



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, August 17, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Aug 16
  - Housing starts (Jul)
  - Building permits (Jul)
  - CPI (Jul)
  - Industrial production (Jul)
  - Fed's Lockhart speaks
- Aug 17
  - Fed's Bullard speaks
  - FOMC July 26-27 meeting minutes
- Aug 18
  - Jobless claims (weekly)
  - Fed's Bullard speaks
- Aug 19: Fed's Kaplan speaks

##### EUROZONE

- Aug 18: HICP & core (Jul, f)

##### GREECE

- Aug 19: Current account balance (Jun)

#### SEE

##### BULGARIA

- Aug 17: Current account balance (Jun)

##### ROMANIA

- Aug 18: 3.25% 2021 T-bonds auction
- Aug 19: Sovereign credit rating by Moody's

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Trailing losses in Wall Street overnight European bourses broadly fell earlier on Wednesday and Asian stock markets closed mixed following hawkish comments by Fed officials yesterday. Against this backdrop, the US dollar recovered some ground against other major currency peers today. Focus today is on the release of the FOMC's July 26-27 meeting minutes, while St. Louis Fed President James Bullard also speaks later on Wednesday. For the remainder of the week, jobless claims and Fed officials' speeches also lure market attention in the US, while July's inflation data on Thursday is among the most notable releases in the Eurozone.

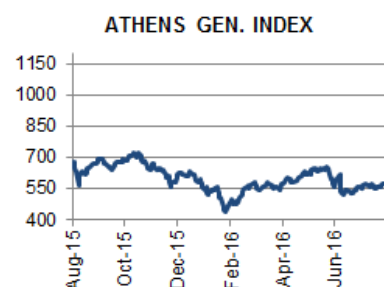
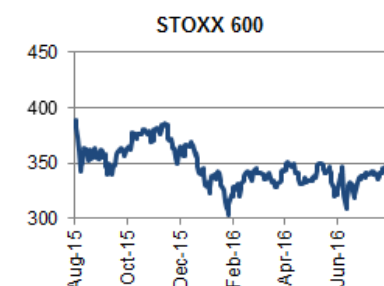
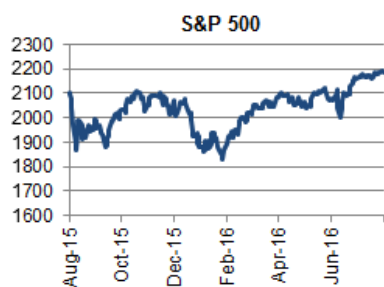
### SOUTH EASTERN EUROPE

**SERBIA:** The EUR/RSD remained trapped within a tight range over the last week or so despite abundant developments on the domestic macroeconomic and political radar.

**CESEE MARKETS:** Taking their cue from losses incurred in major global bourses, emerging stock markets broadly fell earlier on Wednesday paring part of their recent gains as increased expectations for a Fed rate hike this year dented investor appetite towards risky assets. Regional currencies broadly recoiled against a stronger US dollar, while government bonds were mixed with paper of longer maturity underperforming. Looking into the remainder of the week, the CESEE calendar is mostly dominated by macroeconomic data releases and government bond auctions in Poland. That said, sovereign debt rating reviews by Moody's for Romania and by Fitch for Turkey take centre stage on Friday.

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Trailing losses in Wall Street overnight European bourses broadly fell earlier on Wednesday and Asian stock markets closed mixed following hawkish comments by Fed officials yesterday. New York Fed President William Dudley noted on Tuesday that the US Central Bank is getting closer to hike rates with such a move “possible” as soon as September, as the US labor market improves and evidence is building over rising wages. Echoing these comments, Atlanta Fed President Dennis Lockhart (currently non-voter) noted that he would not rule out at least one rate increase this year, with September in play for such action and two increases in 2016 being “conceivable”, as economic fundamentals remain strong and the Fed appears on track to reach inflation and employment objectives within 18 months. Their comments come a few days ahead of the high-profile annual meeting of top Central Bankers in Jackson Hole, Wyoming, next week (August 25-26), an event where Fed Chair Janet Yellen is expected to give a speech and which is expected to be closely scrutinized by market participants for any hints on the Fed’s future monetary deliberations.

In FX markets, the US dollar recovered some ground against other major currency peers earlier on Wednesday, following hawkish comments by Federal Reserve officials yesterday. As of yesterday, futures contracts showed a 51.0% probability for a Fed rate hike by December, the highest in more than two months, vs. 44.8% on Monday and 35.7% at the end of July. Along these lines, the DXY dollar index, a measure of the greenback’s performance against a basket of six foreign currencies, rose as far as levels just above 95 in Asian trade today, having pulled back from a near 2-month trough of 94.426 hit in the prior session. Similarly, the EUR/USD hovered around levels of 1.1265/69 at the time of writing having eased from yesterday’s 7-½ week peak of 1.1322 and the USD/JPY traded near 100.77/80 in European trade from a near 2-month low of 99.53 in the prior session which marked the second drop below 100 since 2013.

