

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, August 19, 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

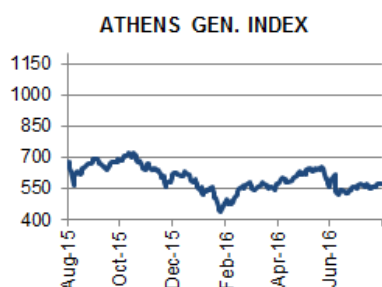
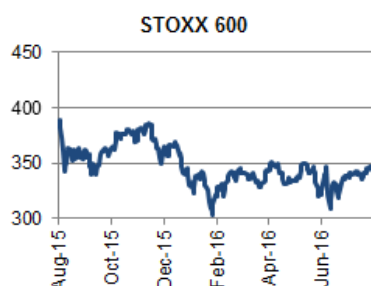
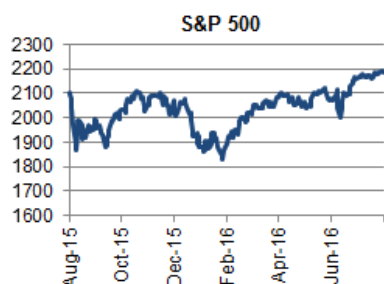
GLOBAL MARKETS: Wall Street posted modest gains overnight, though Asian equity markets closed mixed and European bourses traded on the back foot earlier on Friday following hawkish comments by Fed officials yesterday, while trading volumes were thin due to the summer lull. In FX markets, the US dollar regained some ground against other major currency peers after new Fed officials' hawkish comments.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging Market assets broadly fell earlier on Friday after hawkish Fed officials' comments. Regional currencies broadly recoiled against a stronger US dollar, while government bonds were mixed. Today's focus is primarily on Fitch's sovereign credit review for Turkey. Moody's is also expected to issue a review for Romania later on Friday.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Wall Street posted modest gains overnight with the S&P 500 and the Dow Jones indices closing 0.22% and 0.13% higher on the day respectively. Both indices are trading near records highs, receiving support from monetary policy accommodation by major Central Banks around the globe and the recent rally in oil prices, while somewhat scaled back expectations for a US rate hike in 2016 - post Wednesday's FOMC minutes - also favored US equity. Fresh comments by Fed officials yesterday did not offer much new insight over the FOMC's monetary policy deliberations ahead in a week largely dominated by mixed Fed signals. New York Fed President William Dudley highlighted on Thursday that the US labor market is strengthening, signaling consistency with his remarks earlier in the week about a possible rate hike in the near future. His San Francisco counterpart John Williams suggested that another rate hike should be considered as soon as September, while Dallas Fed President Robert Kaplan noted that there is room for maneuver on interest rates though not as much as many believe. Their comments come in contrast to the relatively dovish tone evidenced in the July FOMC meeting minutes where the Committee 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. Attention now shifts to the annual meeting of world central bankers in Jackson Hole, Wyoming, where Fed President Janet Yellen's speech will likely be closely scrutinized by market participants for any potential hints of the FOMC's future monetary policy framework. US data yesterday were broadly in line with market consensus, with a pick-up in Philadelphia's Fed manufacturing Index of 4.9 pts to 2.0 and a slight decline in initial jobless claims at 262k (-4k from the prior week, 265k market's median forecast).

Asian equity markets closed mixed and European bourses traded on the back foot earlier on Friday following hawkish comments by Fed officials yesterday, while trading volumes were thin due to the summer lull. The European STOXX 600 index fell by 0.7%, sheering away from a 7-week peak hit earlier in the week.

In FX markets, the US dollar regained some ground against other major currency peers after new Fed officials' hawkish comments. The DXY dollar index, a measure of the greenback's performance against a basket of six foreign currencies, rose to levels around 94.550 in Asian trade from a 2-month trough of 94.077 hit intraday in the prior session, a day after the July FOMC meeting minutes release. Elsewhere, the EUR/USD hovered around levels of 1.1314/18 at the time of writing, having pulled back from Thursday's 8-week peak of 1.1365. Meanwhile, the USD/JPY remained in focus trading near 100.15/19 in European markets after breaching earlier today the 100 key psychological level once again.

