



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 29, 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: Major currency pairs were little changed on the day with the DXY on track for weekly gains to the tune of 1.0%, the highest in a week so far this year. The long-awaited release of the Trump's tax reform plan late on Wednesday fueled market optimism over the US economy's growth prospects while the latest US inflation data provided some support to the view that the earlier weakness is likely to prove transitory, clearing the way for the Fed –in line with the message the Fed Chair delivered in a speech at the NABE meeting in Cleveland on Tuesday- to raise interest rates by an additional 25bps in December. Turning to the fixed income market, UST and Bund yields remained close to recent highs as investors start repricing the so-called "reflation theme". Focus today is on inflation data from the euro area and the US with surprises on either side having the potential to be major drivers for the EUR/USD and major government bonds in the coming sessions.

GREECE: Real GDP growth according to the Bank of Greece is expected at 1.7%, 2.4% and 2.8% in 2017, 2018 and 2019 respectively, conditional on the prompt and successful conclusion of the upcoming 3rd review of the ESM programme and the timely implementation of the privatization agenda.

SOUTH EASTERN EUROPE

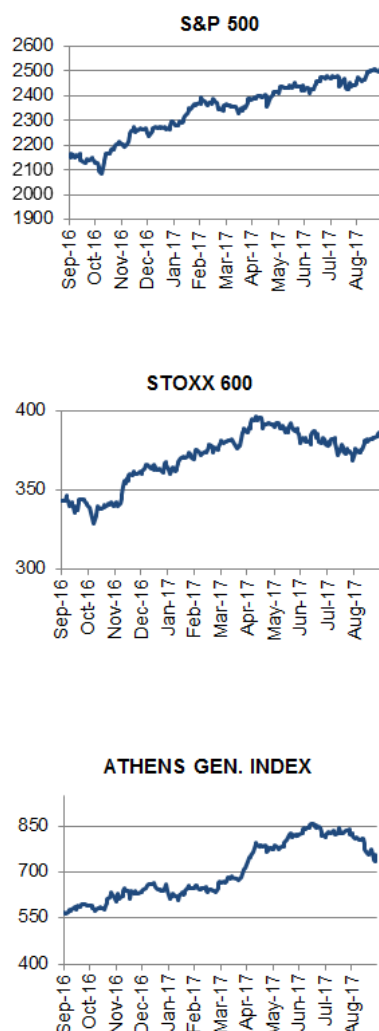
CESEE MARKETS: Emerging market assets recouped part of their recent losses earlier on Friday as major global sovereign bond yields and the USD pulled back from recent highs reinforcing their high yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major currency pairs were little changed on the day with the DXY index hovering around 93.122 at the time of writing in European trade on Friday, not too far from Thursday's six-week high and on track for weekly gains to the tune of 1.0%, the highest in a week so far this year. The long-awaited release of the Trump's tax reform plan late on Wednesday fueled market optimism over the US economy's growth prospects while the latest US inflation data provided some support to the view that the earlier weakness is likely to prove transitory, clearing the way for the Fed - in line with the message the Fed Chair delivered in a speech at the NABE meeting in Cleveland on Tuesday - to raise interest rates by an additional 25bps in December. Against a broadly firmer USD, the EUR/USD came under pressure hitting a session low of 1.1720 on Thursday, close to a one-month trough of 1.1715 marked a day earlier, before recovering to levels slightly above 1.1800 in European trade on Friday. In spite of today's upside attempt, the pair remains some 2.5% lower from a 2 ½ year peak of 1.2092 marked on September 8th, weighed down by market concerns over potential implications of the German federal election outcome for the future of the euro area after a far right nationalist party made it into Bundestag for the first time in more than a century. Meanwhile, tensions in Catalonia continue to increase with the regional government continuing to argue that the independence referendum will take place on Sunday, October 1st, having discounted so far all threats coming from the Spanish government which tries to prevent it using several tools in its legal and political power. Turning to the fixed income market, UST and Bund yields remained close to recent highs as investors start repricing the so-called "reflation theme" following the release of Trump's proposed tax reform plan. US Treasuries underperformed with the 10-yr UST/Bund yield spread widening to c. 184.5bps, the highest since mid-August. Focus today is on inflation data from the euro area and the US with surprises on either side having the potential to be major drivers for the EUR/USD and major government bonds in the coming sessions. For the euro area, flash HICP estimates from Germany and Spain yesterday suggest that risks are tilted to the downside compared to market consensus for an uptick in the euro area headline to 1.6%YoY in September from 1.5%YoY in the prior month. In the US, consensus is for the core PCE deflator -the Fed's preferred inflation measure- to remain stable at 1.4%YoY in August while any downside surprise could likely raise questions about the Fed's willingness to push interest rates higher in December.

