



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 22, 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: Major government bonds were modestly firmer in European trade on Friday on renewed geopolitical jitters while, in FX markets, favored by their safe-haven allure in times of increased uncertainty, both the JPY and the CHF outperformed. Looking at today's calendar, focus is on UK Prime Minister Theresa May's speech in Florence, reportedly set for 12:15pm UK time. According to press reports, she is expected to signal her government's willingness to make concessions to the EU-27 aiming to secure a two-year transition period after Brexit takes effect in March 2019.

GREECE: During his speech at the 12th Annual Greek Roadshow in London, Alternate Minister of Finance George Chouliarakis reportedly stressed the importance of the swift completion of the 3rd programme review (expected to commence in mid-October) as it will allow Greece to recover, gain momentum and retrieve full and sustainable access to the financial markets. According to the Bank of Greece, in July 2017 travel receipts, which account for c. 21% of total annual travel receipts, increased by 5.3%YoY (against -6.1%YoY in July 2016), while for the period Jan – Jul 2017, travel receipts, which account for c. 48% of total annual travel receipts, rose by 6.4%YoY (against -7.2%YoY in Jan-Jul 2016).

SOUTH EASTERN EUROPE

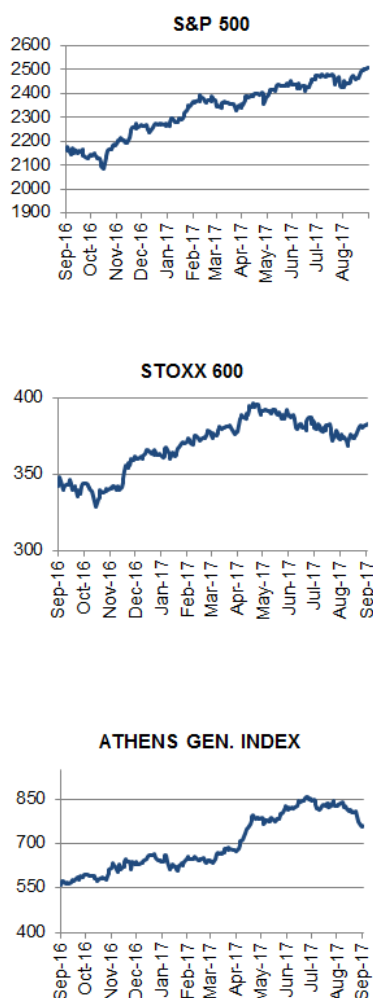
CESEE MARKETS: Renewed geopolitical jitters in the Korean peninsula weighed on emerging market assets earlier on Friday. Meanwhile, an S&P downgrade on China's and Hong Kong's sovereign credit ratings in the prior session and the post-FOMC meeting signals earlier in the week for further monetary tightening this year despite a recent softness in inflation, appeared to continue having a negative impact on risky assets. No major events or data announcements are expected today in the CESEE space.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major government bonds were modestly firmer in European trade on Friday on renewed geopolitical jitters after North Korea's Foreign Minister reportedly warned that his country could detonate a hydrogen bomb in the Pacific Ocean in response to Donald Trump's threat before the United Nations General Assembly last week that the US would destroy North Korea if forced to defend itself or its allies. In spite of today's downward move, US Treasury yields remained close to post-FOMC highs as the more-hawkish-than-expected FOMC tone at this week's monetary policy meeting, continued to have an impact. In FX markets, favored by their safe-haven allure in times of increased uncertainty, both the JPY and the CHF outperformed recording daily gains of 0.5% and 0.2% respectively against the USD. Elsewhere, the EUR recovered most of post-FOMC losses against the USD, reflecting investors' positive sentiment towards the common currency on the back of the euro area's improving economic fundamentals and the prospect of ECB tapering announcement at the October 26th monetary policy meeting. The EUR/USD was hovering around 1.1990 in European trade, up 1.0% on the day, approaching this week's peak of 1.2030 recorded early on Wednesday, ahead of the FOMC policy announcement. Looking at today's calendar, focus is on UK Prime Minister Theresa May's speech in Florence, reportedly set for 12:15pm UK time. According to press reports, she is expected to signal her government's willingness to make concessions to the EU-27 aiming to secure a two-year transition period after Brexit takes effect in March 2019. Separately, Moody's will publish an update of its sovereign credit rating on the UK. The agency currently rates the UK at Aa1, a notch above Fitch and the S&P, with a negative outlook. In a report issued in July, Moody's warned that the UK's credit rating could be downgraded "if the negotiations with the EU suggest that the government might not be able to preserve core elements of the UK's current access to the EU Single Market" adding that "continuously higher budget deficits than expected and further delays in reversing the rising public debt trend" would also be negative for the rating. Looking further ahead, German federal election is scheduled for Sunday, September 24th with recent opinion polls suggesting that the CDU/CSU will come first and Angela Merkel will be elected to her fourth term as Chancellor. The key question will probably be which political party (or parties) will be the coalition partner(s) in the new government.

