

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, August 26, 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: All eyes today are on Fed Chair Janet Yellen who is scheduled to speak at 16:00 CET at the annual Jackson Hole Economic Symposium as investors will be looking for potential hints over a rate hike at the September 20-21 monetary policy meeting. Aside from the Fed's Chair speech, today we will also get a second reading on US Q2 GDP.

GREECE: The Euro Working Group is scheduled to convene on Monday, August 29 with press reports suggesting that the progress made by the Greek side in implementing all 15 prior actions for the release of the €2.8bn ESM sub-tranche will be high on the agenda. Elsewhere, data from the Greek Tourism Confederation (SETE) suggested that international tourist arrivals were up 9.1%YoY in July supported by last-minute bookings.

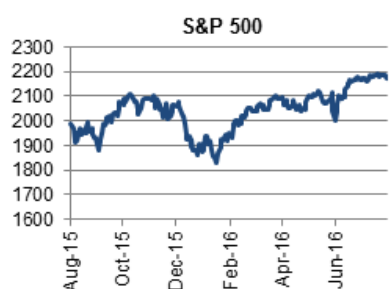
SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold at an auction on Thursday RON 646.3mn (~€145mn) of 2024 Treasury bonds at an average accepted yield of 2.63%.

CESEE MARKETS: Emerging market assets treaded water earlier on Friday as investors eagerly await Fed Chair Janet Yellen's speech later on the day for any hints over the FOMC's monetary policy deliberations ahead.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

All eyes today are on Fed Chair Janet Yellen who is scheduled to speak at 16:00 CET at the annual Jackson Hole Economic Symposium as investors will be looking for potential hints over a rate hike at the September 20-21 monetary policy meeting. Several Fed policy makers who spoke publicly over the last few sessions, including Kansas City Fed President Esther George and San Francisco Fed President John Williams adopted a hawkish stance reinforcing expectations for a near-term rate hike. Indeed, following a recent string of encouraging US data including the July non-farm payrolls report, data published on Thursday revealed that initial jobless claims unexpectedly fell for the third straight week to a seasonally adjusted 261k, remaining for the 77th consecutive week below 300k, a threshold associated with continued improvement in labor market conditions. Furthermore, durables goods orders rose by a modestly higher than anticipated 4.4% in July mainly supported by a hefty increase in demand for transportation equipment while non-defense capital goods orders excluding aircraft – a closely watched proxy for business spending plans- rose by a 1.6%MoM, the largest gain in five months. However, concerns prevail over whether US inflation is poised for a gradual rise towards 2.0% in the coming months amid few signs so far of rising inflation pressures in spite of the tightening labor market. Overall the Fed Chair is expected to deliver a positive economic assessment noting though that any further rate tightening decision remains data dependent. Just a few hours ahead of the Fed Chair's keynote speech, US Treasury yields were modestly higher in European trade with the 5-yr yield hovering around 1.15% at the time of writing following a session low slightly below 1.13% on Thursday, affected by a bulk of positive US data and a poorly received \$28bn of 7-year notes auction. Meanwhile, the DXY index was standing close to 94.638, slightly lower from a session high of 94.830 recorded in the prior day, but still above a multi-session trough of 94.214 marked earlier this week. Aside from the Fed's Chair speech, today we will also get a second reading on US Q2 GDP with market participants expecting no significant revision to the 1.2% saar advance estimate.

GREECE

The Euro Working Group is scheduled to convene on Monday, August 29 with press reports suggesting that the progress made by the Greek side in implementing all 15 prior actions for the release of the €2.8bn ESM sub-tranche will be high on the agenda. The next Eurogroup is due for September 9, a day ahead of Greek Premier Alexis Tsipras' speech at the Thessaloniki International Fair. In an interview to a local newspaper, European Commissioner for Employment, Social Affairs, Skills and Labor Mobility Marianne Thyssen suggested that the referral of former ESLAT President Andreas Georgiou will be also an issue of discussion at the September 9 Eurogroup. Elsewhere, data from the Greek Tourism Confederation (SETE) suggested that international tourist arrivals were up 9.1%YoY in July supported by last-minute bookings taking the respective figure for the first seven months of the year to +6.4%YoY. The SETE expects for the 2016 season international tourist arrivals to rise by ca 6% to around 25mn and tourism receipts to advance by 6.4%YoY to €14.55bn.