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GREECE

The Bank of Greece Governor Yannis Stournaras stated yesterday that the Greek economy is currently on a growth track and that economic activity will pick up at a stronger pace in the following two years. Real GDP growth according to the Bank of Greece is expected at 1.7%, 2.4% and 2.8% in 2017, 2018 and 2019 respectively, conditional on the prompt and successful conclusion of the upcoming 3rd review of the ESM programme and the timely implementation of the privatization agenda. Furthermore, according to the Bank of Greece's Governor, the growth prospects of the country, will contribute significantly on the effort of the Greek banks to manage the stock of NPEs in the upcoming period. On the same lines, Mr. Poul Thomsen, Director of the IMF's European Department, stated yesterday that the Fund does not have any financial stability concerns over Greece and that the recent proposal by the ECB to bring forward - before the end of the current Greek programme - the already scheduled for 2018 stress tests for the Greek banks is constructive. The results of the stress tests will permit a better assessment of the current strategy for the Greek banking sector and thus eliminate the need for a full asset quality review. Finally, the World Economic Forum ranked Greece 87th among 137 countries in its 2017-2018 Global Competitiveness Report with the tax rates, the insufficient government bureaucracy, the tax regulations, the policy instability and the government instability as the main problematic factors for doing business in Greece. Greece ranked 86th last year and 81st in 2015 in the aforementioned competitiveness report.

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September 29, 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

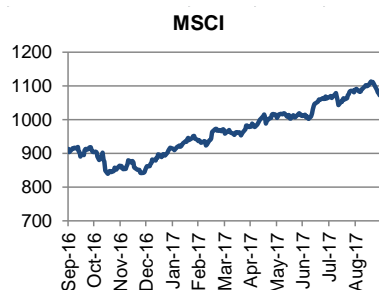
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Emerging market assets recouped part of their recent losses earlier on Friday as major global sovereign bond yields and the USD pulled back from recent highs reinforcing their high yield allure. In stock markets, the MSCI Emerging Markets index rose by 0.7% earlier in the session compared to Thursday's settlement, snapping a 6-session falling streak - the longest since May 2016 – and recovering from yesterday's 5-week lows. Despite today's upturn, limited risk appetite in view of persisting geopolitical tensions related to news around North Korea, higher UST yields in view of the US administration's tax reform proposal and increased likelihood over recent days for further FOMC monetary policy tightening this year have weighed on the said index this week. Yet, the index remains not too far from a 3-year peak hit early last week and is poised to end in the black for the third consecutive quarter - the longest such rising streak since 2010 - currently enjoying gains in excess of 6% compared to its levels at the end of June. Providing support on the index have been developing economies' improving macroeconomic fundamentals, low interest rates globally and the USD's weakness over the last few months.

The majority of bourses in the CESEE region also firmed earlier today, with Hungary's main BUX index rallying by ca 1% in early European trade. At the same time, Turkey's main BIST 100 index bucked the positive trend to stand in a modestly negative territory, braced to end the week down by 1.6%. The index suffered hefty losses on Wednesday on the back of increased geopolitical tensions in the Middle East after an Iraqi Kurdish independence referendum that was held on Monday received overwhelming support (92%). 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.

Most emerging market currencies and government recovered ground in morning trade as the US dollar moved lower from Thursday's highs ahead of today's key US PCE data. In the FX markets, the Turkish lira posed among the region's outperformers, with the USD/TRY hovering around levels of 3,5500 at the time of writing, having pulled back from a 2-month peak of 3,5960 hit in the prior session. Yet the pair remains well above a 9-month trough of 3,3835 hit on September 11th, as the Turkish currency has come under pressure over the last couple of weeks, weighed down by the USD's strengthening, limited risk appetite over the last few session's and mounting geopolitical tensions in the Middle East. Trade deficit data for August released earlier today seemed to have a negligible impact on the lira, despite adding to concerns about widening external imbalances in the country. In more detail, shortfall widened by 22.8%YoY USD 5.87bn. Elsewhere, the Polish zloty rebounded by 0.6% from yesterday's 6 ½ month low, supported by market expectations that September's CPI data release today (12:00GMT) will show a modest rise to a 5-month high of 2.0%YoY from 1.8%YoY in the prior month.