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GREECE

During his speech at the 12th Annual Greek Roadshow in London, Alternate Minister of Finance George Chouliarakis reportedly stressed the importance of the swift completion of the 3rd programme review (expected to commence in mid-October) as it will allow Greece to recover, gain momentum and retrieve full and sustainable access to the financial markets. With respect to Greek banks, he noted that they are being adequately supervised under the existing SSM programme and that an Asset Quality Review at this point would constitute an unjustified distraction from their core activities. In other news, with regard to the Hellinikon concession project, the completion of which constitutes a prior action in the context of the 3rd programme review, the Central Archaeological Council is expected to convene anew next week to decide on the Integrated Development Plan of the site and whether it will declare part of it an archaeological site or not. On the data front, according to the Bank of Greece, in July 2017 travel receipts, which account for c. 21% of total annual travel receipts, increased by 5.3%YoY (against -6.1%YoY in July 2016) and travel arrivals increased by 10.2%YoY (against +5.8%YoY in July 2016). For the period Jan – Jul 2017, travel receipts, which account for c. 4.8% of total annual travel receipts, rose by 6.4%YoY (against -7.2%YoY in Jan-Jul 2016) while travel arrivals rose by 8.0%YoY (against 1.1%YoY in Jan-Jul 2016).

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September 22, 2017

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

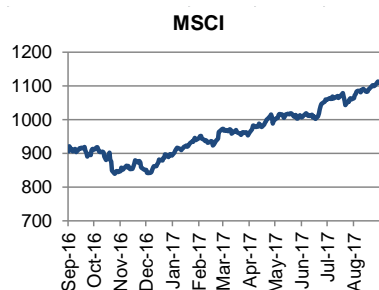
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

Renewed geopolitical jitters in the Korean peninsula weighed on emerging market assets earlier on Friday. Meanwhile, an S&P downgrade on China's and Hong Kong's sovereign credit ratings in the prior session and the post-FOMC meeting signals earlier in the week for further monetary tightening this year despite a recent softness in inflation, appeared to continue having a negative impact on risky assets.

Against this backdrop, the MSCI Emerging Markets index slid by ca 0.5% earlier on Friday compared to the prior session's settlement. Despite falling today for the second consecutive session, the index remains poised to end the week flat and stands slightly off a 3-year peak hit a few sessions ago thanks to developing economies' improving macroeconomic fundamentals, low interest rates globally and the USD's weakness over the last few months. CESEE assets were mixed earlier today, with regional bourses trading little changed. Indicatively, Turkey's main BIST 100 index posted the highest daily gains at the time of writing, advancing by 0.2%, while Romania's BET index underperformed its regional peers with a 0.2% decline. Separately, Bulgarian markets are closed today for holiday, due to reopen on Monday.

In the FX markets, the Hungarian forint recovered some ground, with the EUR/HUF falling to 309.70 in early European trade from a 4-month high near 310.80 hit yesterday. The currency came under pressure over the last few weeks amid increased expectations for further Central Bank monetary easing. Vindicating this prevailing view, the Central Bank (MNB) announced on Tuesday further monetary easing, via the use of unconventional policy instruments. Additionally, it left the door open for further such action aimed at driving government bond yields lower and boosting inflation to sustainably meet the 3% medium-term target, as it has remained persistently below it since early 2013. The forint's losses were exacerbated this week by the more-hawkish-than-anticipated tone in the 2-day FOMC meeting that concluded on Wednesday. As a result of the aforementioned, it has erased all gains recorded against the euro so far this year and pulled back from a 2 1/2-year high near 301.75/€ hit in late August.

In the local-currency debt markets, Romania's finance ministry sold on Thursday a planned RON 500mn (~€108.87mn) amount of 3-year T-Notes. The bond was sold at an average price and accepted yield of 101.1643 and 1.91%, respectively. The latter is 3bps higher compared to the yield achieved at a previous auction held in August, when the security was last sold. Reflecting healthy investor demand, the tender's bid to cover ratio came in at 1.91. The paper matures on October 26, 2020 and bears a coupon of 2.3%. Thursday's auction is a re-tap of securities previously issued in August. No major events or data announcements are expected today in the CESEE space.