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August 19, 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

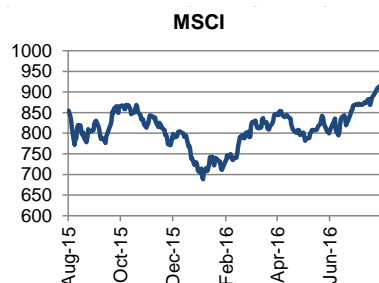
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging Market assets broadly fell earlier on Friday after hawkish Fed officials' comments signaled that a rate hike in the imminent future remains on the cards. Against this backdrop, the MSCI Emerging Markets index fell by 0.8% in European trade today, though poised to close the week not too far from a 1-year peak hit a few days ago. In a similar vein, CESEE stock markets stood in the red at the time of writing, with Poland's main WIG index leading the losses with a 0.9% decline.

Regional currencies broadly recoiled against a stronger US dollar, while government bonds were mixed. In FX markets, the Turkish lira broadly underperformed its regional peers ahead of a sovereign debt rating review by Fitch due later on the day. With the said agency being the only one among the main three still rating the country's outlook stable, a revision to negative today after the recently failed coup and increased headwinds to domestic economic activity appears to be on the cards. In this context, the USD/TRY rose to a multi-session peak of 2.9443 earlier today, before pulling back towards 2.9360 in European trade though remaining within distance from a 2.9118 1-month trough hit on Thursday. The Polish zloty also recoiled after dovish comments by a Central Bank official and downbeat data released earlier this week reignited speculation for a resumption of monetary policy easing. Although July's average gross wage growth slowed modestly to 4.8%YoY, industrial production and retail sales data for the same month disappointed expectations with growth in the former unexpectedly contracting by 3.4%YoY and the latter slowing more than anticipated to 2.0%YoY. Meanwhile, MPC member Jerzy Zyzynski suggested yesterday that he may file a motion to cut in interest rates after the summer holidays. In view of the aforementioned developments, the EUR/PLN hovered around levels of 4.2956 at the time of writing, approaching anew a 2-week peak of 4.3022 hit earlier in the week.

The macroeconomic calendar in the CESEE region today is relatively thin, with the focus primarily lying on Fitch's review for Turkey. Moody's is expected to issue a sovereign debt rating review for Romania, though it unlikely to announce a change in the country's ratings.

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August 19, 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	LME X	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

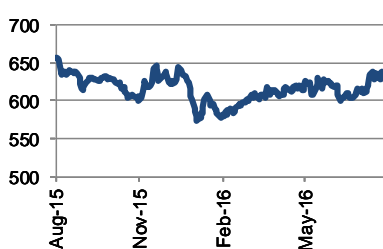
STOCKS

	Last	ΔD	ΔYTD
BELEX15	620.2	-0.09%	-3.71%

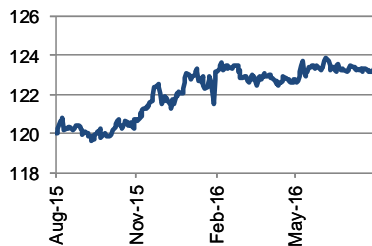
FOREX

	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

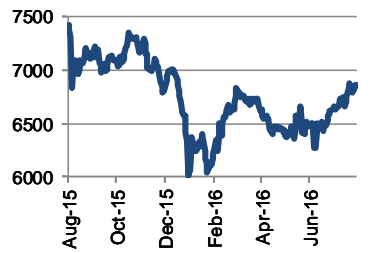
STOCKS

	Last	ΔD	ΔYTD
BET	6898.3	0.47%	-1.51%

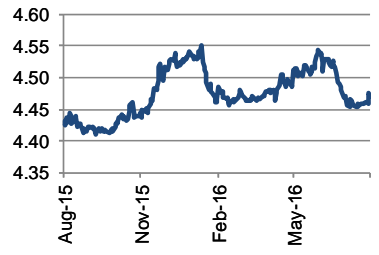
FOREX

	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

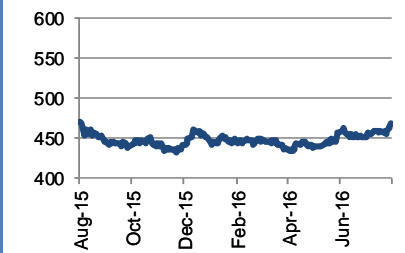
STOCKS

	Last	ΔD	ΔYTD
SOFIX	468.4	0.11%	1.63%

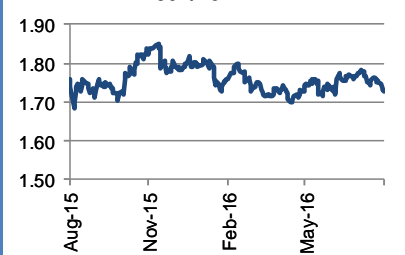
FOREX

	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 of previous session

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