



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 15, 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: Major European equity indices opened lower on Friday, following a rather mixed picture in Asian equity markets, after North Korea fired off another missile that flew over Japan. Although the BoE kept the Official Bank Rate unchanged at 0.25%, it did highlight it might tighten monetary policy 'over coming months' if underlying inflation moves higher and the unemployment rate moves lower. Reacting to the above, the GBP/USD hit a fresh one-year high of 1.3450 while UK's 10-yr gilt yield surged y-day to its highest level since early August at 1.23%. Elsewhere, the August US inflation report provided a first indication that the earlier decline in core prices may be due to idiosyncratic factors that may have started to fade. Along these lines, the USD/JPY hit a 40-day high of 111.04 y-day but soon gave up these gains to hover around 110.70 at the time of writing. In the rates market, the US 10-yr Treasury yield surged to a one-month high of 2.22% on firm CPI data, before retreating to levels around 2.18% after North Korea's second missile launch over Japan.

GREECE: The Eurogroup that convenes later today will discuss the progress in the implementation of the 3rd Economic Adjustment Programme and in particular the pending items from the 2nd programme review and plans related to the upcoming 3rd review of the programme. Meanwhile, talking to press yesterday the IMF spokesperson and Director of Communications Gerry Rice, reiterated that in order for the precautionary standby arrangement for Greece to move forward, more clarity is needed around debt relief as well as commitment by Greece to see the agreed reforms through within the set timetable. According to the preliminary State Budget Execution data for January – August 2017, the budget balance recorded a deficit of ca €1.27 bn, that is ca €0.04 bn above the respective Medium Term 2018-21 (MTFS) target (deficit €1.23 bn).

SOUTH EASTERN EUROPE

CESEE MARKETS: With the reaction to the new North Korea missile launch appearing to be rather limited, the majority of emerging market assets moved higher earlier on Friday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European equity indices opened lower on Friday, following a rather mixed picture in Asian equity markets, after North Korea fired off another missile that flew over Japan, showing Pyongyang's defiance against recently approved new U.N. sanctions. As was broadly expected, the BoE kept the Official Bank Rate unchanged at 0.25%, along with the targets for the government and corporate bond purchases at GBP435bn and GBP10bn, respectively. Nevertheless, the Central Bank sent a rather hawkish signal, highlighting it might tighten monetary policy 'over coming months' if underlying inflation moves higher and the unemployment rate moves lower. Reacting to the above, the British pound held firm, with the GBP/USD hitting a fresh one-year high of 1.3450 and the EUR/GBP hovering around a two-month low of 0.8866 in European trade on Friday. Reacting to the BoE's warning of a possible forthcoming rate hike, UK's 10-yr gilt yield surged y-day to its highest level since early August at 1.23%, while the rate-sensitive 2-yr yield increased to a two-month high of 0.39%, on course for its biggest weekly rise in more than two years. Elsewhere, the August US inflation report provided a first indication that the earlier decline in core prices may be due to idiosyncratic factors that may have started to fade. Headline CPI rose 0.4%MoM (1.9%YoY), driven mainly by a surge in gasoline prices caused by Hurricane Harvey, while core CPI increased by 0.2%MoM (1.7%YoY), following five cumulative months with weaker-than-expected monthly readings. Along these lines, the USD/JPY hit a 40-day high of 111.04 yesterday but soon gave up these gains to hover around 110.70 at the time of writing. Elsewhere, the EUR/USD consolidated around levels of 1.1925 in European trade, staying below a 2 ½ year high of 1.2092 hit last Friday. In the rates market, the US 10-yr Treasury yield surged to a one-month high of 2.22% on firm CPI data, before retreating to levels around 2.18% after North Korea's second missile launch over Japan. Looking at today's calendar, US retail sales and industrial production for August are due later in the day, while the Empire manufacturing survey and the University of Michigan's consumer sentiment index are also expected to lure market attention. In the Euro area, July trade balance statistics and Q2 Labour Costs are also due. Onto other events, EU finance ministers will hold Ecofin and Eurogroup meetings, with the agenda including deepening the EMU and maximizing the effectiveness of EU finances.

