



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 19, 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:** US and German government bonds remained under pressure in European trade on Tuesday on the back of last week's higher than expected US August inflation data, the absence of renewed tensions in the Korean peninsula and the BoE's clear hawkish shift at last week's monetary policy meeting. In the EMU sovereign space, Portugal continued to outperform after S&P became the first major rating agency late last week to raise the country's sovereign credit rating into investment grade territory. In FX markets, the JPY remained under pressure across the board weighed down by political uncertainty after local press reports suggested that Japan's PM Shinzo Abe is likely to call a snap general election as early as next month. Looking at today's calendar, US President Donald Trump will address the UN while BoE's Donald Kohn will speak in Basel. On the data front, only second-tier data are due for release including US housing starts & permits for August.

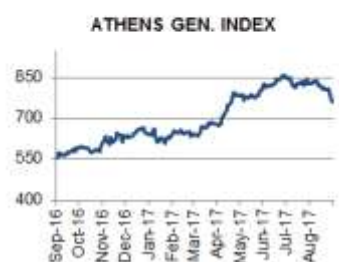
**GREECE:** With regard to Greece's Economic Adjustment Programme, the Vice-President of the European Commission Valdis Dombrovskis stated in an interview that preparations for the 3<sup>rd</sup> review are underway and that a large part of the c. 95 prior actions attached to this review has already been legislated and must now be implemented. He added that it is significant that the 2018 State Budget secure the 3.5% of GDP primary surplus target and argued that the details of the post-programme period are to be determined at a later stage. According to the Bank of Greece, in August 2017 dependence from the Eurosystem continued to decrease with total Eurosystem funding dropping to €45.3bn down from €50.4bn in July 2017 and €78.5bn in August 2016.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets were little changed earlier on Tuesday as caution prevailed ahead of the conclusion of the 2-day FOMC meeting later tomorrow.

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

US government bonds remained under pressure in European trade on Tuesday as higher than expected US August inflation data released late last week continued to weigh. The absence of renewed tensions in the Korean peninsula, market relief that immediate damage from hurricane Irma was less severe than expected and the BoE's clear hawkish shift at last week's monetary policy meeting, also had an impact. Awaiting the conclusion of the two-day FOMC policy meeting that commences later today for signals over the committee's policy deliberations, the US 10-yr yield was hovering around 2.23% at the time of writing, within distance from Monday's four-week intraday peak of 2.24%. In a similar note, the 10-yr Bund yield was trading close to Monday's six-week intraday high of 0.47% in European trade while, in the EMU sovereign space, Portugal continued to outperform after S&P became the first major rating agency late last week to raise the country's sovereign credit rating into investment grade territory (BBB-, stable outlook). The 10-yr PGB was standing close to 2.44% at the time of writing, the lowest since May 2015 after falling by around 38bps cumulatively since the S&P announcement. The spread against its German counterpart moved back below the 200bps area for the first time in the last thirteen months reflecting market perception that the other major rating agencies may follow to upgrade Portugal in the foreseeable future. In FX markets, the JPY remained under pressure across the board weighed down by political uncertainty after local press reports suggested that Japan's PM Shinzo Abe is likely to call a snap general election as early as next month to take advantage of his improved approval ratings following August's cabinet reshuffle and disarray in the main opposition party. Favored by a divergence in monetary policies by the Fed and the BoJ, the USD/JPY extended its recent gains rising to a two-month peak of 111.87 earlier today before retreating modestly to levels around 111.60 at the time of writing. Looking at today's calendar, US President Donald Trump will address the UN while BoE's Donald Kohn will speak in Basel. On the data front, only second-tier data are due for release including US housing starts & permits for August.

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### GREECE

With regard to Greece's Economic Adjustment Programme, the Vice-President of the European Commission Valdis Dombrovskis stated in an interview that preparations for the 3<sup>rd</sup> review are underway and that a large part of the c. 95 prior actions attached to this review has already been legislated and must now be implemented. He added that it is significant that the 2018 State Budget secure the 3.5% of GDP primary surplus target and that the potential necessity for additional measures remains to be examined once the Commission's technical teams have finished their assessment of Greece's macroeconomic and fiscal situation. As regards the supervision regime that will prevail following the completion of the programme in August 2018, EC Vice President argued that the details of the post-programme period are to be determined at a later stage and the focus should now be on the swift conclusion of the 3<sup>rd</sup> review. On the same wavelength, Greek PM Alexis Tsipras reportedly urged his cabinet yesterday to complete most prior actions by the end of November. Meanwhile, according to press reports, the institutions are pushing for the launch of electronic auctions as a pre-condition for the start of the 3<sup>rd</sup> review while the Greek government reportedly intends to set in motion this new procedure in November. In other news, according to the Bank of Greece, in August 2017 dependence from the Eurosystem continued to decrease with total Eurosystem funding dropping to €45.3bn down from €50.4bn in July 2017 and €78.5bn in August 2016.

