

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Aug 22: Chicago FED Nat Activity Index (Jul)
- Aug 23
  - New home sales (Jul)
  - Richmond Fed manufacturing (Aug)
  - Markit PMI manufacturing (Aug, p)
- Aug 24
  - MBA Mortgage applications (Aug 19)
  - FHFA House price index (Jun)
  - Existing home sales (Jul)
- Aug 25
  - Jobless claims (weekly)
  - Durable goods orders (Jul, p)
  - Kansas Fed manufacturing index (Aug)
- Aug 26
  - GDP (Q2, 2<sup>nd</sup> est)
  - UoM sentiment (Aug, f)
  - Fed Chair Janet Yellen speaks at Jackson Hole Symposium

#### EUROZONE

- Aug 23: Markit PMIs (Aug, p)
- Aug 24: DE: GDP (Q2)
- Aug 25: DE: Ifo business climate (Aug)

#### SEE BULGARIA

- Aug 26: Gross external debt (Jun)

#### ROMANIA

- Aug 22: 2.25% 2020 T-bonds auction
- Aug 25: 3.25% 2024 T-bonds auction

#### SERBIA

- Aug 22: Current account balance (Jun)
- Aug 25: Real gross wages (Jul)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

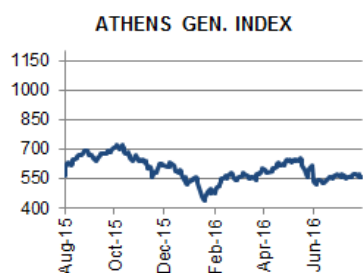
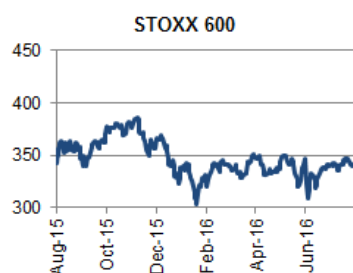
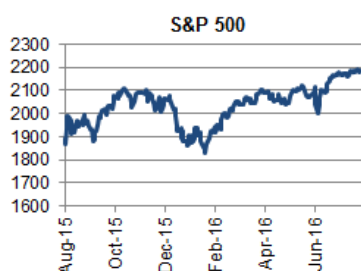
**GLOBAL MARKETS:** Trailing modest losses in Wall Street on Friday, the majority of Asian equity markets dropped after new hawkish comments by Fed officials and as caution prevailed ahead of Fed Chair Janet Yellen's speech later in the week. On the flipside, European bourses broadly rose earlier on Monday on M&A news and in a recovery move after last week's losses. In FX markets, the US dollar kicked off the week on a firmer footing. Focus this week is primarily on the annual meeting of world central bankers in Jackson Hole, Wyoming, where Fed President Janet Yellen's speech on Friday is expected to be closely scrutinized by market participants for any potential hints of the FOMC's future monetary policy framework.

### SOUTH EASTERN EUROPE

**SERBIA:** The EUR/RSD made last week another failed attempt to move below the key psychological level of 123.00 as the National Bank of Serbia demonstrated, once again, its willingness to halt further dinar appreciation.

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Trailing modest losses in Wall Street on Friday, the majority of Asian equity markets dropped after new hawkish comments by Fed officials and as caution prevailed ahead of Fed Chair Janet Yellen's speech later in the week. Following a hawkish set of Fed officials' comments last week, Fed Vice Chairman Stanley Fischer signaled on Sunday that a 2016 hike is still under consideration, stating that U.S. economy is close to the Central Bank's employment and inflation targets. His comments come on the heels of those by San Francisco Fed President John Williams who said on Friday that a September rate hike should be in play.

On the flipside, European bourses broadly rose earlier on Monday on M&A news and in a recovery move after last week's losses. Indicatively, the European STOXX 600 index rose by 0.6% in morning trade, after marking last week (-1.7%) its biggest weekly decline in about two months.

In FX markets, the US dollar kicked off the week on a firmer footing after new Fed officials' hawkish comments. In this context, the DXY dollar index, a measure of the greenback's performance against a basket of six foreign currencies, bounced to a multi-session peak of 94.958 in Asian trade, rising further above a 2-month trough of 94.077 hit last week after the July FOMC meeting minutes release. Similarly, the EUR/USD hovered around levels of 1.1280/82 at the time of writing, having pulled back from Thursday's 8-week peak of 1.1365. Meanwhile, the USD/JPY traded near 100.55/58 in early European trade, within distance from a 3-session high of 100.93 hit earlier in Asian markets. The pair was also driven higher by a weaker Japanese yen following media reports quoting BoJ governor Haruhiko Kuroda as saying that the Central Bank will not rule out further rate cuts.

Focus this week is primarily on the annual meeting of world central bankers in Jackson Hole, Wyoming, where Fed President Janet Yellen's speech on Friday is expected to be closely scrutinized by market participants for any potential hints of the FOMC's future monetary policy framework.

