

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 12, 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:** Perceived risky assets retained a positive tone in early trade on Tuesday as fears over another missile launch from North Korea over the weekend proved unfounded while Hurricane Irma appeared to have caused less damage than some had expected. Against this background, European bourses opened higher taking their lead from Wall Street's positive performance overnight while, in FX markets, the USD continued to move higher. On the flipside, safe haven assets continued to lose their allure. Looking at today's calendar, we expect UK inflation data for August while ECB Vice President Vitor Constancio is due to speak at the ECB workshop "Monetary policy in non-standard times" at 15:45 CET.

**GREECE:** The technical staff of the institutions (EC/ECB/ESM/IMF) arrived in Athens yesterday to assess the implementation of the remaining prior actions attached to the 2<sup>nd</sup> programme review and do preparatory work for the 3<sup>rd</sup> review, while Eurogroup President Jeroen Dijsselbloem is expected to come to Athens this week to discuss with the Greek FinMin the progress of the 3<sup>rd</sup> Economic Adjustment Programme. On this wavelength, according to the agenda of the 15 September Eurogroup, "Greece's Minister of Finance, Euclid Tsakalotos, and the institutions (EC/ECB/ESM/IMF) will brief the Eurogroup on progress in Greece's ongoing economic adjustment programme and on plans related to the upcoming third review of the programme".

### SOUTH EASTERN EUROPE

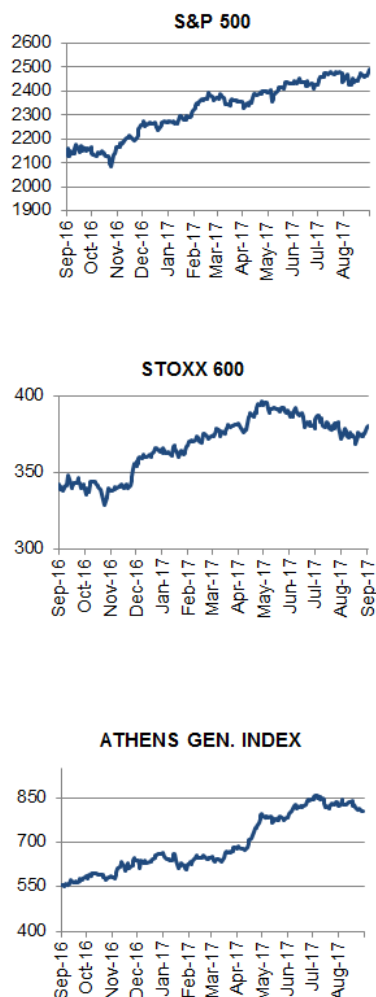
**CESEE MARKETS:** Emerging market assets were mixed earlier on Tuesday as the USD's recovery over the last couple of sessions counterbalanced somewhat easing concerns about the impact of Hurricane Irma and the lack of any new adverse developments in the Korean peninsula.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Perceived risky assets retained a positive tone in early trade on Tuesday as fears over another missile launch from North Korea over the weekend proved unfounded while Hurricane Irma appeared to have caused less damage than some had expected. Against this background, European bourses opened higher taking their lead from Wall Street's positive performance overnight with the S&P 500 index closing at a new all-time high. In FX markets, the USD continued to move higher with the DXY index standing around 1% firmer from Friday's 2 ½ year intraday low. The NZD was among the main underperformers on market anxiety ahead of new election polls later in the day regarding the September 23rd general election. On the flipside, safe haven assets continued to lose their allure. Gold hit multi-session lows of \$1,322.85/oz earlier today, around 3% weaker from Friday's one year high. In a similar note, major government bonds weakened with the 10-yr UST yield rising slightly above 2.14% for the first time in around a week and standing some 13bps higher compared to Friday's multi-month lows. Similarly, the 10-yr German Bund was yielding levels close to 0.36% at the time of writing after testing levels slightly below 0.29% on Friday, the lowest in the last 2 ½ months. Elsewhere, Eurozone periphery sovereign bond markets remained under pressure on market talk that ECB policymakers agreed at last week's policy meeting that their next step would be to begin reducing monetary stimulus. Spain was among the main underperformers with the 10-yr bond yield rising close to 1.59% earlier today, the highest since mid-July. Looking at today's calendar, we expect UK inflation data for August where the headline is anticipated to edge up to 2.7%YoY from 2.6%YoY in July mainly on the back of higher motor-fuel prices. At 15:45 CET, ECB Vice President Vitor Constancio is due to speak at the ECB workshop "Monetary policy in non-standard times".

