

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: In line with market expectations, the FOMC kept its federal funds target rate unchanged at 1.00-1.25% and announced that the balance sheet reduction will start next month with a monthly "cap" of \$10bn initially. In the accompanying statement, the FOMC left roughly unchanged its economic outlook. At the same time, despite persistently low inflation, the FOMC did not make changes in the wording related to the medium-term inflation outlook. The updated economic projections did not change materially compared to June while, as regards the FOMC's policy deliberations, committee participants penciled in an additional rate hike by the end of this year and three further hikes in 2018, as before. In reaction to the above, US Treasury yields moved higher with long-dated paper outperforming, while, in FX markets, the USD firmed across the board.

GREECE: Following a request by the Bank of Greece (BoG), the ECB Governing Council approved yesterday an ELA-ceiling for Greek banks of EUR33.6 billion. According to the BoG, the reduction of €0.3 billion in the ceiling reflects an improvement of the liquidity situation of Greek banks, taking into account private sector deposits flows. According to the Hellenic Statistical Authority (ELSTAT), in July 2017 the Overall Turnover Index in Industry recorded an increase of 8.6%YoY (against -7.0%YoY in July 2016).

SOUTH EASTERN EUROPE

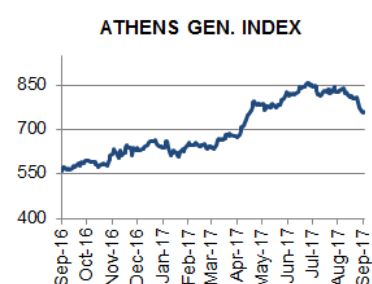
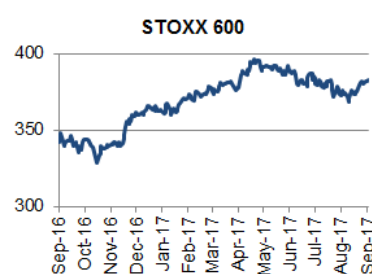
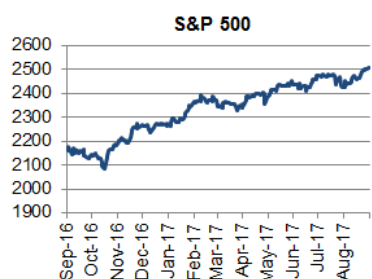
CESEE MARKETS: The majority of emerging market assets came under pressure earlier on Thursday in the wake of the FOMC meeting.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the FOMC kept its federal funds target rate unchanged at 1.00-1.25% and announced that the balance sheet reduction will start next month with a monthly "cap" of \$10bn initially, rising by \$10bn every three months, until a limit of \$50bn is reached. In the accompanying statement, the FOMC left roughly unchanged its economic outlook, noting that the impact of the various hurricanes is expected to prove short-lived. At the same time, despite persistently low inflation, the FOMC did not make changes in the wording related to the medium-term inflation outlook. The updated economic projections was not altered materially compared to June, with the downward revision in core PCE inflation for both 2017 and 2018 being balanced by a higher GDP forecast for 2017 and 2019. As regards the FOMC's policy deliberations, committee participants penciled in an additional rate hike by the end of this year and three further hikes in 2018, as before. However, the longer-term outlook was twisted down somewhat, with the FOMC officials seeing now two hikes in 2019, one hike less than back in June. In reaction to the above, US Treasury yields moved higher, with long-dated paper outperforming as the equilibrium rate was lowered to 2.8% from 3.0% in June. As a result, the 5/30-yr yield curve undertook some bearish flattening with the corresponding spread standing close to 94bps in European trade, the lowest in around three months. In FX markets, the USD moved higher across the board in reaction to an upward shift in short-term FOMC rate hike expectations following the more hawkish than anticipated tone of the policy statement and comments by Fed Chair Janet Yellen at the press conference. Against this background, the EUR/USD retreated to levels close to 1.1900, after hitting a session high of 1.2030 early on Wednesday. However, with market participants continuing to pay attention in the euro area's positive economic fundamentals and the prospect of a QE tapering announcement by the ECB in October, it is questionable whether the pair is poised for further significant and long-lasting losses in the coming sessions.

