

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: All eyes today are on the FOMC monetary policy decision (20:00 CTM), the Summary of Economic Projections that will extend to the year 2020, the new "dot plot" and Chair Janet Yellen's press conference (20:30 CTM). The Committee is widely expected to announce the start of its balance-sheet normalization as of next month, as has been already communicated to the markets and thus, it is unlikely to exert any meaningful impact. Much more important for market participants will be the Fed's view on the expected key interest rate path, taking into account that futures markets are currently assigning an even probability for a rate hike in December and just one additional hike by the end of 2019.

GREECE: Euroworking Group President Thomas Wieser stated in an interview that at the moment Greece enjoys an exceptionally favourable borrowing programme with long maturities and grace periods and concessional interest rates and thus from an economic standpoint it is feasible for Greece to complete the reforms by the end of the programme in August 2018 and stand on its feet thereafter. With respect to debt relief Thomas Wieser argued that a debt sustainability analysis will be conducted in the summer of 2018 to determine whether debt relief is necessary. According to the Bank of Greece, in July the current account recorded a surplus of EUR1.6billion up by EUR230million compared to July 2016.

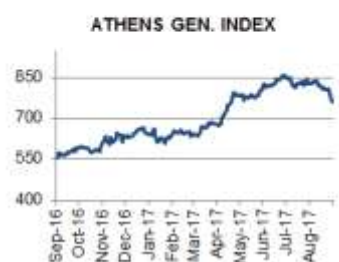
SOUTH EASTERN EUROPE

SERBIA: An IMF mission, led by James Roaf, concluded yesterday a visit to Belgrade as part of discussions regarding the 2018 budget and the progress made over the implementation of structural reforms.

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September 20, 2017



Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

All eyes today are on the FOMC monetary policy decision (20:00 CTM), the Summary of Economic Projections that will extend to the year 2020, the new "dot plot" and Chair Janet Yellen's press conference (20:30 CTM). The Committee is widely expected to announce the start of its balance-sheet normalization as of next month, as has been already communicated to the markets and thus, it is unlikely to exert any meaningful impact. Much more important for market participants will be the Fed's view on the expected key interest rate path, taking into account that futures markets are currently assigning an even probability for a rate hike in December and just one additional hike by the end of 2019. Should the Fed's new dot plot continue to signal one rate hike in December and three hikes in both 2018 and 2019, investors are expected to adjust upwards their rate hike expectations, causing a bear-flattening in the UST curve. In FX markets, any positive impact on the US currency is likely to prove limited unless there is substantial hawkish shift in Fed rhetoric. Awaiting the conclusion of the two-day FOMC meeting, the DXY index was nearly unchanged on the day while US Treasury yields were standing close to recent multi-week highs in early European trade as last week's stronger-than-expected US August inflation data and the BoE's hawkish shift continued to have an impact. Elsewhere, in the EMU sovereign space, the majority of government bonds were modestly firmer on the day after press reports suggested that the ECB may keep open the option at the October monetary policy meeting of prolonging the QE programme as a number of policy makers disagree on whether to set a definite end-date for the stimulus scheme. In other news, the NZD was the main mover in FX markets hitting a six-week high of 0.7375 against the USD earlier today after an opinion poll suggested that the ruling National Party regained a wide lead over the opposition Labour Party ahead of the September 23rd general election.

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GREECE

Euroworking Group President Thomas Wieser stated in an interview that at the moment Greece enjoys an exceptionally favourable borrowing programme with long maturities and grace periods and concessional interest rates and thus from an economic standpoint it is feasible for Greece to complete the reforms by the end of the programme in August 2018 and stand on its feet thereafter. With respect to debt relief Thomas Wieser argued that a debt sustainability analysis will be conducted in the summer of 2018 to determine whether debt relief is necessary. If so, it will be implemented after the completion of the programme with parts of it being implemented one-off and others, such as the return of SNP and ANFA profits, gradually. As regards the c. 95 prior actions attached to the upcoming 3rd programme review, the EWG President noted that the bulk of these prior actions has already been legislated and now remains to be implemented acknowledging, however, that this requires increased coordination between a number of competent ministries. Finally, he highlighted privatisations, NPLs resolution, energy reforms and the 2018 State Budget as the most prominent issues for the period ahead. In other news, according to the Bank of Greece, in July the current account recorded a surplus of EUR1.6billion up by EUR230million compared to July 2016. This improvement is attributable to an improvement in the services balance (surplus increased by EUR 249million) as well as the primary (deficit decreased by EUR150million) and secondary income (deficit decreased by EUR46million) balances, which more than offset the increased deficit in the goods balance (deficit increased by EUR232million). This deterioration in the balance of goods is due to an increase in the deficit of the oil balance (deficit increased by EUR52million) and the goods excl. oil and ships balance (deficit increased by EUR193million). On the other hand, the surpluses in all individual services categories (travel, transportation and other) recorded an increase compared to July 2016.