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GREECE

The Eurogroup that convenes later today will discuss the progress in the implementation of the 3rd Economic Adjustment Programme and in particular the pending items from the 2nd programme review and plans related to the upcoming 3rd review of the programme. Meanwhile, talking to press yesterday the IMF spokesperson and Director of Communications Gerry Rice, reiterated that in order for the precautionary standby arrangement for Greece to move forward, more clarity is needed around debt relief as well as commitment by Greece to see the agreed reforms through within the set timetable. He added that the financial stability of the system is a major objective of the programme and in this respect "it's critical that the authorities undertake an asset quality review and stress test before the end of the ESM Program, to ensure that the resources set aside for bank rehabilitation in this program are utilized in a timely manner, if needed". Such an assessment of the financial system would be part of the first review of the IMF new arrangement for Greece. With regard to the potential request by the IMF for additional measures if tax collection performance does not go well enough, the Fund's spokesperson claimed that this will be dealt with once the fact-finding mission working in Greece now completes its work. According to the preliminary State Budget Execution data for January – August 2017, the budget balance recorded a deficit of ca €1.27 bn, that is ca €0.04 bn above the respective Medium Term 2018-21 (MTFS) target (deficit €1.23 bn). The primary balance recorded a surplus of ca €3.55 bn, underperforming the MTFS target by €0.02 bn (primary surplus €2.10 bn). The underperformance of the primary surplus target was mainly due to the postponement of the deadline for the payment of the first installment of property tax (ENFIA) from end of August 2017 to end of September 2017. As a result, ordinary Budget net revenue under-performed the respective MTFS target by €1.76 bn. Ordinary expenditure undershoot the respective MTFS target by €1.18 bn.

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September 15, 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

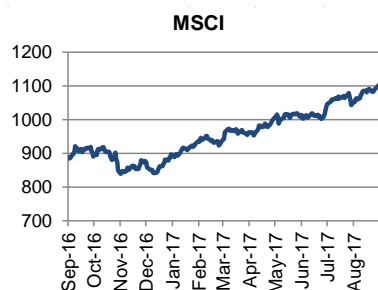
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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	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

CESEE MARKETS

With the reaction to the new North Korea missile launch appearing to be rather limited, the majority of emerging market assets moved higher earlier on Friday. Against this backdrop, the MSCI Emerging Markets index firmed modestly on the day, poised to end the week with gains to the tune of ca. 1%. In FX markets, the Turkish lira retained earlier on Friday its post-MPC meeting gains favored by a more hawkish than earlier tone adopted by the Central Bank yesterday. In line with market expectations the Central Bank stayed put on its monetary policy, maintaining all interest rates stable. In more detail, the benchmark 1-week repo rate was held 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%. Arguing in favor of maintenance of the current tight monetary policy stance and reflecting a more hawkish than earlier tone, the Committee acknowledged that "the recovery in the economic activity has gained strength", compared to "an ongoing recovery in the economic activity" in July's press release. At the same time, as in its previous MPC meeting the Central Bank warned that current elevated levels of inflation pose risks on the pricing behavior, however in yesterday's statement it also added in those risks "developments in core inflation indicators". Along these lines, the USD/TRY hovered around levels of 3.4330 at the time of writing, withing distance from a 2-day trough of 3.4244 hit in late Asian trade and having pulled back from a 1 ½ month peak of 3.4770 hit intraday in the prior session.

In the local rates markets, Serbia's Public Debt Administration raised on Thursday EUR 26.8mn of 2-year T-Notes. The paper was sold at an average price of 100.2 and accepted yield of 0.99%. The issue matures on September 18, 2019 and bears an annual coupon of 1.0%. The bid to cover ratio achieved at yesterday's tender was at 1.00, while the realization rate reached 53.60%. Elsewhere, Romania's finance ministry sold at an auction yesterday RON 500mn (~€108.75mn) of T-bonds maturing on April 29, 2024, at an average price of 99.357. The average accepted yield came in at 3.36%, 1bp below that achieved at a prior tender of the same paper held in July. Reflecting strong investor demand the tender's bid-to-cover ratio stood at 1.9%.

