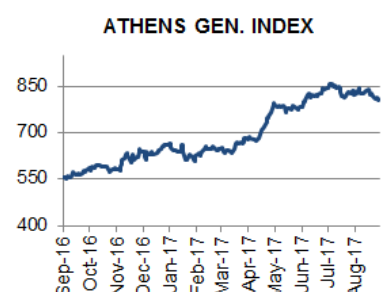
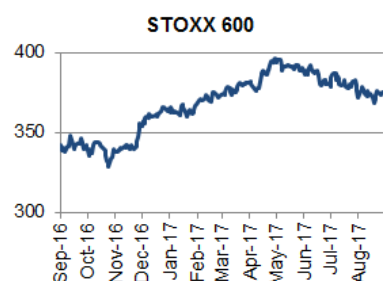
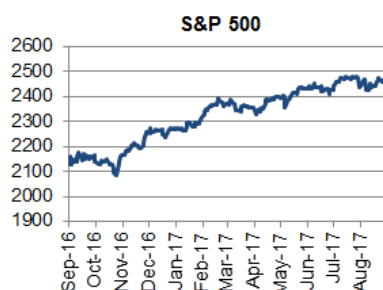
SERBIA: The EUR/RSD moved upwards last week in response to the unexpected Central Bank decision to cut the key policy rate by 25bps to a new record low of 3.75% on Thursday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets kicked off the week in a positive tone on relief that the perceived threat of a North Korean missile or nuclear test during the weekend, when it celebrated the 69th anniversary of its founding, did not materialize. Waning worries about North Korea, along with easing concerns about the impact of Hurricane Irma in the US, pushed the US dollar higher in European trade on Monday, after recording its biggest weekly decline in two months. The DXY dollar index was hovering around 91.460 at the time of writing, around 0.5% higher from Friday's 2 1/2 year lows. Mirroring the USD's latest upside attempt, the EUR/USD retreated to levels around 1.1995/1.2040 in European trade, after marking a fresh 2 1/2 year high of 1.2092 on Friday. In spite of today's losses, the EUR/USD remains c. 14% firmer so far this year on the back of the perceived divergence in the euro area/US growth outlook as well as in monetary policy deliberations between the ECB and the Fed. Turning to bond markets, improved investor sentiment tempered demand for US Treasuries and German Bunds. However, on the back of persisting geopolitical jitters, lingering US political woes and expectations for a cautious ECB when it comes to tapering, losses were limited. The 10-yr Treasury yield edged up to 2.09% after ending at 2.06% on Friday, albeit still the second lowest in around a 1 1/2 year. Along these lines, the 10-yr Bund yield rose to 0.33%, but still not too far from Friday's two-month trough of 0.29%. Euro area periphery government bonds underperformed on market talk that ECB policymakers shared the view at last week's meeting for reduced policy stimulus in the foreseeable future, with Portugal and Italian sovereign paper underperforming. Focus this week centres on global CPI, including Thursday's US CPI report for August. US PPI for August on Wednesday is also worth watching as the healthcare component constitutes an estimator for the same component in the core PCE deflator. In other news, on Monday, the House of Commons in the UK will hold its first vote on PM Theresa May's flagship Brexit legislation, while on Thursday, the BoE is due to announce its monetary policy decision with the majority of market participants expecting the Central Bank to stay put on its monetary policy.

