



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, August 18, 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:** European bourses advanced earlier on Thursday, and futures in Wall Street were little changed after registering modest gains overnight following the release of the Fed meeting minutes which somewhat dented expectations for an imminent interest rate hike. In response, US Treasury yields fell and the US dollar retreated against other major currency peers.

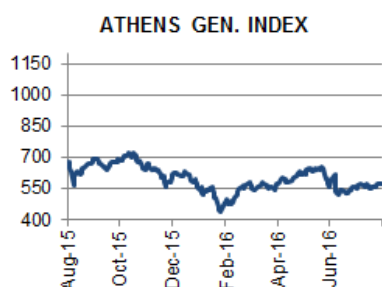
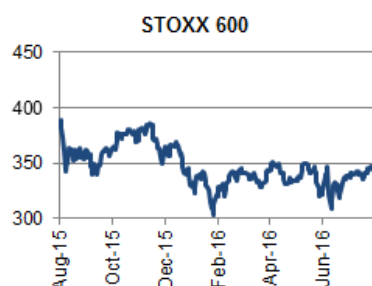
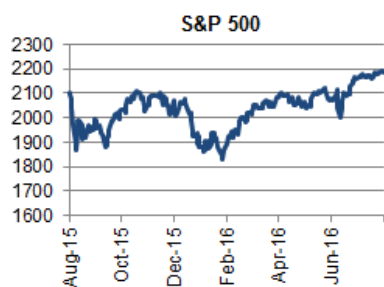
### SOUTH EASTERN EUROPE

**ROMANIA:** The Ministry of Finance sold on Thursday the planned amount of RON 500mn (~€112mn) of 5-year government bonds at an average accepted yield of 2.13%.

**SERBIA:** The National Bank of Serbia released yesterday its August Inflation Report, where it envisions real GDP growth at the upper bound of May's 2.25-2.5% projected range and anticipates a further pick up to 3.0% in 2017 (in line with the projection in the previous Inflation Report).

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Asian equity markets closed mixed, while European bourses advanced earlier on Thursday, and futures in Wall Street were little changed after registering modest gains overnight following the release of the Fed meeting minutes which somewhat dented expectations for an imminent interest rate hike.

In Asia, Hang Seng (+1.0%) rallied following a number of positive earnings reports, while Nikkei 225 (-1.6%) closed in a negative territory as the yen strengthened breaking above \$100 earlier in the morning.

After a relatively hawkish set of comments from Fed officials earlier in the week, the July 26-27 FOMC minutes, released yesterday, revealed a rather divided Committee on whether to further raise interest rates in the near future. On balance, the Committee appeared upbeat about the US economic outlook, acknowledging signs of strengthening in the labor market over the intermeeting period and a moderate expansion in economic activity. However, FOMC members agreed that it was best to "continue to leave their policy options open" and that more economic data is needed "in order to gauge the underlying momentum in the labor market and economic activity" before proceeding with further removing monetary policy accommodation.

The reaction in global financial markets suggested that the minutes were perceived as being rather on the dovish side. In response, US Treasury yields fell, with the 10-year benchmark standing 3bps at 1.5440% in European trade today compared to Tuesday's settlement, a day before the release of the FOMC minutes. Meanwhile, the US dollar retreated against other major currency peers. The DXY dollar index, a measure of the greenback's performance against a basket of six foreign currencies, recoiled to a 2-month trough of 94.324 in Asian markets after hitting a session peak at 95.102 in European trade on Wednesday ahead of the FOMC minutes release. In a similar vein, the EUR/USD bounced as far as a 2-month high of 1.1338 earlier today in European trade, before pulling back towards levels around 1.1313/14 at the time of writing.

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## Latest economic & market developments in the CESEE region

### ROMANIA

The Ministry of Finance sold on Thursday the planned amount of RON 500mn (~€112mn) of 5-year government bonds at an average accepted yield of 2.13%. The latter stands 27bps below that achieved at a prior auction of same maturity paper held in late July. The issue matures on March 22, 2021 and bears a coupon of 3.25%. The tender's bid to cover ratio came in at 2.0 reflecting strong investor demand.

### SERBIA

The National Bank of Serbia (NBS) released yesterday its August Inflation Report, where it envisions real GDP growth at the upper bound of May's 2.25-2.5% projected range and anticipates a further pick up to 3.0% in 2017 (in line with the projection in May's Inflation Report) driven mainly by manufacturing and construction. With regards to upcoming inflation developments, the Central Bank revised slightly lower its inflation forecasts citing a downward revision in its previous assumptions of primary commodity prices and a decline in domestic vegetable prices in Q2. In this context, the Central Bank anticipates that inflation will return within the target tolerance band of 2.5-5.5 by mid-2017 rather than early next year as was previously penciled in. Additionally, net FDI inflows are seen coming in at €1.6bn or 5% of GDP in 2016 and fully cover a projected current account deficit of 4.2% of GDP.