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GREECE

Following a request by the Bank of Greece (BoG), the ECB Governing Council approved yesterday an ELA-ceiling for Greek banks of EUR33.6 billion. According to the BoG, the reduction of €0.3 billion in the ceiling reflects an improvement of the liquidity situation of Greek banks, taking into account private sector deposits flows. According to the Hellenic Statistical Authority (ELSTAT), in July 2017 the Overall Turnover Index in Industry recorded an increase of 8.6%YoY (against -7.0%YoY in July 2016). With respect to industrial sectors, this improvement is attributable to a 28.0%YoY rise in mining and quarrying (+3.2%YoY in July 2016) and an 8.3%YoY (-7.2%YoY in July 2016) rise in manufacturing. With respect to the target markets, the turnover index in industry for the domestic market increased by 8.3%YoY (-6.9%YoY in July 2016), while the corresponding index for the non-domestic market increased by 9.1%YoY (-7.1%YoY in July 2016).

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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		
	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

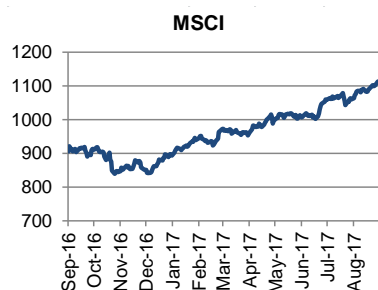
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

The majority of emerging market assets came under pressure earlier on Thursday in the wake of the FOMC meeting. The Fed announced yesterday balance sheet tightening as of October and signaled one more rate hike in 2017, denting the high-yield allure of risky assets. News that S&P lowered People's Republic of China's long and short term sovereign credit ratings to "A+/A-1" from "AA-/A-1" might also had a negative impact on investors' sentiment. Behind its decision S&P noted increased economic and financial risks following a prolonged period of strong credit activity. Additionally, the agency assigned stable outlook on the country's ratings citing expectations "that China will maintain its robust economic performance and improved fiscal performance in the next three to four years."

Against this backdrop, the MSCI Emerging Markets index slid by ca 0.3% at the time of writing compared to the prior session's settlement. However, the index remains slightly off a 3-year peak hit earlier in the week thanks to developing economies' improving macroeconomic fundamentals, low interest rates globally and the USD's weakness over the last few months. Bourses in the CESEE region were mixed earlier today, with Poland's WIG index leading the losses (-0.4%) in the region and Bulgaria's SOFIX outperforming its regional peers to stand 0.8% higher on the day in European trade.

Elsewhere, regional currencies and government bonds weakened. In the FX markets, the forint and the zloty - the region's most liquid currencies - fared worse than most of their CESEE counterparts. The former led the decline after the Central Bank (MNB) announced earlier in the week further monetary easing, via the use of unconventional policy instruments. On Tuesday, MNB cut its overnight deposit rate further into negative territory, to -0.15% from -0.05% before, and reduced the cap on its 3-month deposit facility to HUF 75bn from HUF 300bn previously, exceeding market expectations for a decrease to HUF 150bn. At the same time, in line with the market's median forecast the key (base) policy rate remained unchanged at the record low level of 0.90%. Furthermore, the MPC left the door open for further monetary easing to drive government bond yields lower and boost inflation to sustainably meet the 3% medium-term target, as it has remained persistently below it since early 2013. Against this backdrop, the EUR/HUF reached a 4-month high near 310.60 in late Asian trade, before pulling back slightly towards 310.10 later in European markets, having bounced from a 2 1/2-year high near 301.75 in late August.

Looking into today's CESEE calendar, Hungary and Romania hold government bond auctions. In Poland, the National Bank publishes the minutes of its last MPC meeting, while the budget balance for August is also due later today.

