



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 27, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 26
 - CB Consumer confidence (Sep)
 - New home sales (Aug)
 - Fed Chair Yellen speaks
- Sep 27
 - Durable goods orders (Aug)
 - Pending home sales (Aug)
- Sep 28
 - GDP (Q3, 3rd est.)
 - Jobless claims (weekly)
- Sep 29
 - Personal income / spending (Aug)
 - Core PCE deflator (Aug)
 - Chicago PMI (Sep)
 - U. of Mich. Sentiment (Sep,p)

EUROZONE

- Sep 25: DE: Ifo business climate (Sep)
- Sep 28
 - DE: GfK consumer climate (Oct)
 - ESI (Sep)
- Sep 29: HICP (Sep)

GREECE

- Sep 29: Retail sales (Jul)

SEE

BULGARIA

- Sep 25: 0.8% 2025 T-bonds auction
- Sep 26: Gross external debt (Jul)
- Sep 29: Moody's rating review
- Sep 29-Oct 1: Budget balance (Aug)

ROMANIA

- Sep 25: 3.4% 2022 T-bonds auction

SERBIA

- Sep 25: Gross wages (Aug)
- Sep 29
 - Industrial output (Aug)
 - Trade balance (Aug)
 - Retail sales (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Speaking about the uncertain inflation outlook and implications for monetary policy in a keynote speech at the NABE meeting in Cleveland on Tuesday, the Fed Chair stressed that there are risks surrounding persistently easy policy and thus, "it would be imprudent to keep monetary policy on hold until inflation is back to 2%". In reaction to an upward shift in short-term Fed rate hike expectations following Janet Yellen's hawkish tone, UST yields moved higher and the USD was firmer across the board. Looking at the remainder of the day, focus is on a tax plan expected to be unveiled by the Treasury Department and Republicans before Congress.

GREECE: In an interview, the European Commissioner for Economic and Financial Affairs Pierre Moscovici stressed the importance of the conclusion of the 3rd programme review in the fourth quarter of 2017 so that the whole programme can then be successfully completed. The ECB is likely to conduct the stress tests for Greek banks in February 2018 in order to have them completed by May 2018 so that any decisions regarding the potential recapitalisation of Greek banks can be made before the programme expires, in August 2018.

SOUTH EASTERN EUROPE

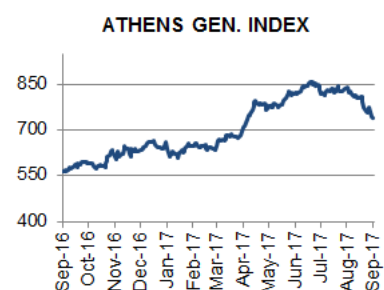
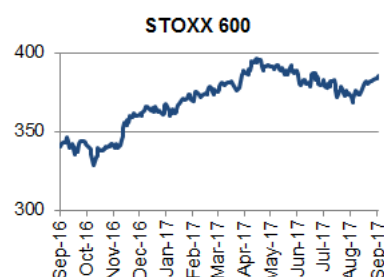
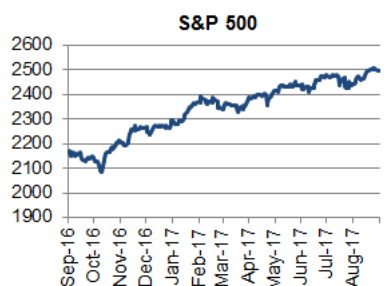
CESEE MARKETS: Emerging market assets mostly traded on the back-foot earlier today as increased expectations for a Fed rate hike in December dented their high yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Speaking about the uncertain inflation outlook and implications for monetary policy in a keynote speech at the NABE meeting in Cleveland on Tuesday, the Fed Chair stressed that there are risks surrounding persistently easy policy and thus, "it would be imprudent to keep monetary policy on hold until inflation is back to 2%". However, the Fed Chair acknowledged that, in view of considerable uncertainty about the medium-term inflation and growth outlook, monetary policy should be adjusted at a gradual pace. Janet Yellen's hawkish tone triggered an upward shift in short-term Fed rate hike expectations with federal funds futures now assigning a probability of c. 70% for a 25bps hike in December vs. c. 60% earlier this week. In reaction to the above, UST yields moved higher with the 2-yr paper yielding levels around 1.46% at the time of writing, the highest in nearly nine years and up by c. 2bps compared to the settlement in the prior session. Long-dated paper underperformed with the 10-yr bond yield rising by c. 6.5bps on the day to 2.27%, triggering a bearish steepening in the 2/10-yr UST yield curve. In FX markets, the USD firmed across the board with the EUR/USD extending recent losses and dropping to a one-month low close to 1.1730 earlier today after breaking a string of technically important levels. The AfD's increased popularity rate at the September 24th German federal election and rising tensions in Catalonia after the Spanish government announced that police would take control of voting booths to help thwart the region's planned independence referendum on October 1st, also weighed on the common currency. Technically, strong support stands at 1.1690/1.1700 in the way to 1.1660 ahead of 1.1600. Looking at the remainder of the day, focus is on a tax plan expected to be unveiled by the Treasury Department and Republicans before Congress. According to press reports, the plan is anticipated to call, among others, for a drop in the corporate income tax rate and the top individual income tax rate to 20% and 35% respectively from 35% and 39.6% currently with President Donald Trump telling lawmakers to expect a "very powerful document" and "tremendous" tax cuts for the middle class. On the data front, US durable goods orders and pending home sales both for August will be released today.