Today's calendar is relatively light, with Turkey's unemployment rate and current account balance for July as well as the August budget being amongst the most notable releases. Bulgaria's CPI for August is also scheduled to be announced later on the day, with the market's median forecast for the headline index standing at 1.5%YoY vs. 1.3%YoY in July. Meanwhile, the focus is on S&P's review on Cyprus's sovereign credit rating. No change in the rating is expected today as the agency last upgraded the country's ratings in March one notch below investment grade to BB+ with stable outlook, while those of Moody's and Fitch stand two (Ba3) and one notch (BB-) lower, respectively, compared to S&P's.

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September 15, 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	2495.62	-0.1%	11.5%	EUR/USD	1.1916	0.0%	13.3%	UST - 10yr	2.18	0	-26	GOLD	1327	-0.2%	15.2%
Nikkei 225	19909.50	0.5%	4.2%	GBP/USD	1.3424	0.2%	8.6%	Bund-10yr	0.41	-1	20	BRENT CRUDE	55	-0.5%	-2.8%
STOXX 600	381.06	-0.2%	5.4%	USD/JPY	110.72	-0.4%	5.7%	JGB - 10yr	0.02	-3	-2	LMEX	3108	-0.4%	16.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.73	-1	-27
1-week	2.88	2	-29
1-month	3.10	2	-25
3-month	3.42	5	-5
6-month	3.61	3	-5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.49	#N/A N/A	-53
5Y RSD	4.92	0	-44
7Y RSD	5.32	-1	-37

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.51	-9	-81
USD Nov-24	6.30	2	-11

CDS

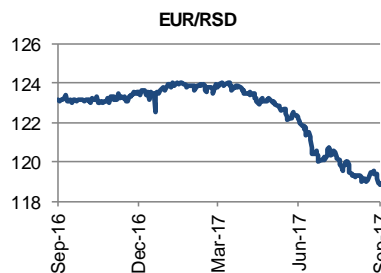
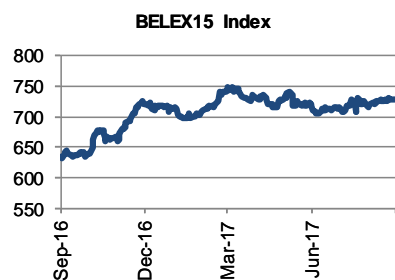
	Last	ΔDbps	ΔYTD bps
5-year	127	-1	-80
10-year	177	0	-78

STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.7	-0.31%	1.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.93	-0.01%	3.81%



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.41	1	-21
5Y RON	2.27	0	-25
10Y RON	3.58	0	-7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A N/A	-57
USD Jan-24	2.87	0	-102

CDS

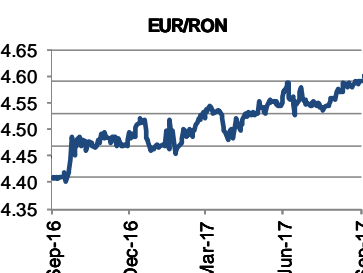
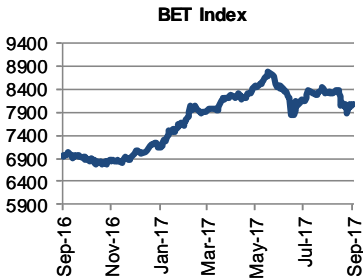
	Last	ΔDbps	ΔYTD bps
5-year	95	0	-15
10-year	141	0	-11

STOCKS

	Last	ΔD	ΔYTD
BET	8064.2	0.50%	13.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6012	0.01%	-1.35%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	-1	1
3-month	-0.08	-1	-1
6-month	0.05	2	-3
12-month	0.38	3	-3

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.19	1	-34
5Y BGN	0.06	1	-44
10Y BGN	1.42	0	-48

BG Eurobonds

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

CDS

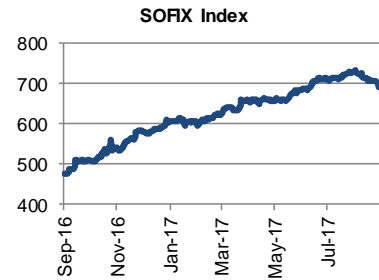
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	150	0	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	683.2	-0.05%	16.50%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6416	-0.04%	13.21%



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

Data updated as of 10:20 EEST

September 15, 2017

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