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September 22, 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	2505.29	-0.1%	11.9%	EUR/USD	1.1923	0.3%	13.3%	UST - 10yr	2.25	-2	-20	GOLD	1292	-0.7%	12.2%
Nikkei 225	20347.48	0.2%	6.5%	GBP/USD	1.3508	0.1%	9.3%	Bund-10yr	0.45	1	24	BRENT CRUDE	56	-0.6%	-1.5%
STOXX 600	382.85	0.2%	5.9%	USD/JPY	112.23	0.0%	4.3%	JGB - 10yr	0.04	1	-1	LMEX	3169	0.8%	19.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.71	-1	-29
1-week	2.83	-1	-34
1-month	3.05	-2	-30
3-month	3.31	-2	-16
6-month	3.52	-2	-14

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	0	-58
5Y RSD	4.92	0	-44
7Y RSD	5.04	-17	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.79	8	-54
USD Nov-24	6.33	1	-8

CDS

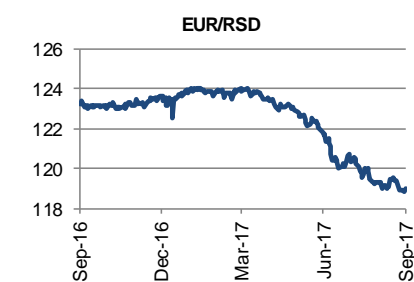
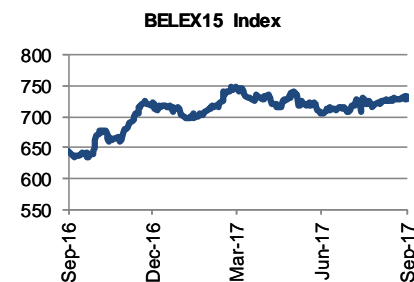
	Last	ΔDbps	ΔYTD bps
5-year	140	15	-68
10-year	196	22	-59

STOCKS

	Last	ΔD	ΔYTD
BELEX15	732.5	0.51%	2.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.07	-0.03%	3.69%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	0	-7
1-month	0.76	4	0
3-month	1.06	1	16
6-month	1.2	1	9
12-month	1.41	2	16

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.44	3	-18
5Y RON	2.26	0	-26
10Y RON	3.52	1	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	5	-52
USD Jan-24	2.95	6	-94

CDS

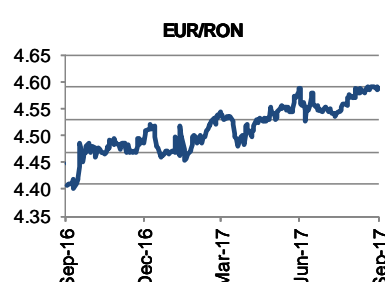
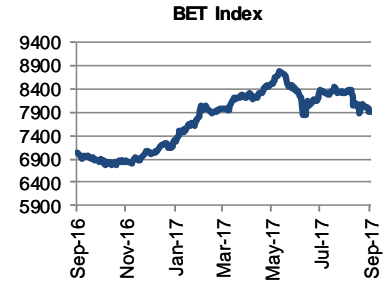
	Last	ΔDbps	ΔYTD bps
5-year	100	5	-9
10-year	150	9	-2

STOCKS

	Last	ΔD	ΔYTD
BET	7901.5	-0.21%	11.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5985	-0.01%	-1.29%



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	1	-35
5Y BGN	0.05	0	-46
10Y BGN	1.35	0	-55

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.18	-10	-68
EUR Sep-24	0.86	7	-82

CDS

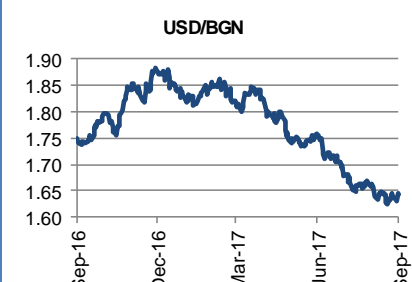
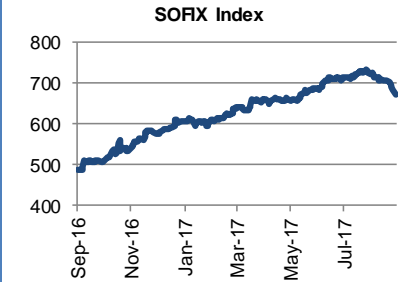
	Last	ΔDbps	ΔYTD bps
5-year	105	5	-47
10-year	160	10	-34

STOCKS

	Last	ΔD	ΔYTD
SOFIX	680.6	0.43%	16.05%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6403	0.27%	13.30%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:00 EEST of previous session

September 22, 2017

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