



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, August 25, 2016

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, 2nd 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: US Treasuries remained range bound in early trade on Thursday, European bourses opened lower and the USD was little changed ahead of Fed Chair Janet Yellen's speech at the Jackson Hole economic symposium on Friday. Looking at today's calendar July US durable goods orders are due for release.

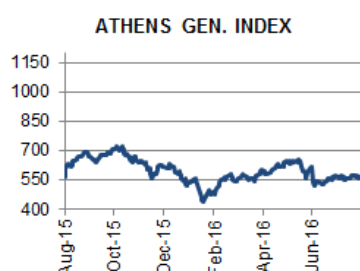
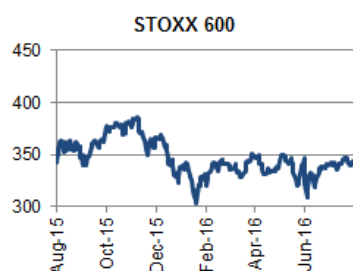
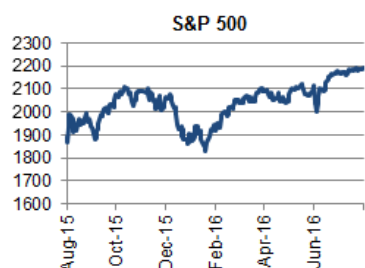
GREECE: With the summer recess over for the Greek government, Prime Minister Alexis Tsipras is scheduled to start a series of international contacts today (Thursday, August 25) participating in the Summit of the Party of European Socialists (PES) in Paris.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of emerging market assets stood on a firmer footing earlier on Thursday on yield hunt ahead of Fed Chair Janet Yellen's speech on Friday at the annual meeting of world central bankers in Jackson Hole, Wyoming. In FX markets, the Turkish lira posed earlier today amongst the best performers in the emerging markets space having come under pressure in the prior session amid intensified political noise domestically. In the external debt markets, the Republic of Poland sold a CNY3nb (~€400mn) 3-year renminbi-denominated bond at 3.40%, in a move placing the country as the first European to sell Panda bonds.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

US Treasuries remained range bound in early trade on Thursday as investors adopt a wait-and-see stance ahead of Fed Chair Janet Yellen's speech at the Jackson Hole economic symposium on Friday amid expectations for some hints on the timing of the next rate hike. The minutes from the FOMC 26-27 July meeting that were released earlier this month revealed that policy members were divided over whether the Central Bank should proceed with a rate hike in the near future or should await for additional evidence over the medium term path of inflation amid concerns that improving labor market conditions have not led so far to rising inflation pressures. On the supply front, the US Treasury will sell \$28bn of 7-year notes later in the day. Elsewhere, major European bourses opened lower after major Asian bourses ended mixed earlier today. Meanwhile, the DXY index has hovering around 94.643 in European trade at the time of writing, not much changed compared to Wednesday and within distance from a peak of 94.958 marked earlier this week. With investors eagerly awaiting Fed Chair Janet Yellen's speech, yesterday's US existing home sales data were broadly shrugged off. Following four straight months of strong gains, US existing home sales fell in July to a lower than expected annual rate of 5.39mn mainly on the back of tight inventories. However, the medium house price remained in an upward trend suggesting that the housing market remains on solid ground supported by a tightening labor market and low mortgages rates. Looking at today's calendar, July US durable goods orders are due for release. Meanwhile, the German IFO business climate index that was released earlier today fell in August to a six-month low of 106.2 from 108.3 in July, marking the steepest monthly drop since early 2012 pressured heavily by the Brexit UK referendum outcome.

GLOBAL MARKETS

With the summer recess over for the Greek government, Prime Minister Alexis Tsipras is scheduled to start a series of international contacts today (Thursday, August 25) participating in the Summit of the Party of European Socialists (PES) in Paris. Meanwhile, on September 9 Athens will host a summit of Southern EU countries ahead of the informal EU Summit on September 16 in Bratislava where Brexit is reportedly expected to dominate the agenda. The September summit of Southern EU Countries will coincide with the next Eurogroup where euro finance ministers are reportedly expected to discuss, among others, the progress that will have been made thus far by the Greek side in fulfilling the agreed 15 prior actions attached to the release of the €2.8bn ESM loan sub-tranche. As per the same sources, the issue is expected to be also induced in the agenda of the August 29 Euro Working Group with the Greek government intending to accomplish the full list of the attached milestones by mid-September so as to open the way for official discussions in the context of the 2nd programme review which incorporates, inter alia, additional labor market reform.

ppetropoulou@eurobank.gr

August 25, 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

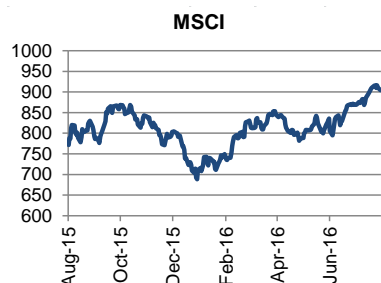
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities**ROMANIA: Indicator:**

	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

The majority of emerging market assets stood on a firmer footing earlier on Thursday on yield hunt ahead of Fed Chair Janet Yellen's speech on Friday at the annual meeting of world central bankers in Jackson Hole, Wyoming. In this context, the Emerging Markets MSCI index hovering in a modestly positive territory in Asian trade, having pulled back from two week lows hit earlier in the week. Bourses in the CESEE region were mixed. Turkey's BIST 100 led the gains with a 0.9% rise, recouping part of this week's ca 3% losses. On the flipside, main indices in Poland, Hungary, Romania and Serbia fell modestly at the time of writing.