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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

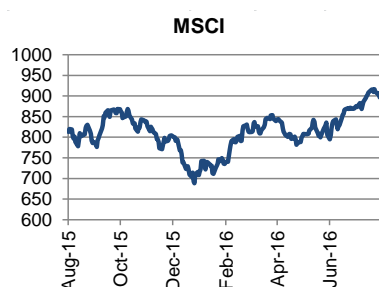
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

| 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

Latest economic & market developments in the CESEE region

ROMANIA

The finance ministry sold at an auction on Thursday RON 646.3mn (~€145mn) of 2024 Treasury bonds, raising more than initially planned. The average accepted yield came in at 2.63% and the tender's bid to cover ratio reached 2.63%, reflecting strong investor demand. The issue matures on April 29, 2024 and bears a coupon of 3.25%.

CESEE MARKETS

Emerging market assets treaded water earlier on Friday as investors eagerly await Fed Chair Janet Yellen's speech later on the day for any hints over the FOMC's monetary policy deliberations ahead. Potentially hawkish comments by Fed's Chair today are likely to dent risky assets high-yield allure in the near term. That said, some rescaling of US interest rate hike expectations by the end of 2016 has taken place over the last few days following a recent set of Fed officials' remarks, with Fed fund futures contracts currently assigning a 57.4% probability of a rate hike by December, compared to 42.3% on August 12. Apart from today's key risk event, several major Central Bank MPC meetings in September, such as the Fed's, the ECB's and the BoJ's, are expected to feature high on investors' radar.

Against this backdrop, the Emerging Markets MSCI index appears poised to end the week on negative footing near a 2-½ week intraday low hit this week. In the CESEE region main indices were little changed earlier today, appearing braced to end the week on a mixed note. Turkey's BIST 100 was flat in European trade today, though having recorded losses to the tune of 1.7% compare to prior Friday's settlement amid increased domestic geopolitical noise following the launch of military operations against Islamic State targets in the country's border with Syria.

In a similar vein, regional currencies were broadly weaker and government bonds were mixed on a weekly basis on Friday. In FX markets, the Turkish lira weakened modestly after a deadly bomb explosion in the country's southeast region. In this context, the USD/TRY hovered around levels of 2.9350 at the time of writing vs. 2.9334 at yesterday's close, remaining not too far from a 2-week intraday peak near 2.9680 hit on Wednesday following news about the military operations. Today's macroeconomic and events risk calendar in the region is fairly light, with all eyes set on international developments; especially on Federal Reserve Chair Fed Yellen's speech.

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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 | 2172.47 | -0.1% | 6.3% | EUR/USD | 1.129 | 0.0% | 4.0% | UST - 10yr | 1.56 | -1 | -70 | GOLD | 1325 | 0.2% | 24.8% |
| Nikkei 225 | 16360.71 | -1.2% | -14.0% | GBP/USD | 1.3208 | 0.1% | -10.4% | Bund-10yr | -0.07 | 0 | -70 | BRENT CRUDE | 49 | -0.9% | 32.1% |
| STOXX 600 | 341.73 | -0.1% | -6.6% | USD/JPY | 100.49 | 0.0% | 19.5% | JGB - 10yr | -0.07 | 2 | -34 | LMEX | 2358 | -0.1% | 7.0% |

CESEE MARKETS

SERBIA

Money Market

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

RS Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 2.67 | xs | -100 |
| 5Y RSD | 4.47 | 0 | -66 |
| 7Y RSD | 5.70 | 0 | -200 |

RS Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 2.29 | -1 | -88 |
| USD Nov-24 | 6.49 | 0 | 7 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 231 | 0 | -44 |
| 10-year | 279 | -1 | -61 |

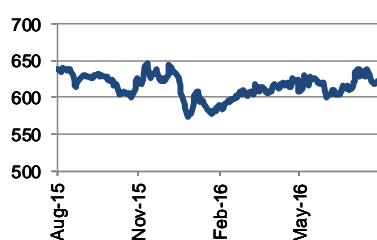
STOCKS

| | Last | ΔD | ΔYTD |
|---------|-------|--------|--------|
| BELEX15 | 619.6 | -0.27% | -3.81% |