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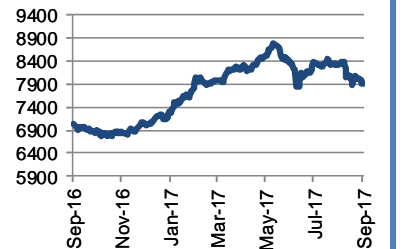
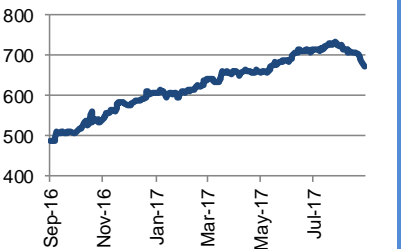
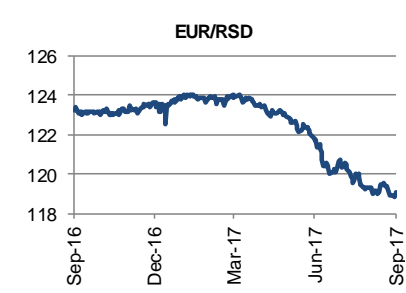
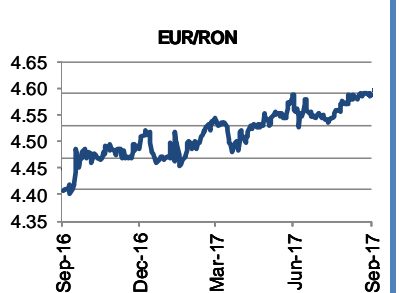
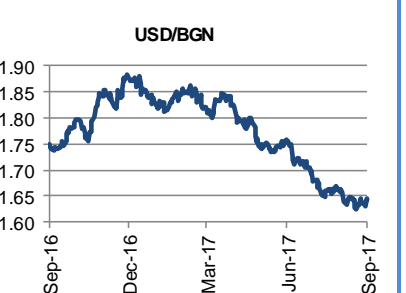
September 21, 2017

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	2508.24	0.1%	12.0%	EUR/USD	1.1909	0.1%	13.2%	UST - 10yr	2.27	0	-18	GOLD	1295	-0.4%	12.4%
Nikkei 225	20347.48	0.2%	6.5%	GBP/USD	1.3498	0.0%	9.2%	Bund-10yr	0.47	3	27	BRENT CRUDE	56	-0.2%	-1.1%
STOXX 600	382.78	0.2%	5.9%	USD/JPY	112.48	-0.2%	4.0%	JGB - 10yr	0.04	1	-1	LMEX	3169	0.8%	19.1%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	2.72	-1	-28	O/N	0.49	0	-7	1-month	0.01	0	1	1-month	-0.16	0	1
1-week	2.84	0	-33	1-month	0.76	4	0	3-month	-0.08	-1	-1	3-month	-0.08	-1	-1
1-month	3.07	1	-28	3-month	1.06	1	16	6-month	0.05	0	-3	6-month	0.05	0	-3
3-month	3.33	1	-14	6-month	1.2	1	9	12-month	0.38	0	-3	12-month	0.38	0	-3
6-month	3.54	1	-12	12-month	1.41	2	16								
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	0	-58	3Y RON	1.44	2	-18	3Y BGN	-0.19	2	-34	3Y BGN	-0.19	2	-34
5Y RSD	4.91	0	-44	5Y RON	2.25	0	-27	5Y BGN	0.05	1	-46	5Y BGN	0.05	1	-46
7Y RSD	5.04	-17	-65	10Y RON	3.51	0	-14	10Y BGN	1.36	0	-55	10Y BGN	1.36	0	-55
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.73	2	-60	EUR Oct-25	1.61	5	-52	EUR Mar-22	0.18	-10	-68	EUR Mar-22	0.18	-10	-68
USD Nov-24	6.33	1	-8	USD Jan-24	2.93	4	-96	EUR Sep-24	0.86	7	-82	EUR Sep-24	0.86	7	-82
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	140	15	-68	5-year	100	5	-9	5-year	105	5	-47	5-year	105	5	-47
10-year	196	22	-59	10-year	150	9	-2	10-year	160	10	-34	10-year	160	10	-34
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	731.8	0.42%	2.01%	BET	7913.2	-0.06%	11.69%	SOFIX	683.0	0.78%	16.46%	SOFIX	683.0	0.78%	16.46%
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.04	0.00%	3.72%	EUR/RON	4.5983	0.00%	-1.29%	USD/BGN	1.6425	0.13%	13.14%	USD/BGN	1.6425	0.13%	13.14%

BELEX15 Index		BET Index		SOFIX Index	
					
EUR/RSD		EUR/RON		USD/BGN	
					

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

Data updated as of 11:30 EEST

September 21, 2017

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