Focus today in on the release of the FOMC’s July 26-27 meeting minutes, while St. Louis Fed President James Bullard also speaks later on Wednesday. For the remainder of the week, jobless claims and Fed officials’ speeches also lure market attention in the US, while July’s inflation data on Thursday is among the most notable releases in the Eurozone.

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August 17, 2016

**BULGARIA: Indicators**

	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**CYPRUS: Indicators**

	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

\* ESA 2010

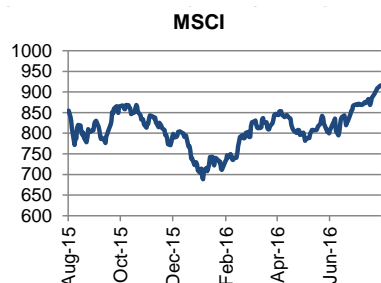
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**ROMANIA: Indicator:**

	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities**SERBIA: Indicators**

	2014	2015	2016f
Real GDP growth %	-1.8	0.8	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

**Credit Ratings**

L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Research

## Latest economic & market developments in the CESEE region

### SERBIA

The EUR/RSD remained trapped within a range of 123.10-123.40 over the last week or so despite abundant developments on the domestic macroeconomic and political radar. The pair was anticipated to remain bound within tight ranges due to the summer lull. Meanwhile, the broadly anticipated Central Bank's monetary policy decision last week to leave the key policy rate unchanged at the record low of 4.00% also boded well for the dinar's stability against major currency peers. Additionally, a rise to a 5-month peak of 1.2%YoY in headline CPI did not have a material impact on the RSD as was broadly attributed to base effects. With regards to upcoming inflation developments, CPI is anticipated to be mostly affected by two factors in the remainder of the year; on the upside is the low base effect of petroleum prices and on the downside the continuous low food production prices, which will likely continue to keep price pressures at bay in the months to come. Overall, it is expected that inflation will linger just below the target tolerance band (4±1.5%) until at least early in 2017. On the political front, after three months of ongoing uncertainty, the Prime Minister disclosed last week the new cabinet members. The coalition will include once again the Socialist Party, whose leader Ivica Dacic will retain the Ministry of Foreign Affairs post. The Progressives and Socialists will hold a stable majority of 160 MPs (out of 250) in the Assembly. Looking ahead the EUR/RSD is likely to move gradually higher towards 124.00 by the end of September and 125.00 by year-end.

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### CESEE MARKETS

Taking their cue from losses incurred in major global bourses, emerging stock markets broadly fell earlier on Wednesday paring part of their recent gains as increased expectations for a Fed rate hike as soon as September dented investor appetite towards risky assets. A drop in oil prices also weighed on energy-related shares. Against this backdrop, the MSCI Emerging Markets index fell by 0.7% in European trade today, retreating from yesterday's 1-year peak. Bourses in the CESEE region were mixed, with Poland's main WIG index leading the losses with a 0.9% decline. On the flipside, Turkey's, Hungary's and Bulgaria's main stock indices bucked the negative trend to stand in a modestly positive territory in mid-European trade.

Regional currencies broadly recoiled against a stronger US dollar, while government bonds were mixed with paper of longer maturity underperforming. In FX markets, the Polish zloty stood ca 0.4% weaker against the euro on the day hovering around levels of 4.2880 at the time of writing. Caution also prevailed ahead of key data releases in Poland this week. Potentially weak labor market, consumer and industrial production figures for July in tandem with ongoing deflation pressures (headline CPI at -0.9%YoY and core CPI at -0.4%YoY in July) may fan new speculation for Central Bank monetary policy easing in Poland and weigh on the domestic currency. The Hungarian forint also lost ground, with the EUR/HUF trading at 310.10 earlier today, though remaining within distance from a 308.97 near 4-month low hit earlier in the week after data showed an improvement in economic activity in the second quarter of the year. In more detail, real GDP growth picked up pace in Q2 coming in at 2.6%YoY from 0.9%YoY in the prior quarter. The latter marked the slowest pace of increase since Q2 2013 when economic activity contracted by 0.4%YoY.

Looking into the remainder of the week, the CESEE calendar is mostly dominated by macroeconomic data releases and government bond auctions in Poland. That said, sovereign debt rating reviews by Moody's for Romania and by Fitch for Turkey take centre stage on Friday.

