



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, September 18, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 18: NAHB index (Sep)
- Sep 19
 - Housing starts (Aug)
 - Building permits (Aug)
- Sep 20
 - FOMC meeting
 - Existing home sales (Aug)
- Sep 21
 - Jobless claims (weekly)
 - Philly Fed (Sep)
- Sep 22
 - Empire State Index (Sep)
 - Retail sales (Aug)
 - Industrial production (Aug)
 - U. of Mich. Sentiment (Sep,p)

EUROZONE

- Sep 18: HICP (Aug, final)
- Sep 19: DE: ZEW Index (Sep)
- Sep 21: ECB President Draghi speaks
- Sep 22: PMI manufacturing & services (Sep,p)

GREECE

- Sep 15-22: Credit Expansion (Jul)
- Sep 19: Turnover Index in Industry (Jul)
- Sep 20: Current account balance (Jul)
- Sep 21: Developments in travel services balance (Jul)

SEE

BULGARIA

- Sep 19: Current account balance (Jul)

ROMANIA

- Sep 18: 4.75% 2019 T-bonds auction
- Sep 21: 2.3% 2020 T-bonds auction

SERBIA

- Sep 19: Current account balance (Jul)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity indices surged to decade highs on Monday and major European shares followed suit hitting 6-week highs in early trade, lacking any new negative developments from the Korean peninsula. In FX markets, the US dollar held firm against the yen on Monday, with the USD/JPY hitting a new 40-day high of 111.43. Elsewhere, the GBP/USD consolidated around Friday's 15-month high of 1.3616 following the BoE's hawkish shift at last week's monetary policy meeting. In the rates market, the US 10-yr- Treasury yield was trading within distance from Thursday's one-month intraday high of 2.22% in European trade on Monday, while the 10-yr gilt yield surged to a seven-month high of 1.34% on Friday after comments by BoE policymaker Gertjan Vlieghe, who is considered a dovish voter, added to the Central Bank's hawkish signal for an interest rate hike as soon as November. Market focus this week centres on the FOMC September meeting on Wednesday, where the Fed is expected to announce the beginning of balance-sheet normalization.

GREECE: According to the Eurogroup than convened on Friday 15 September, the themes that emerged as most critical for the period ahead were the swift conclusion of the third programme review, preferably before the end of the year, the decisive resolution of the NPLs problem by utilising all available tools and in particular the electronic auctions platform and the out-of-court workout framework, and the payment of state-arrears. Additionally, ECB's Executive Board Member Benoit Coeure argued that according to the Single Supervisory Mechanism (SSM) an AQR is not necessary at this point while an EU-wide stress test has been scheduled to be carried out in spring 2018 and its results should be available before the expiration of the bailout programme.

SOUTH EASTERN EUROPE

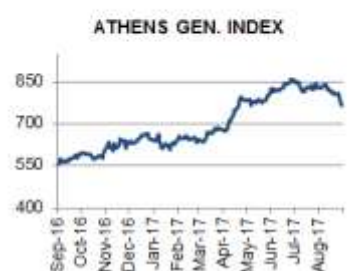
BULGARIA: The Bulgarian stock market lost ground last week, while the domestic sovereign curve experienced a modest up-move and Eurobond yields did not mark any significant changes.

CYPRUS: S&P affirmed the long-term sovereign rating of Cyprus at BB+ but at the same time it changed the outlook from stable to positive.

SERBIA: The EUR/RSD retained its downside pressure last week amid euros oversupply due to large loan disbursements from local corporate clients, but further decline was limited by renewed Central Bank intervention.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Asian equity indices surged to decade highs on Monday and major European shares followed suit hitting 6-week highs in early trade, lacking any new negative developments from the Korean peninsula. In FX markets, the US dollar held firm against the yen on Monday, with the USD/JPY hitting a new 40-day high of 111.43. On top of stronger-than-expected US inflation data and easing concerns about the impact of Hurricanes Harvey and Irma on the US economy, political uncertainty must also have weighed on the Japanese currency, as Japanese Prime Minister Shinzo Abe is reportedly considering to call snap elections in the following month so as to take advantage of the recent rebound in his popularity after a cabinet reshuffle in early August. Elsewhere, the GBP/USD consolidated around Friday's 15-month high of 1.3616 following the BoE's hawkish shift at last week's monetary policy meeting. In the rates market, the US 10-yr- Treasury yield was trading within distance from Thursday's one-month intraday high of 2.22% in European trade on Monday, while the 10-yr gilt yield surged to a seven-month high of 1.34% on Friday after comments by BoE policymaker Gertjan Vlieghe, who is considered a dovish voter, added to the Central Bank's hawkish signal for an interest rate hike as soon as November, before retreating to levels around 1.31% at the time of writing in European trade. Market focus this week centres on the FOMC September meeting on Wednesday, where the Fed is expected to announce the beginning of balance-sheet normalization, at a pace of USD10bn initially and a gradual increase to USD50bn over time. The post-meeting statement and the updated Summary of Economic Projections will probably lure investors' attention, although we do not envisage any significant adjustments made to the FOMC's economic and interest rate outlook for the medium term.

