



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, September 14, 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: US inflation data for the month of August lure market attention today ahead of next week's FOMC monetary policy meeting. Consensus is for a 0.4% mom rise in the headline, the largest monthly increase since January, mainly on the back of higher oil prices, with the annual rate expected to accelerate to 1.8% from 1.7% in July. The BoE is also scheduled to publish today the decision of the MPC meeting ending on September 20th. In spite of mounting inflationary pressures, the Central Bank is expected to decide unchanged monetary policy amid further signs of a slowdown in UK economic activity with 2 members of the 9-seat Committee, Michael Saunders and Ian McCafferty, breaking ranges once again and casting a vote in favour of a 25bps rate hike. Meanwhile, major currency peers remained within recent ranges while Bund yields moved further higher to fresh multi-week highs, in line with UK Gilts, as higher than expected UK inflation data released earlier this week continued to have an impact.

SOUTH EASTERN EUROPE

CESEE MARKETS: In FX markets, the Polish zloty remained under pressure amid intensified frictions between Poland and the EU over judiciary reforms. Looking into today's CESEE calendar, the focus is on Turkey's MPC meeting.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US inflation data for the month of August lure market attention today ahead of next week's FOMC monetary policy meeting. Consensus is for a 0.4% mom rise in the headline, the largest monthly increase since January, mainly on the back of higher oil prices, with the annual rate expected to accelerate to 1.8% from 1.7% in July. A bigger than expected increase has the potential to push the USD higher, but any gains are likely to prove limited and short-lived as investors will probably hesitate to revise significantly higher rate tightening expectations before the outcome of the September 20th FOMC monetary policy meeting. As regards US Treasuries, yields across the US curve are likely to move upwards amid expectations that the upcoming FOMC statement will point to a more hawkish monetary policy stance. On the flip side, should inflation data surprise to the downside for the sixth consecutive month, the USD is likely to come under renewed selling pressure. Ahead of the much-awaited US inflation data, major currency peers remained within recent ranges while Bund yields moved further higher to fresh multi-week highs, in line with UK Gilts as higher than expected UK inflation data released earlier this week continued to have an impact. The BoE is scheduled to publish today the decision of the MPC meeting ending on September 20th. In spite of mounting inflationary pressures, the Central Bank is expected to decide unchanged monetary policy amid further signs of a slowdown in UK economic activity with 2 members of the 9-seat Committee, Michael Saunders and Ian McCafferty, breaking ranges once again and casting a vote in favour of a 25bps rate hike. Market focus will be on the BoE's assessment of economic development where the Central Bank is likely to step up its hawkish tone amid expectations for a further increase in inflation slightly above 3% by the end of 2017 or early next year. Under such a scenario, the GBP is likely to continue trading reasonably well against its major currency peers. However, if the vote split in favor of a 25bps rate hike turns out to be more than 2, expectations for higher BoE interest rates in the foreseeable future are likely to shift upward, pushing the GBP higher and leaving the front end of the UK Gilt curve vulnerable to a sell off.

ppetropoulou@eurobank.gr

September 14, 2017

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

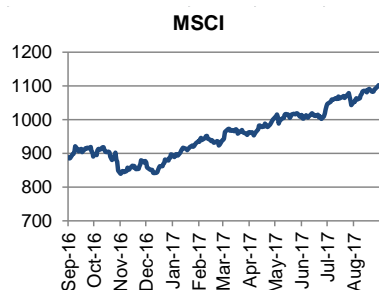
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

In FX markets, the Polish zloty remained under pressure amid intensified frictions between Poland and the EU over judiciary reforms. The European Commission launched legal action against the country in July amid concerns that new rules backed by the government undermine independence of its courts. Earlier in the week, the Commission took further action in an infringement procedure against Poland, deciding to send a Reasoned Opinion to the country regarding the Polish law on the Ordinary Courts Organisation. It also left the door open for a referral of the case to the EU's Court of Justice, should Poland do not comply via appropriate measures within one month. Along these lines, the EUR/PLN reached a 1-month high of 4.2888 in late Asian trade, before slightly pulling back towards 4.2825 in European trade. The pair has bounced by 1% so far this week on concerns over a further escalation of tensions with the EU, having inched up from a 1 ½ month trough of 4.2304 hit earlier in September. Albeit further escalation of the frictions with the EU over the judiciary reforms is negative for the zloty in the short-term, the currency is likely to remain well supported by comparably strong macroeconomic fundamentals and any further weakness from current is likely to prove rather limited.