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September 19, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets were little changed earlier on Tuesday as caution prevailed ahead of the conclusion of the 2-day FOMC meeting later tomorrow. The MSCI Emerging Markets index fell modestly in early European trade. However, the index remained near a new 3-year peak hit on Monday. This week's focus in the CESEE region is on Hungary's MPC meeting due later today. The market's median forecast is for the key (base) policy rate to remain unchanged at the current record low level of 0.90%. However, the door for further easing of monetary conditions via unconventional measures is open. In fact, the Central Bank flagged such action in its previous meeting in August citing relatively subdued inflation pressures. Despite an uptick so far this year, inflation has remained persistently below the 3% MNB medium-term target since early 2013. In addition, the forint has strengthened significantly over recent months having hit a 2 ½-year high near 301.75 in late August, though the EUR/HUF has pulled back by approximately 3% since then amid increased expectations for further monetary easing this month. MNB may proceed today to ease monetary conditions further via cutting its overnight deposit rate further into negative territory from the current -0.05% level and reducing the cap on its 3-month deposit facility from HUF 300bn at present. Should the Central Bank hold its fire and stay put on its monetary policy today, the EUR/HUF is likely to pull further away from the recent 2 ½ month high of 309.94 hit yesterday. From a technical perspective, immediate resistance stands at 307.75 (120-day moving average), ahead of 304.20 (14-day moving average). Elsewhere, Turkey holds a 10-year government bond auction later on Tuesday. Meanwhile, industrial production, construction output, budget balance, PPI and retail sales data for August in Poland also lure market attention today. Additionally, Serbia and Bulgaria release current account data for July. Looking further ahead, the National Bank of Poland publishes the minutes of its last MPC meeting on Thursday, while government bond auctions are expected to be held in Romania and Hungary on the same day.

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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		
	<b>2016</b>	<b>current</b>	<b>2017</b>
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

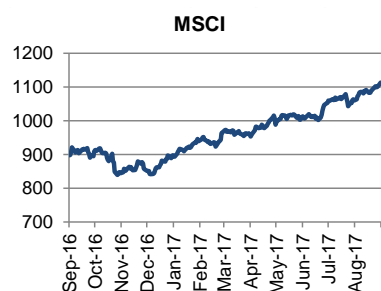
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	<b>2016</b>	<b>current</b>	<b>2017</b>
Policy Rate (eop)	1.75	1.75	1.75

\* 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
	<b>2016</b>	<b>current</b>	<b>2017</b>
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

September 19, 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	2503.87	0.1%	11.8%	EUR/USD	1.1987	0.3%	13.9%	UST - 10yr	2.23	0	-22	GOLD	1308	0.0%	13.5%
Nikkei 225	20299.38	2.0%	6.2%	GBP/USD	1.3529	0.3%	9.5%	Bund-10yr	0.46	0	25	BRENT CRUDE	56	0.4%	-2.0%
STOXX 600	381.18	-0.2%	5.5%	USD/JPY	111.8	-0.2%	4.7%	JGB - 10yr	0.04	1	-1	LMEX	3129	0.6%	17.6%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/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	#N/A N/A	-53
5Y RSD	4.92	0	-44
7Y RSD	5.32	0	-36

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.52	-5	-80
USD Nov-24	6.32	2	-9

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	124	-2	-83
10-year	175	-1	-81

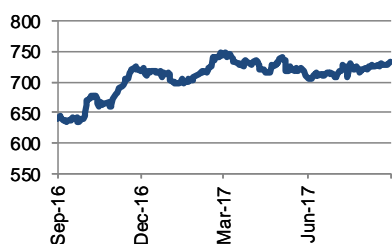
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	731.8	0.24%	2.02%

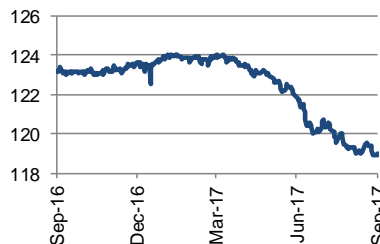
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.91	0.17%	3.83%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.51	0	-5
1-month	0.7	0	-6
3-month	1	0	10
6-month	1.17	0	6
12-month	1.36	0	11

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.43	1	-19
5Y RON	2.26	0	-26
10Y RON	3.55	-1	-10

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	#N/A N/A	-57
USD Jan-24	2.89	1	-100

#### CDS

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

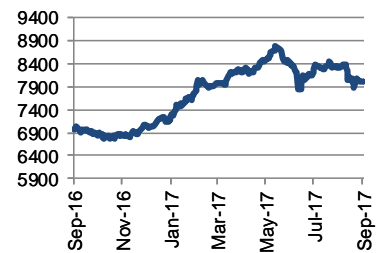
#### STOCKS

	Last	ΔD	ΔYTD
BET	8019.5	0.29%	13.19%

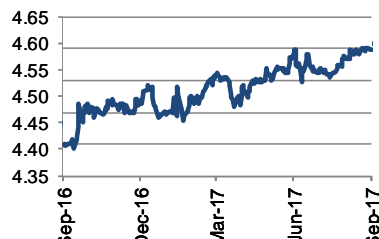
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5992	-0.06%	-1.31%

BET Index



EUR/RON



### 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	-0.18	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	-3	-70
EUR Sep-24	0.87	7	-82

#### CDS

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

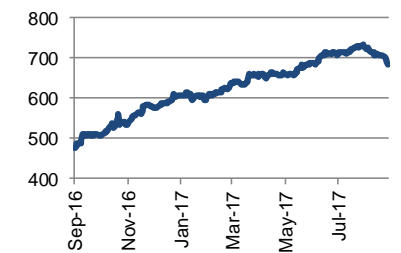
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	668.2	-0.17%	13.94%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6318	0.28%	13.89%

SOFIX Index



USD/BGN



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

Data updated as of 10:30 EEST

September 19, 2017

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