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GREECE

In an interview, the European Commissioner for Economic and Financial Affairs Pierre Moscovici stressed the importance of the conclusion of the 3rd programme review in the fourth quarter of 2017 so that the whole programme can then be successfully completed. He also highlighted the importance of the Greek economy's return to growth, the creation of jobs and the fiscal prudence that contribute to the restoration of investors' confidence towards the country. Meanwhile, according to press reports, the ECB is likely to conduct the stress tests for Greek banks in February 2018 – several weeks before originally scheduled – in order to have them completed by May 2018 so that any decisions regarding the potential recapitalisation of Greek banks can be made before the programme expires, in August 2018.

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September 27, 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

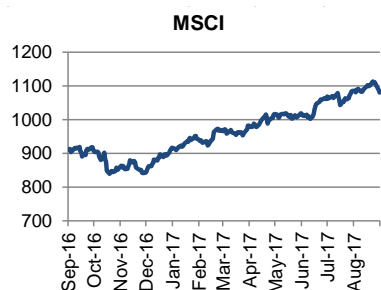
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets mostly traded on the back-foot earlier today as increased expectations for a Fed rate hike in December dented their high yield allure. Against this backdrop, the MSCI Emerging Markets index stood in a marginally negative territory in European trade, marking the fifth consecutive session in the red on limited risk appetite amid persisting geopolitical tensions related to news around North Korea and increased likelihood for further FOMC monetary policy tightening this year. The index has pulled back from a 3-year peak hit early last week thanks to developing economies' improving macroeconomic fundamentals, low interest rates globally and the USD's weakness over the last few months. Elsewhere, bourses in the CESEE region traded mixed, with Turkey's main BIST 100 index leading the losers' pack (-0.7%) and Romania's BETI bucking the negative trend to post daily gains to the tune of 0.5% at the time of writing.

Emerging market currencies and government bonds mostly lost ground as the US dollar maintained its composure in the wake of Fed Chair Yellen's speech yesterday, which added to expectations for a Fed rate hike in December. Expectations that the US Treasury department and the Republicans will unveil their tax plans later on Wednesday also favored the greenback. In FX markets, the Turkish lira extended this week's losses and marked the highest daily decline in the CESEE region on mounting geopolitical tensions in the Middle East after an Iraqi Kurdish independence referendum was held on Monday. According to initial results, voters showed overwhelming support (92%) in favor of the plebiscite. Final results are expected to be announced within three days. Baghdad has called the plebiscite unconstitutional, while Turkish President Tayyip Erdogan said that it is illegitimate and warned that Turkey is ready take any action needed on political, economic, trade and security fronts. Also supported by the USD's recovery over the last couple of weeks, the USD/TRY hit a new 2-month high at 3.5770 in early European trade further bouncing from a 9-month trough of 3.3835 hit on September 11th.

Looking into the remainder of the week, Turkey's government unveils today its medium-term programme, which also encompasses the government's economic forecasts over a 3-year time horizon. On Thursday, September's economic confidence index is due for release in Turkey. In Hungary, the government plans to sell T-bonds and Economy Minister Varga speaks on the country's economic outlook. On Friday, the focus is mainly on a sovereign credit rating review by Moody's on Bulgaria. The agency currently rates Bulgaria's long-term foreign exchange at Baaz with stable outlook. Also on Friday, August data are due; namely trade balance data and tourist arrivals in Turkey, Bulgaria's budget balance, Serbia's industrial production, retail sales and trade balance. In Poland, September's CPI is anticipated on that day.

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September 27, 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	2496.84	0.0%	11.5%	EUR/USD	1.1744	-0.4%	11.6%	UST - 10yr	2.29	5	-16	GOLD	1290	-0.3%	11.9%
Nikkei 225	20267.05	-0.3%	6.0%	GBP/USD	1.339	-0.5%	8.4%	Bund-10yr	0.47	6	26	BRENT CRUDE	58	-0.7%	2.1%
STOXX 600	385.14	0.3%	6.6%	USD/JPY	112.87	-0.5%	3.7%	JGB - 10yr	0.06	3	1	LMEX	3109	-0.6%	16.9%

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
T/N	2.72	-2	-28	O/N	1.02	14	46	LEONIA	0.01	0	1
1-week	2.84	-1	-33	1-month	1.1	14	34	1-month	-0.16	0	1
1-month	3.06	-1	-29	3-month	1.25	11	35	3-month	-0.09	-1	-2
3-month	3.31	-1	-16	6-month	1.35	10	24	6-month	0.04	0	-4
6-month	3.52	-1	-14	12-month	1.53	8	28	12-month	0.38	0	-3
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.51	0	-54	3Y RON	1.66	4	4	3Y BGN	-0.13	0	-28
5Y RSD	5.12	0	-24	5Y RON	2.42	3	-10	5Y BGN	0.05	1	-45
7Y RSD	5.58	0	-10	10Y RON	3.73	6	8	10Y BGN	1.25	-1	-65
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.66	-3	-67	EUR Oct-25	1.62	0	-52	EUR Mar-22	0.17	5	-70
USD Nov-24	6.34	1	-7	USD Jan-24	3.00	4	-89	EUR Sep-24	0.87	-5	-81
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	143	0	-65	5-year	100	0	-9	5-year	100	0	-52
10-year	195	-2	-61	10-year	146	0	-6	10-year	150	0	-44
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	721.2	-0.34%	0.53%	BET	7964.1	0.27%	12.41%	SOFIX	679.5	-0.56%	15.87%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.36	-0.30%	3.43%	EUR/RON	4.5997	0.02%	-1.32%	USD/BGN	1.6653	-0.41%	11.60%

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 12:50 EEST

September 27, 2017

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