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August 22, 2016

## Latest economic & market developments in the CESEE region

### SERBIA

The EUR/RSD made last week another failed attempt to move below the key psychological level of 123.00 as the National Bank of Serbia demonstrated, once again, its willingness to halt further dinar appreciation. With €30 million of EUR purchases last week, the Central Bank has bought €435 million so far this year, 50% of corresponding EUR sales over the same time span. As a result of the recent repeated interventions in the FX markets, the EUR/RSD has moved higher in the aftermath of such action, but this knee-jerk rally appears to fade at 123.30/50. As market trade volumes return after the summer lull, further EUR/RSD upside towards 124.00 seems to be on the cards in the weeks ahead, mostly due to seasonal factors, while a dip below 123.00 will likely remain restricted by NBS interventions.

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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

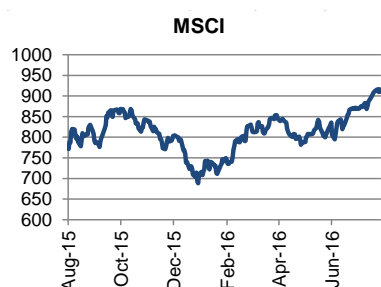
ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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 22, 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	2183.87	-0.1%	6.8%	EUR/USD	1.1296	-0.3%	4.1%	UST - 10yr	1.58	0	-69	GOLD	1336	-0.4%	25.8%
Nikkei 225	16598.19	0.3%	-12.8%	GBP/USD	1.3091	0.1%	-11.2%	Bund-10yr	-0.07	-3	-70	BRENT CRUDE	49	-2.9%	32.5%
STOXX 600	340.53	0.1%	-6.9%	USD/JPY	100.61	-0.4%	19.3%	JGB - 10yr	-0.06	2	-33	LMEX	2415	-0.4%	9.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	1	1
1-week	3.17	0	-2
1-month	3.30	-1	-21
3-month	3.57	0	-26
6-month	3.78	0	-25

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.74	xS	-93
5Y RSD	4.49	0	-64
7Y RSD	5.71	0	-199

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.34	-3	-82
USD Nov-24	6.40	-1	-2

**CDS**

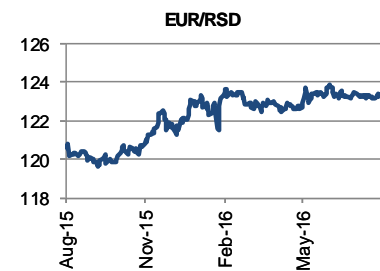
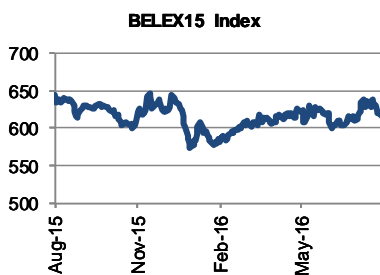
	Last	ΔDbps	ΔYTD bps
5-year	231	0	-44
10-year	280	1	-60

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	616.5	-0.40%	-4.28%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.37	-0.07%	-1.45%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	-1	-5
1-month	0.59	0	-10
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.15	0	-37

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	0	-45
5Y RON	2.11	-1	-69
10Y RON	2.82	-1	-96

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.80	3	-77
USD Jan-24	2.75	-1	-104

**CDS**

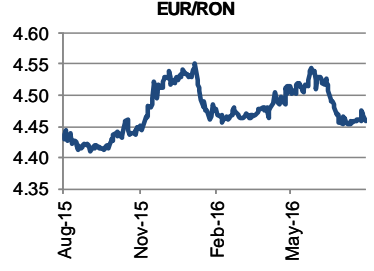
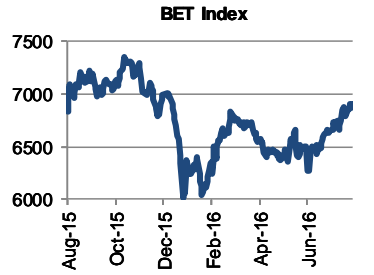
	Last	ΔDbps	ΔYTD bps
5-year	110	-2	-23
10-year	154	-2	-17

**STOCKS**

	Last	ΔD	ΔYTD
BET	6895.6	-0.18%	-1.55%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4579	0.24%	1.26%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.15	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	0.30	3	-30
5Y BGN	0.73	-11	-55
10Y BGN	2.01	1	-65

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.04	-4	-11
EUR Sep-24	1.67	-10	-75

**CDS**

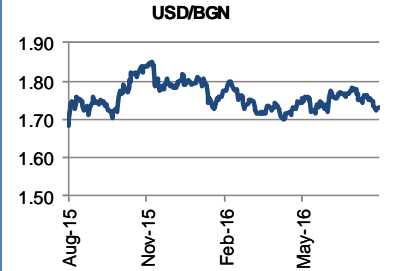
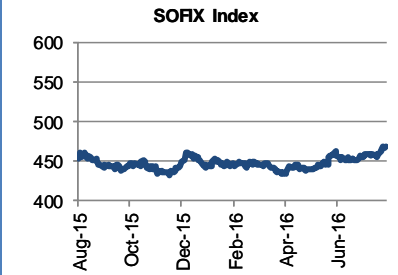
	Last	ΔDbps	ΔYTD bps
5-year	145	0	-26
10-year	191	0	-25

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	468.7	0.44%	1.68%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7315	-0.24%	3.97%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 13:35 EEST

August 22, 2016

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