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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

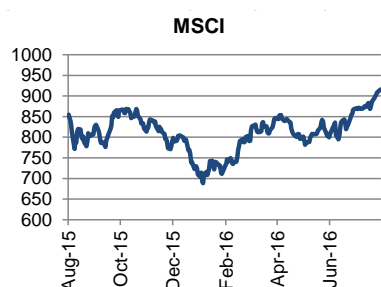
ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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

August 18, 2016

**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	2182.22	0.2%	6.8%	EUR/USD	1.1312	0.2%	4.2%	UST - 10yr	1.55	1	-72	GOLD	1351	0.2%	27.3%
Nikkei 225	16486.01	-1.6%	-13.4%	GBP/USD	1.3143	0.8%	-10.8%	Bund-10yr	-0.08	-3	-71	BRENT CRUDE	50	0.5%	34.3%
STOXX 600	342.05	0.5%	-6.5%	USD/JPY	100.39	-0.1%	19.6%	JGB - 10yr	-0.08	-1	-35	LMEX	2412	-0.3%	9.5%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-1	-2
1-week	3.15	-2	-4
1-month	3.29	-2	-22
3-month	3.53	-4	-30
6-month	3.74	-4	-29

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.69	xs	-97
5Y RSD	4.48	-12	-65
7Y RSD	5.52	4	-218

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.41	4	-76
USD Nov-24	6.40	1	-1

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	231	0	-44
10-year	279	0	-61

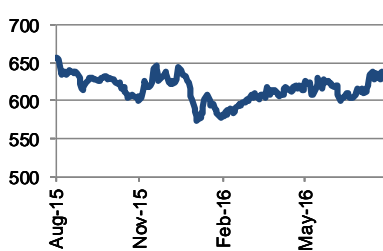
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	620.2	-0.09%	-3.71%

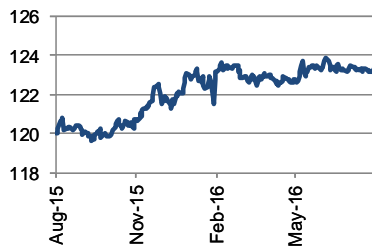
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.36	-0.11%	-1.44%

**BELEX15 Index**



**EUR/RSD**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	-1	-6
1-month	0.56	0	-13
3-month	0.75	-1	-27
6-month	1	0	-34
12-month	1.13	-3	-39

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.49	0	-44
5Y RON	2.12	-1	-68
10Y RON	2.86	-1	-92

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.81	1	-76
USD Jan-24	2.82	0	-96

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	113	1	-20
10-year	158	2	-14

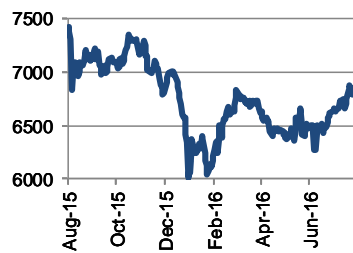
**STOCKS**

	Last	ΔD	ΔYTD
BET	6898.3	0.47%	-1.51%

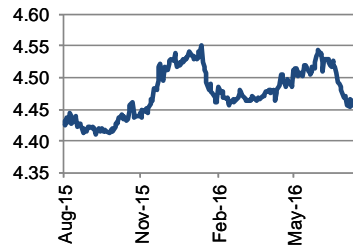
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4709	0.11%	0.96%

**BET Index**



**EUR/RON**



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.14	0	-30
3-month	-0.03	0	-29
6-month	0.12	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.29	0	-31
5Y BGN	0.78	-10	-49
10Y BGN	2.05	1	-61

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.09	-5	-16
EUR Sep-24	1.66	-5	-77

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	146	1	-25
10-year	192	1	-24

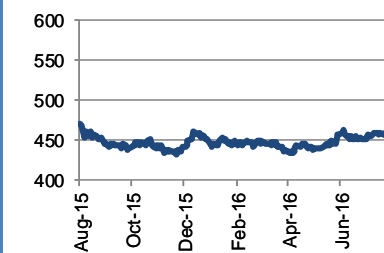
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	468.4	0.11%	1.63%

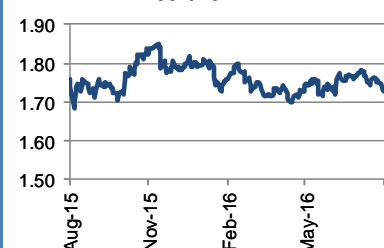
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.729	0.21%	4.12%

**SORIX Index**



**USD/BGN**



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 16:30 EEST

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