okosma@eurobank.gr

GREECE

The technical staff of the institutions (EU/ECB/ESM/IMF) are reportedly expected to arrive in Athens today to assess the status of the remaining prior actions attached to the 2nd programme review and also prepare for the 3rd programme review. Among the issues at hand will be the progress made in clearing state arrears as the remaining €0.8 billion sub-tranche, which expires on 31 October 2017, will be disbursed subject to the state having cleared arrears of €1.2 billion, utilizing €0.8 billion from the first sub-tranche and €0.4 billion from own sources. Meanwhile, during a speech, ESM Managing Director Klaus Regling reportedly argued that Greece will most likely not need the whole remaining amount (c. €4.6 billion) that has been earmarked in the context of the 3rd Economic Adjustment Programme. In other news, according to the Hellenic Statistical Authority (ELSTAT), the consumer price index (CPI) of August 2017 compared with August 2016 increased 0.9%. In August 2016, the annual rate of change of the CPI was -0.9%. This increase is attributed to increases in alcoholic beverages and tobacco (+7.4%), housing (+2.3%), transport (+6.6%), communication (+1.3%) and hotels-cafes-restaurants (+1.8%). It was, however, offset by decreases in: food and non-alcoholic beverages (-1.1%), clothing and footwear (-1.3%), household equipment (-3.3%), health (-2.4%), recreation and culture (-1.5%), education (-0.3%) and miscellaneous goods and services (-2.5%). The average CPI for the 12-month period September 2016 – August 2017 compared with the corresponding index for the period September 2015 – August 2016 increased by 0.6%.

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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

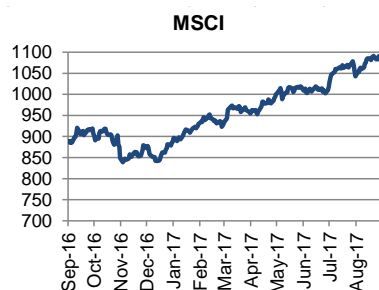
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The EUR/RSD moved upwards last week in response to the unexpected Central Bank decision to cut the key policy rate by 25bps to a new record low of 3.75% on Thursday. The pair tested one-month highs at 119.72/92 in the wake of the monetary policy committee meeting. However, this upside attempt proved short-lived as selling interest reemerged during the last hours of Thursday's session, with the pair losing further ground on Friday to eventually end the week flat at 119.30/50. Overall, the EUR/RSD short-term outlook remains unchanged as the pair continues to trade range-bound, albeit now at a wider margin of 119.00-119.80. On a mid-term perspective, we see EUR/RSD at 120.00 in 1-month and 121.00 in 2-months.

Djordje.Lucic@eurobank.rs

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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	2461.43	-0.1%	9.9%	EUR/USD	1.2005	-0.3%	14.1%	UST - 10yr	2.09	4	-36	GOLD	1335	-0.8%	15.9%
Nikkei 225	19545.77	1.4%	2.3%	GBP/USD	1.3189	0.0%	6.7%	Bund-10yr	0.33	2	12	BRENT CRUDE	54	0.5%	-4.8%
STOXX 600	375.51	0.1%	3.9%	USD/JPY	108.55	-0.7%	7.8%	JGB - 10yr	0.01	1	-4	LMEX	3158	-2.5%	18.8%

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	2.82	0	-18	O/N	0.6	0	4	LEONIA	0.01	0	1		
1-week	2.96	0	-21	1-month	0.7	0	-6	1-month	-0.16	0	1		
1-month	3.16	0	-19	3-month	0.95	0	5	3-month	-0.09	-1	-2		
3-month	3.44	0	-3	6-month	1.14	0	3	6-month	0.04	0	-4		
6-month	3.65	0	-1	12-month	1.32	0	7	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	4.79	#N/A	N/A	3Y RON	1.41	0	-21	3Y BGN	-0.11	8	-27		
5Y RSD	5.07	0	-29	5Y RON	2.28	0	-24	5Y BGN	0.05	2	-45		
7Y RSD	5.46	#N/A	N/A	10Y RON	3.57	0	-8	10Y BGN	1.37	0	-54		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	1.43	2	-89	EUR Oct-25	1.59	0	-54	EUR Mar-22	0.14	0	-72		
USD Nov-24	6.27	1	-14	USD Jan-24	2.79	0	-110	EUR Sep-24	0.85	0	-83		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	130	1	-78	5-year	95	1	-15	5-year	100	0	-52		
10-year	179	1	-76	10-year	146	1	-7	10-year	150	0	-44		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	727.3	-0.28%	1.38%	BET	7904.1	0.53%	11.56%	SOFIX	705.8	0.04%	20.36%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	119.24	0.42%	3.54%	EUR/RON	4.6003	0.03%	-1.33%	USD/BGN	1.6293	-0.26%	14.06%		

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 10:10 EEST

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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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