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

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[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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

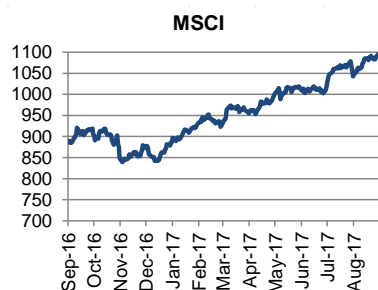
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CESEE MARKETS

Emerging market assets were mixed earlier on Tuesday as the USD's recovery over the last couple of sessions counterbalanced somewhat easing concerns about the impact of Hurricane Irma and the lack of any new adverse developments in the Korean peninsula. Along these lines, the MSCI Emerging Markets index firmed by 0.3% on the day, while bourses in the CESEE region were mixed.

In FX markets, CESEE currencies were little changed earlier in European trade. The Turkish lira underperformed its regional peers as the USD pulled back from recent lows, with the USD/TRY rising by ca. 1% on the day to trade near a multi-session peak of 3.4365 earlier on Tuesday. That said, the pair remained not too far from a 1-year low of 3.3835 hit in the prior session. The TRY has benefited over recent months from the greenback's weakening and a tight Central Bank monetary policy amid high inflation. Also favoring the domestic currency, national accounts data released yesterday showed real GDP growth at 5.1%YoY in Q2 following a 5.2%YoY reading a quarter earlier. Overall, the data confirms that strong economic recovery continued, supported by fiscal stimulus measures, after last year's coup attempt took a toll on the domestic economy resulting in full-year growth of 2.9% in 2016, the weakest in 7 years. Meanwhile, government officials expressed belief that economic activity would gain further momentum in Q3.

Elsewhere, the Romanian leu was little changed after inflation for August came in weaker than anticipated. In more detail, CPI fell by 0.2%MoM in August, led by a 1.0%MoM drop in food prices, bringing the annual rate of increase to 1.15%. The latter stands below a market's median forecast of 1.45% and reflects easing price pressures from the prior month's print of 1.42%. All in all, the reading adds to the prevailing view that despite some modest recovery in recent months, inflation pressures remain relatively subdued in the region. The EUR/RON was largely unchanged in the wake of the CPI data release compared to the prior session's settlement, hovering around levels of 4.5975.

In the local rates markets, government bonds were mixed earlier on Tuesday, with paper of longer maturity broadly outperforming that of shorter. In Romania, the finance ministry sold yesterday a planned amount of RON200mn of 10-year government bonds. The average accepted yield came in at 3.9%, 2bps below that achieved at a prior auction of the same paper that was held in August. Meanwhile, the bond was sold at an average price of 115.3456. Reflecting strong investor demand the bid-to-cover ratio was at 2.00 yesterday. The paper, which matures on July 26, 2027, bears an annual coupon of 5.8%.

Looking into the remainder of the week, inflation for August is due from a number of countries in the region. Namely, Romania (was released earlier today), HICP in Serbia and core CPI in Poland (due later in the day), Bulgaria (on Friday). Monetary policy meetings in Turkey and Ukraine on Thursday also lure market attention. The prevailing market view is that both Central Banks will hold their key policy rates unchanged. Meanwhile, government bond auctions are planned in Turkey, Ukraine, Hungary, Serbia and Romania.