Looking into today's CESEE calendar, the focus is on Turkey's MPC meeting. The market's median forecast is for the Central Bank to stay put on its monetary policy and maintain the benchmark 1-week repo rate at 8.00%, the overnight lending and borrowing rates at 9.25% and 7.25%, respectively, and the late liquidity lending rate at 12.25%. The earlier cautious tone is also expected to be maintained as inflation remains more than double the 5% medium-term target (at 10.68%YoY in August), while recent economic activity data shows a robust recovery so far this year. In more detail, national accounts data released earlier in the week showed real GDP growth at 5.1%YoY in Q2 following a 5.2%YoY reading a quarter earlier confirming that strong economic recovery continued. This rebound has been largely 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. At the same time, government officials recently expressed belief that economic activity would gain further momentum in Q3, with higher frequency indicators also adding to this view. Indicatively, industrial production growth came in at 14.5%YoY in July, while PMI manufacturing for August reached its highest level in 6 ½ years. Ukraine also holds its MPC meeting later today. The consensus is for the key policy rate to remain unchanged at 12.50%. Separately, government bond auctions in Serbia, Romania and Hungary also lure market attention later on the day.

gphoka@eurobank.gr

September 14, 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	2498.37	0.1%	11.6%	EUR/USD	1.1901	0.1%	13.1%	UST - 10yr	2.19	0	-26	GOLD	1324	0.1%	14.9%
Nikkei 225	19807.44	-0.3%	3.6%	GBP/USD	1.3211	0.0%	6.9%	Bund-10yr	0.40	0	20	BRENT CRUDE	55	-0.1%	-3.0%
STOXX 600	380.69	-0.2%	5.3%	USD/JPY	110.38	0.1%	6.0%	JGB - 10yr	0.05	2	0	LMEX	3121	-1.7%	17.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.74	0	-26
1-week	2.86	0	-31
1-month	3.08	1	-27
3-month	3.37	1	-10
6-month	3.58	1	-8

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	-2	-53
5Y RSD	4.94	-1	-42
7Y RSD	5.33	0	-36

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.62	-7	-71
USD Nov-24	6.30	1	-12

CDS

	Last	ΔDbps	ΔYTD bps
5-year	128	-1	-79
10-year	178	0	-78

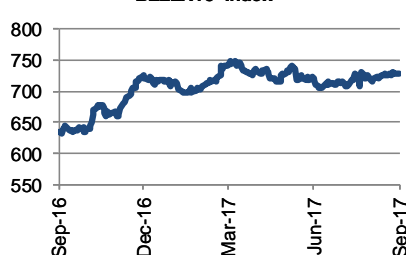
STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.0	-0.26%	1.35%

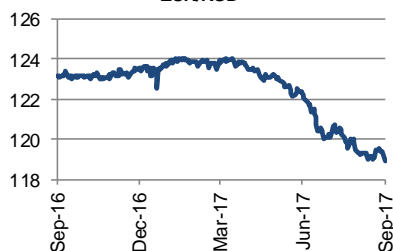
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.87	0.05%	3.86%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.53	-1	-3
1-month	0.69	1	-7
3-month	0.97	1	7
6-month	1.15	2	4
12-month	1.33	0	8

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.40	0	-22
5Y RON	2.26	0	-26
10Y RON	3.57	1	-8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-57
USD Jan-24	2.83	3	-107

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-15
10-year	141	0	-11

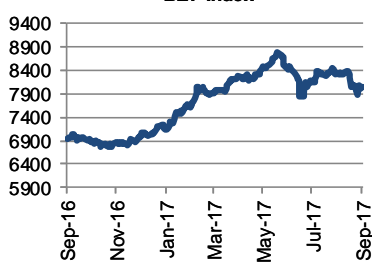
STOCKS

	Last	ΔD	ΔYTD
BET	8052.5	0.15%	13.66%

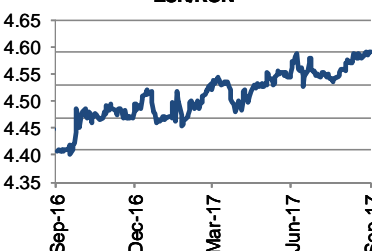
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6017	-0.02%	-1.36%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.15	0	2
3-month	-0.07	0	0
6-month	0.03	0	-5
12-month	0.35	0	-6

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.20	-1	-35
5Y BGN	0.05	-1	-45
10Y BGN	1.44	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	0	-70
EUR Sep-24	0.98	0	-70

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	150	0	-44

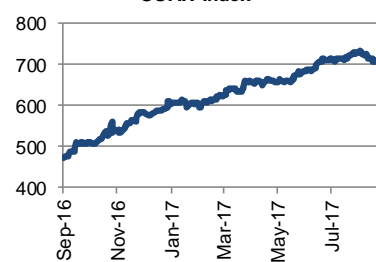
STOCKS

	Last	ΔD	ΔYTD
SOFIX	690.1	0.05%	17.67%

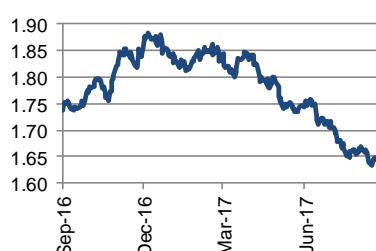
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6433	0.15%	13.09%

SOFIX Index



USD/BGN



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

Data updated as of 11:00 EEST

September 14, 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

Stylianos 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

Eurobank Economic Analysis and Financial Markets
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: https://twitter.com/Eurobank_Group