In FX markets, the Turkish lira posed earlier today amongst the best performers in the emerging markets space having come under pressure in the prior session amid intensified political noise domestically following news that the military launched operations against Islamic State targets in the country's border with Syria. In this context, the USD/TRY hovered around levels of 2.9400 at the time of writing, having eased from a 2-week peak near 2.9680 hit intraday on Wednesday. Elsewhere, the South African rand remained under pressure earlier on Thursday, trading near yesterday's 3-week lows of 14.2825/\$ after finance minister Pravin Gordhan refused to appear before the police, which had summoned him over an investigation into a surveillance unit of the state tax service.

In the external debt markets, the Republic of Poland sold a CNY3nb (~€400mn) 3-year renminbi-denominated bond, in a move placing the country as the first European state to sell Panda bonds. The issue was priced at a yield of 3.40% vs. initial guidance of 3.20-3.70% and proceeds are expected to finance budget spending.

The calendar is relatively light today, with Poland's Central Bank releasing its MPC meeting minutes and Romania's finance ministry offering 3.25% 2024 of Treasury bonds later on the day. Macroeconomic data releases from Serbia, including real gross wages for July, and Turkey's real sector confidence as well as capacity utilization for August are also amongst those penciled in for Thursday. That said, with investors eagerly awaiting Fed Chair Yellen's comments tomorrow the focus for the remainder of the week remains on the FOMC's monetary policy deliberations ahead.

gphoka@eurobank.gr

August 25, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	-1	0
1-week	3.17	0	-2
1-month	3.30	0	-21
3-month	3.56	-1	-27
6-month	3.78	0	-25

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.84	xs	-75
5Y RSD	4.48	-1	-65
7Y RSD	5.70	0	-199

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.31	-6	-86
USD Nov-24	6.47	0	6

CDS

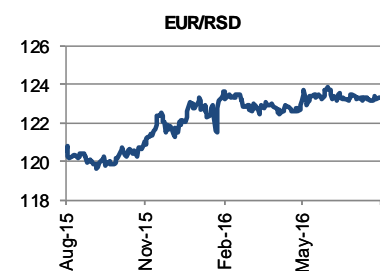
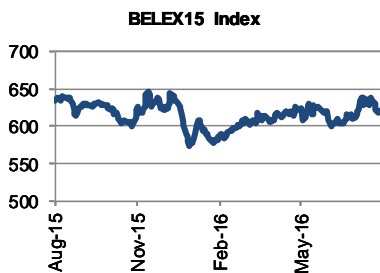
	Last	ΔDbps	ΔYTD bps
5-year	231	0	-44
10-year	280	1	-60

STOCKS

	Last	ΔD	ΔYTD
BELEX15	620.3	-0.33%	-3.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.35	0.00%	-1.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.56	7	3
1-month	0.61	1	-8
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.16	1	-36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	0	-45
5Y RON	2.09	0	-71
10Y RON	2.79	-1	-99

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.74	-2	-83
USD Jan-24	2.74	0	-104

CDS

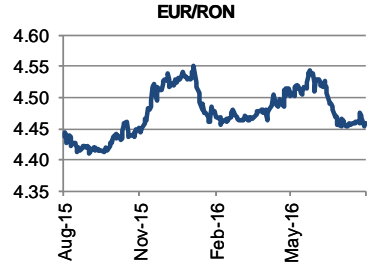
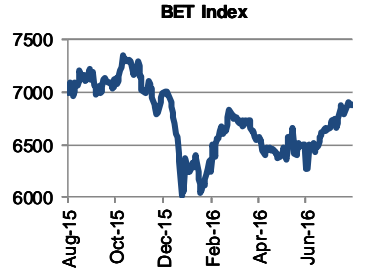
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-23
10-year	154	0	-17

STOCKS

	Last	ΔD	ΔYTD
BET	6983.6	1.28%	-0.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4575	0.04%	1.27%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	0	-39
5Y BGN	0.67	-2	-60
10Y BGN	1.97	0	-69

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.04	-3	-11
EUR Sep-24	1.63	1	-79

CDS

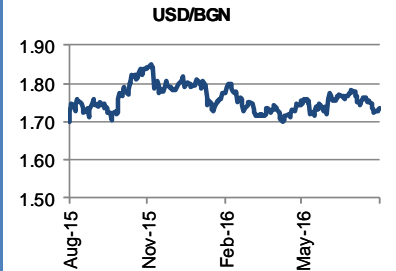
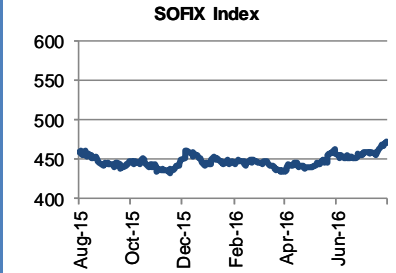
	Last	ΔDbps	ΔYTD bps
5-year	145	-1	-27
10-year	190	0	-26

STOCKS

	Last	ΔD	ΔYTD
SOFIX	471.6	0.33%	2.32%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7361	-0.35%	3.70%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:00 EEST

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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