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GLOBAL MARKETS

Stock markets				FOREX				Government Bonds				Commodities			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
S&P 500	2184.62	-0.3%	6.9%	EUR/USD	1.1262	0.7%	3.7%	UST - 10yr	1.56	1	-71	GOLD	1343	0.3%	26.5%
Nikkei 225	16596.51	-1.6%	-12.8%	GBP/USD	1.2968	0.7%	-12.0%	Bund-10yr	-0.07	1	-69	BRENT CRUDE	48	0.0%	29.6%
STOXX 600	344.01	-0.6%	-6.0%	USD/JPY	100.28	1.0%	19.7%	JGB - 10yr	-0.09	0	-35	LMEX	2407	0.7%	9.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔD	ΔYTD
T/N	302	0	-1
1-week	3.17	1	-2
1-month	3.30	-1	-21
3-month	3.57	0	-26
6-month	3.78	1	-25

RS Local Bonds

	Last	ΔD	ΔYTD
3Y RSD	2.95	xs	-54
5Y RSD	4.60	0	-52
7Y RSD	5.50	-1	-220

RS Eurobonds

	Last	ΔD	ΔYTD
USD Nov-17	2.37	0	-79
USD Nov-24	6.37	3	-5

CDS

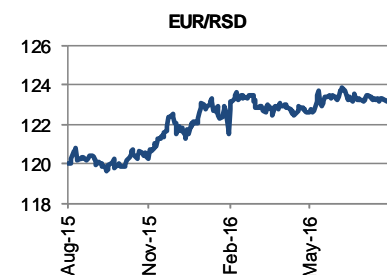
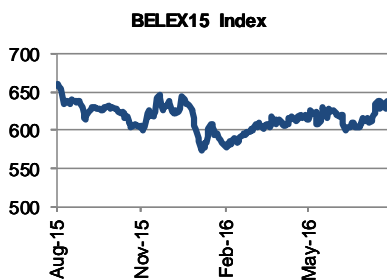
	Last	ΔD	ΔYTD
5-year	231	0	-44
10-year	280	0	-60

STOCKS

	Last	ΔD	ΔYTD
BELEX15	621.1	-1.55%	-3.57%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.20	0.01%	-1.31%



ROMANIA

Money Market

ROBOR	Last	ΔD	ΔYTD
O/N	0.51	#VALUE!	-2
1-month	0.58	#VALUE!	-11
3-month	0.78	#VALUE!	-24
6-month	1.02	#VALUE!	-32
12-month	1.18	#VALUE!	-34

RO Local Bonds

	Last	ΔD	ΔYTD
3Y RON	1.48	-2	-45
5Y RON	2.13	-3	-67
10Y RON	2.86	-1	-92

RO Eurobonds

	Last	ΔD	ΔYTD
EUR Oct-25	1.83	#N/A N/A	-73
USD Jan-24	2.76	-5	-103

CDS

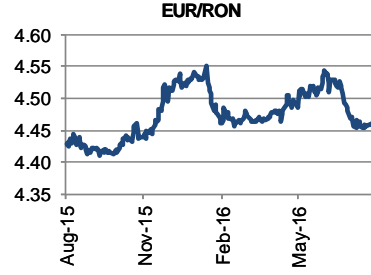
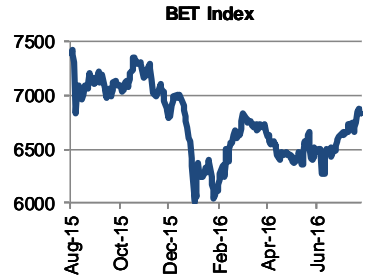
	Last	ΔD	ΔYTD
5-year	112	2	-21
10-year	156	2	-16

STOCKS

	Last	ΔD	ΔYTD
BET	6860.3	1.05%	-2.06%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4585	0.04%	1.24%



BULGARIA

Money Market

SOFIBOR	Last	ΔD	ΔYTD
LEONIA	-0.05	0	-6
1-month	-0.15	0	-31
3-month	-0.03	1	-29
6-month	0.12	0	-41
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔD	ΔYTD
3Y BGN	0.29	0	-31
5Y BGN	0.84	-3	-43
10Y BGN	2.12	0	-54

BG Eurobonds

	Last	ΔD	ΔYTD
EUR Jul-17	-0.12	10	-19
EUR Sep-24	1.68	194	-74

CDS

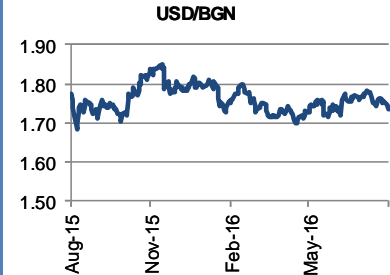
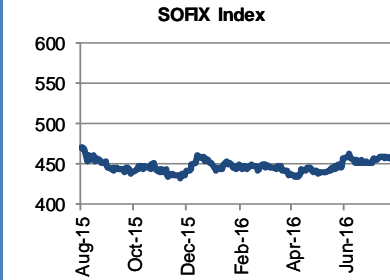
	Last	ΔD	ΔYTD
5-year	145	0	-27
10-year	191	0	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	463.6	0.38%	0.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7365	0.71%	3.67%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 16:45 EEST of previous session

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