Today's calendar in the CESEE region encompasses of a sovereign credit rating review by Moody's on Bulgaria. The agency currently rates Bulgaria's long-term foreign exchange at Baa2 with stable outlook. Following the release of August's trade balance and tourist arrivals data in Turkey earlier on the day, Bulgaria's budget balance, Serbia's industrial production, retail sales and trade balance, all for last month, are also expected to be published later on Friday. Poland's CPI for September also lures market attention.

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September 29, 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	2510.06	0.1%	12.1%	EUR/USD	1.1791	0.0%	12.1%	UST - 10yr	2.31	0	-13	GOLD	1287	0.0%	11.7%
Nikkei 225	20356.28	0.0%	6.5%	GBP/USD	1.3392	-0.4%	8.4%	Bund-10yr	0.47	-1	26	BRENT CRUDE	57	-0.1%	0.9%
STOXX 600	386.37	0.0%	6.9%	USD/JPY	112.59	-0.2%	3.9%	JGB - 10yr	0.06	-1	2	LMEX	3140	0.9%	18.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.73	1	-27
1-week	2.85	1	-32
1-month	3.07	1	-28
3-month	3.32	1	-15
6-month	3.53	1	-13

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	-1	-53
5Y RSD	5.00	0	-35
7Y RSD	5.21	0	-42

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.62	-4	-71
USD Nov-24	6.34	1	-7

CDS

	Last	ΔDbps	ΔYTD bps
5-year	140	0	-68
10-year	191	0	-64

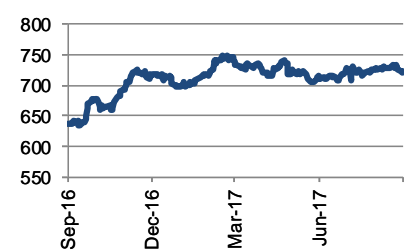
STOCKS

	Last	ΔD	ΔYTD
BELEX15	723.2	0.28%	0.81%

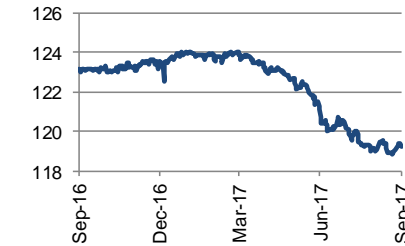
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.94	0.32%	3.80%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.4	0	84
1-month	1.45	0	69
3-month	1.46	0	56
6-month	1.57	0	46
12-month	1.65	0	40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.73	1	11
5Y RON	2.46	-1	-6
10Y RON	3.77	-2	12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.72	0	-42
USD Jan-24	3.05	0	-85

CDS

	Last	ΔDbps	ΔYTD bps
5-year	102	2	-7
10-year	149	3	-4

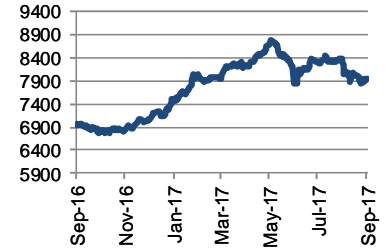
STOCKS

	Last	ΔD	ΔYTD
BET	7947.4	0.16%	12.17%

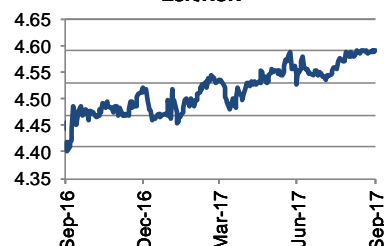
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6013	0.01%	-1.35%

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	-0.10	-2	-3
6-month	0.02	-2	-6
12-month	0.37	-1	-4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.18	-1	-34
5Y BGN	0.00	-2	-50
10Y BGN	1.02	0	-88

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.16	4	-71
EUR Sep-24	0.87	17	-82

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	-2	-52
10-year	148	-2	-46

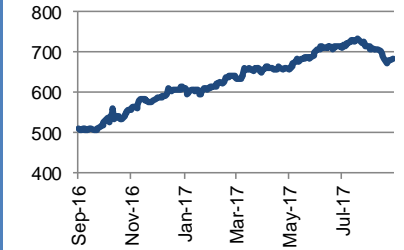
STOCKS

	Last	ΔD	ΔYTD
SOFIX	688.8	-0.08%	17.46%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6587	0.04%	12.04%

SOFIX Index



USD/BGN



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

Data updated as of 10:30 EEST

September 29, 2017

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