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September 20, 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

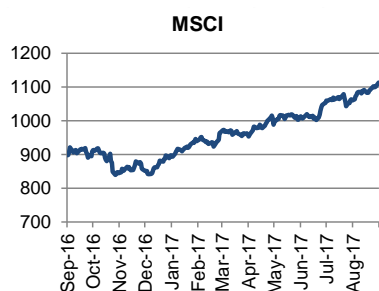
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

SERBIA

An IMF mission, led by James Roaf, concluded yesterday a 1-week visit to Belgrade as part of discussions regarding the 2018 budget and the progress made over the implementation of structural reforms. The Fund noted a continuation of the expansion in economic activity, despite a temporary deceleration in H1 2017, which came on the back of disruptions in electricity production and the negative impact of adverse weather conditions on agricultural output. Additionally, it highlighted that "domestic demand growth is robust, with continued recovery of private consumption and strong foreign direct investment", while "labor market conditions have continued to strengthen, with about 120,000 new jobs created in the 12 months through June." In view of the slowdown witnessed in economic activity over the first half of the year, the IMF revised its previous 3.0% real GDP growth projection for this year to 2.3%, leaving its earlier forecast for a pick up to 3½% in 2018 unchanged.

Furthermore, the Fund highlighted that "economic policies should remain focused on improving the supply response of the economy, through the implementation of reforms aimed at fostering private sector activity. These include an improved business and investment environment; more efficient public administration and state-owned enterprises; and higher quantity and quality of public infrastructure."

According to the Fund's statement, discussions over the 2018 budget key parameters and fiscal policies over the remainder of the current year have already started and are expected to be concluded in the next review mission in October. This will be the eighth and final review under 3-year Serbia's precautionary Stand-By Arrangement with the IMF, which expires in February 2018.

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September 20, 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	2506.65	0.1%	12.0%	EUR/USD	1.2007	0.1%	14.1%	UST - 10yr	2.22	-2	-22	GOLD	1315	0.3%	14.1%
Nikkei 225	20310.46	0.1%	6.3%	GBP/USD	1.3528	0.1%	9.5%	Bund-10yr	0.44	-2	23	BRENT CRUDE	56	0.9%	-2.1%
STOXX 600	382.04	0.0%	5.7%	USD/JPY	111.27	0.3%	5.1%	JGB - 10yr	0.03	-1	-2	LME X	3145	0.5%	18.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.72	-1	-28
1-week	2.84	0	-33
1-month	3.07	1	-28
3-month	3.33	1	-14
6-month	3.54	1	-12

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	0	-58
5Y RSD	4.92	0	-44
7Y RSD	5.21	-12	-48

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.70	15	-62
USD Nov-24	6.32	1	-9

CDS

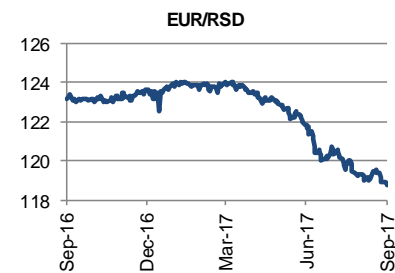
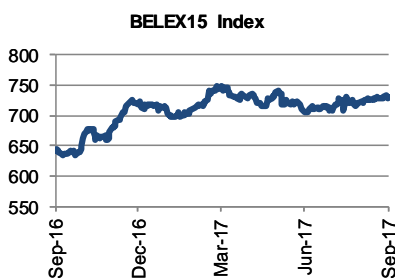
	Last	ΔDbps	ΔYTD bps
5-year	125	0	-83
10-year	174	-1	-82

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.8	0.13%	1.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.59	0.22%	4.11%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	-1	-7
1-month	0.72	0	-4
3-month	1.05	1	15
6-month	1.19	1	8
12-month	1.39	1	14

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.44	2	-18
5Y RON	2.25	0	-27
10Y RON	3.51	-2	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-57
USD Jan-24	2.89	0	-100

CDS

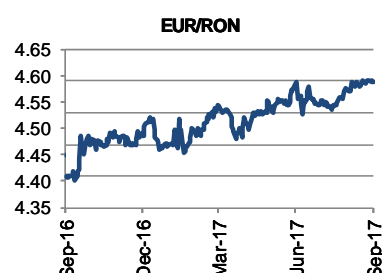
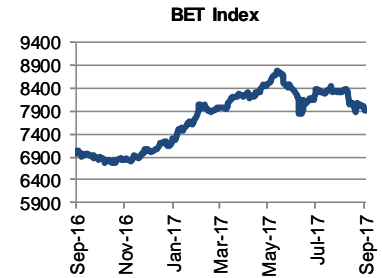
	Last	ΔDbps	ΔYTD bps
5-year	95	0	-14
10-year	141	0	-11

STOCKS

	Last	ΔD	ΔYTD
BET	7922.4	-0.69%	11.82%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5994	0.04%	-1.31%



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	-0.21	-2	-36
5Y BGN	0.04	-1	-46
10Y BGN	1.38	0	-53

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.16	-13	-70
EUR Sep-24	0.88	-1	-81

CDS

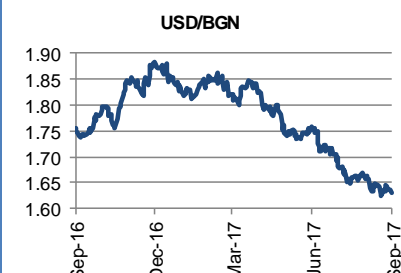
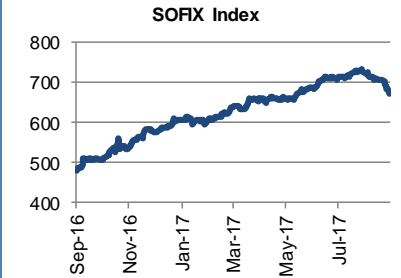
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	150	0	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	677.7	1.10%	15.57%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6291	0.09%	14.08%



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

Data updated as of 13:20 EEST

September 20, 2017

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