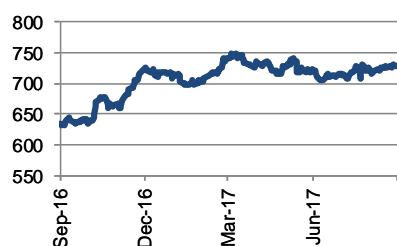
## GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2488.11	1.1%	11.1%	EUR/USD	1.1975	0.2%	13.8%	UST - 10yr	2.14	1	-30	GOLD	1327	0.0%	15.1%
Nikkei 225	19776.62	1.2%	3.5%	GBP/USD	1.321	0.3%	6.9%	Bund-10yr	0.35	1	14	BRENT CRUDE	54	-0.2%	-5.4%
STOXX 600	380.54	0.3%	5.3%	USD/JPY	109.54	-0.1%	6.8%	JGB - 10yr	0.03	2	-1	LMEX	3189	1.0%	19.9%

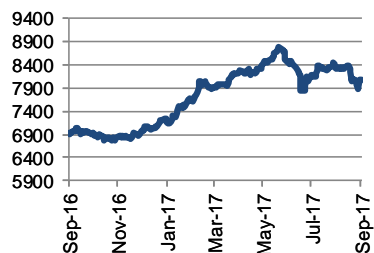
## CESEE MARKETS

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	2.74	-8	-26	O/N	0.57	0	1	LEONIA	0.01	0	1
1-week	2.86	-10	-31	1-month	0.69	0	-7	1-month	-0.15	1	2
1-month	3.08	-8	-27	3-month	0.97	0	7	3-month	-0.07	1	0
3-month	3.37	-7	-10	6-month	1.15	0	4	6-month	0.03	-1	-5
6-month	3.58	-7	-8	12-month	1.34	0	9	12-month	0.35	-3	-6
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.66	-1	-42	3Y RON	1.40	0	-22	3Y BGN	-0.19	-1	-34
5Y RSD	5.00	0	-35	5Y RON	2.28	0	-24	5Y BGN	0.05	0	-45
7Y RSD	5.42	0	-27	10Y RON	3.57	0	-8	10Y BGN	1.40	0	-51
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.60	15	-73	EUR Oct-25	1.57	-2	-57	EUR Mar-22	0.17	-9	-70
USD Nov-24	6.28	1	-14	USD Jan-24	2.81	0	-104	EUR Sep-24	0.87	0	-81
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	129	-1	-79	5-year	95	0	-15	5-year	100	0	-52
10-year	178	-1	-78	10-year	141	-5	-11	10-year	150	0	-44
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	728.7	0.20%	1.58%	BET	8071.4	0.16%	13.92%	SOFIX	704.7	0.60%	20.17%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.62	-0.88%	3.21%	EUR/RON	4.5988	-0.03%	-1.30%	USD/BGN	1.6333	0.18%	13.78%

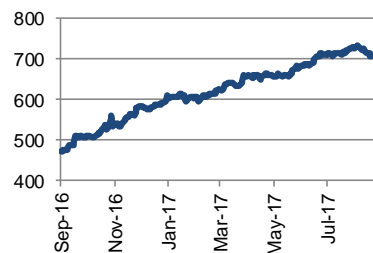
BELEX15 Index



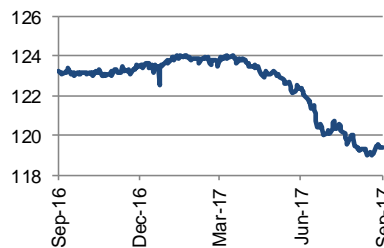
BET Index



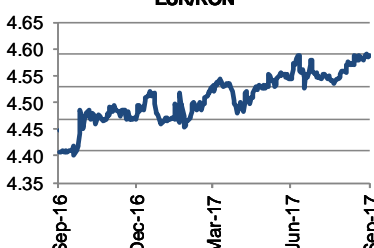
SOFIX Index



EUR/RSD



EUR/RON



USD/BGN



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

Data updated as of 10:25 EEST

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

### Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Mariana Papoutsaki**  
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**  
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**  
[etsiampaou@eurobank.gr](mailto: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](mailto:EurobankEA_FMR@eurobank.gr)

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