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GREECE

The Eurogroup that convened on Friday 15 September discussed, among others, 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. The themes that emerged as most critical for the period ahead were the swift conclusion of the third programme review, preferably before the end of the year, the decisive resolution of the NPLs problem by utilising all available tools and in particular the electronic auctions platform and the out-of-court workout framework, and the payment of state-arrears. With regard to the latter, it was noted that the data available at the moment are not yet adequate to determine the extent to which Greece has fulfilled its obligation to cover state arrears of €1.2bn in the past few months (€0.8bn from the first sub-tranche released in June and €0.4bn from own sources) and thus the issue will be re-examined in October so that the remaining sub-tranche of €0.8 can be disbursed before the 31st October deadline expires. As regards the potential need for additional fiscal measures in 2018 in order to reach the 3.5% of GDP primary surplus target, the Greek FinMin appeared reassuring claiming that any potential shortfall in income tax revenue will be counterbalanced by VAT revenue. With respect to the IMF's potential request for an Asset Quality Review (AQR) and stress test for Greek banks, ECB's Executive Board Member Benoit Coeure argued that according to the Single Supervisory Mechanism (SSM) – the competent authority to decide on such matters in the Eurosystem – an AQR is not necessary at this point while an EU-wide stress test has been scheduled to be carried out in spring 2018 and its results should be available before the expiration of the bailout programme. In other news, according to press, a mission representing the Ministry of Energy and the Public Power Corporation (PPC) is scheduled to meet today in Brussels members from the EC Competition and Energy Directorates-General in order to discuss PPC's proposal for the sale of 40% of its lignite-fired production units. The market test for the said proposal is scheduled to take place in mid-October.

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September 18, 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

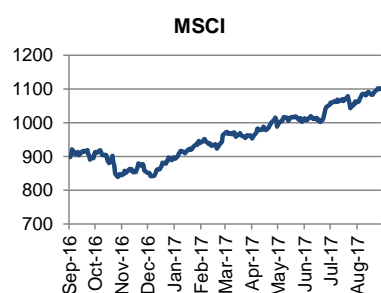
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

BULGARIA

The Bulgarian stock market lost ground last week led by losses in the main blue-chip SOFIX index, which erased 3.50% of its value ending at 680.83 points. Moreover, Friday marked the 7th consecutive daily drop in the said index, which was primarily triggered by the recent rebalancing of the constituents. The weekly trading volume reached € 4.5mn, which was slightly below the previous week's turnover. Separately, the domestic sovereign curve experienced a modest up-move, led by the 8 year tenor rising by 4-5 basis points. Eurobond yields did not mark any significant changes, with the largest being a 4.5 basis points decrease in bonds maturing in 2028. Following an empty auction calendar in August, the Ministry of Finance will offer 7.5 year bonds on the 25th of September totaling BGN 80M.

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CYPRUS

In line with market expectations, S&P affirmed on Friday the long-term sovereign rating of Cyprus at BB+. However, at the same time it changed the outlook from stable to positive. According to S&P, the positive outlook reflects that the agency could raise the ratings on Cyprus over the next 12 months if budgetary consolidation continues unabated, and the economy continues to recover toward pre-crisis output levels. The agency currently forecasts GDP growth to average 3% in 2017-2020, as investments and employment recover, and services exports continue to perform well. As things stand at this point, the divergence of views, between rating agencies on the sovereign rating of Cyprus, remains. Currently, the distance from investment grade status is one notch for S&P (currently at BB+, last upgrade in mid-March) and three notches for Moody's (currently at Ba3, last upgrade in late July), Fitch (currently at BB-) as well as for DBRS (currently at BB Low, last upgrade in early June by two notches). The next round of reviews by the rating agencies is scheduled for autumn-winter of 2017, with Fitch expected on October 20, Moody's on November 17, DBRS on December 1. It worth noting that S&P was the first rating agency to downgrade Cyprus to junk status in January 2012. As a result, ECB's waiver for government bonds' eligibility for Euro system financing has been lifted as of April 1st, 2016 and Cyprus no longer qualifies for the PSPP program. The waiver allowed these instruments to be used in Euro system monetary policy operations despite the fact that they did not fulfill minimum credit rating requirements. Nevertheless, medium-term Cypriot bond yields have been on a declining trend since March 2016, while Cyprus enjoys uninterrupted access to international markets. In late June, Cyprus tapped international markets with a new 7Y-Eurobond for the second time after exiting from the Economic Adjustment Programme in March 2016, at the lowest cost ever achieved in a benchmark bond issuance in the history of the Republic.