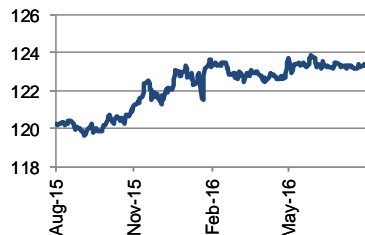
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|--------|
| EUR/RSD | 123.32 | 0.04% | -1.41% |

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

| ROBOR | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| O/N | 0.56 | -1 | 3 |
| 1-month | 0.61 | 0 | -8 |
| 3-month | 0.77 | 0 | -25 |
| 6-month | 1.01 | 0 | -33 |
| 12-month | 1.16 | 1 | -36 |

RO Local Bonds

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON | 1.47 | 0 | -46 |
| 5Y RON | 2.09 | 0 | -71 |
| 10Y RON | 2.81 | 2 | -97 |

RO Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Oct-25 | 1.74 | #N/A | N/A -83 |
| USD Jan-24 | 2.68 | 3 | -110 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 110 | 0 | -23 |
| 10-year | 154 | 0 | -18 |

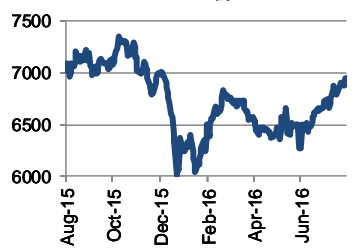
STOCKS

| | Last | ΔD | ΔYTD |
|-----|--------|-------|--------|
| BET | 6967.6 | 0.07% | -0.52% |

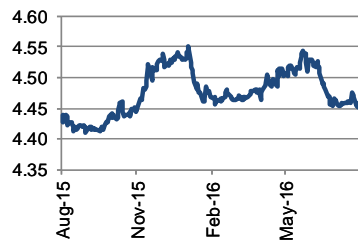
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|--------|-------|
| EUR/RON | 4.4568 | -0.10% | 1.28% |

BET Index



EUR/RON



BULGARIA

Money Market

| SOFIBOR | Last | ΔDbps | ΔYTD bps |
|----------|-------|-------|----------|
| LEONIA | 0.00 | 0 | -1 |
| 1-month | -0.14 | -1 | -30 |
| 3-month | -0.03 | -1 | -29 |
| 6-month | 0.12 | 2 | -41 |
| 12-month | 0.44 | 3 | -53 |

BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN | 0.21 | 0 | -39 |
| 5Y BGN | 0.63 | -3 | -64 |
| 10Y BGN | 1.95 | 0 | -70 |

BG Eurobonds

| | Last | ΔDbps | ΔYTD bps |
|------------|-------|-------|----------|
| EUR Jul-17 | -0.17 | 10 | -24 |
| EUR Sep-24 | 1.59 | 32 | -83 |

CDS

| | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year | 146 | 0 | -26 |
| 10-year | 191 | 1 | -26 |

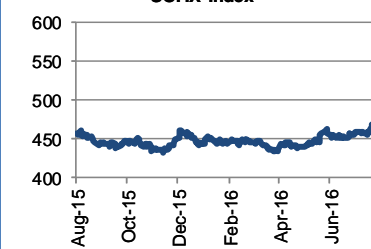
STOCKS

| | Last | ΔD | ΔYTD |
|-------|-------|--------|-------|
| SOFIX | 473.3 | -0.11% | 2.69% |

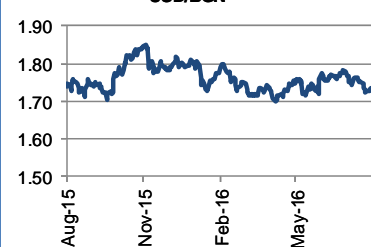
FOREX

| | Last | ΔD | ΔYTD |
|---------|--------|-------|-------|
| USD/BGN | 1.7326 | 0.03% | 3.91% |

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 12:10 EEST

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