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SERBIA

The EUR/RSD retained its downside pressure last week amid euros oversupply due to large loan disbursements from local corporate clients. An attempt to breach the 119.00 level was a trigger for the National Bank of Serbia (NBS) to buy €60mn last week. In more detail, the EUR/RSD had hit a new three-year low of 118.80/00 on Thursday, before NBS intervened directly in the FX market and stabilized the pair that continued to trade just above 119.00 until the end of the week. On a yearly basis, NBS has bought more than €1bn in order to avert sharp one-day rises of the local currency, whereas on the other side has sold € 345mn. From a technical perspective, strong support still lies at 119.00 as the dinar's gains are limited by the prospect of new Central Bank intention.

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September 18, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	0	-27
1-week	2.85	0	-32
1-month	3.06	-1	-29
3-month	3.33	-4	-14
6-month	3.54	-1	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.51	-1	-53
5Y RSD	4.94	0	-41
7Y RSD	5.21	-12	-48

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.60	7	-73
USD Nov-24	6.31	2	-11

CDS

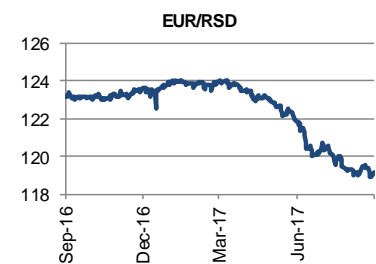
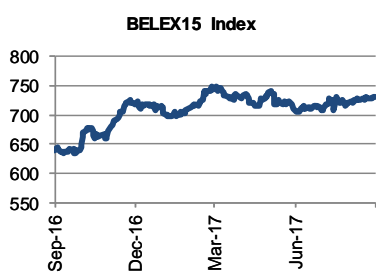
	Last	ΔDbps	ΔYTD bps
5-year	126	-1	-82
10-year	176	-1	-79

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.0	-0.01%	1.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.14	0.05%	3.62%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.51	-1	-5
1-month	0.7	1	-6
3-month	1	2	10
6-month	1.17	2	6
12-month	1.36	2	11

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.43	0	-19
5Y RON	2.26	0	-26
10Y RON	3.56	0	-9

RO Eurobonds

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

CDS

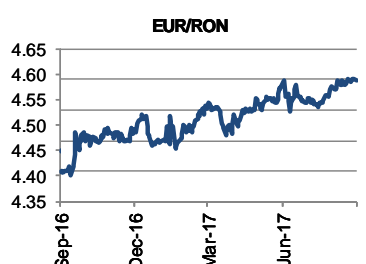
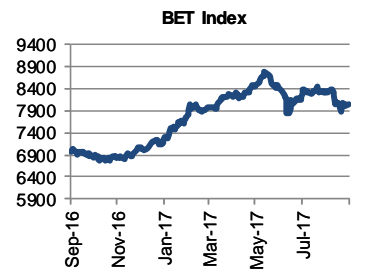
	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	141	0	-11

STOCKS

	Last	ΔD	ΔYTD
BET	8041.2	0.35%	13.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6002	0.05%	-1.33%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.19	0	-34
5Y BGN	0.05	0	-45
10Y BGN	1.41	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	0	-70
EUR Sep-24	0.88	0	-80

CDS

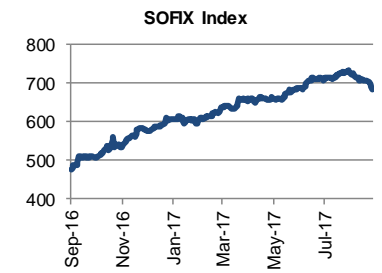
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	150	0	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	661.1	-2.91%	12.72%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6369	0.03%	13.53%



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

Data updated as of 13:00 EEST

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