



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, August 29, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Aug 29
 - Personal income & spending (Jul)
 - PCE core & deflator (Jul)
- Aug 31
 - Fed's Rosengren speaks
 - Fed's Evans speaks
 - Fed's Kashkari speaks
 - Consumer conf. (Aug)
 - MBA Mortgage applications (Aug 26)
 - Chicago PMI (Aug)
 - Pending home sales (Jul)
- Sep 1
 - Jobless claims (weekly)
 - ISM manufacturing (Aug)
- Sep 2
 - Non-farm payrolls (Aug)
 - Durable goods (Jul, f)
 - Fed's Lacker speaks

EUROZONE

- Aug 30: ESI (Aug)
- Aug 31: CPI (Aug)
- Sep 1: PMI manufacturing (Aug, f)

GREECE

- Aug 29
 - GDP (Q2, f)
 - EU's Moscovici meets Greek FinMin & EconMin
- Aug 31: Retail sales (Jun)
- Sep 1: Markit manufact (Aug)
- Sep 2: Fitch sovereign debt rating review

SEE

BULGARIA

- Aug 31-Sept 1: Budget balance (Jul)

ROMANIA

- Aug 31: ILO U/E (Jul)
- Sep 1: International reserves (Aug)

SERBIA

- Aug 31
 - Trade balance (Jul)
 - Retail Sales (Jul)
 - Industrial output (Jul)
 - GDP (Q2, f)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street closed in a negative territory on Friday following remarks from Fed officials that bolstered speculation for an increase in the federal funds rate as soon as next month. In this context, the majority of Asian equity markets kicked off the week on a negative footing, while most European bourses traded lower at the time of writing. Treasury yields rose at their highest level since June and the US dollar firmed, with the DXY dollar index advancing to a two-week high on Monday. On the US data front this week, July personal income on Monday, August CB consumer sentiment on Tuesday, August ISM manufacturing on Thursday and August employment report on Friday will take centre stage. In the euro area, August Economic Sentiment Indicator on Tuesday, August inflation data on Wednesday and August PMI manufacturing index on Thursday are also expected to lure market attention.

GREECE: The Euroworking Group (EWG) is scheduled to convene today ahead of the September 9th Eurogroup to assess the progress made with regard to the 15 prior actions for the disbursement of the €2.8bn ESM sub-tranche. According to the Bank of Greece, in July 2016 the annual growth rate of total bank credit extended to the domestic private sector stood at -1.6% from -2.0% in the previous month.

SOUTH EASTERN EUROPE

ROMANIA: After a short-lived spike to 4.4780 a week earlier, the EUR/RON moved back lower last week. On the money market, rates moved a few basis points higher on the back of corporate budget payments. RON government bonds remained well supported by international investors' buying interest, but the yield curve ended little changed over the week.

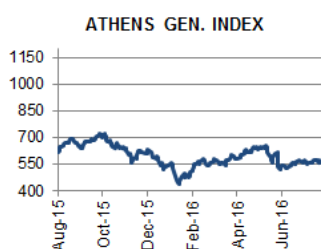
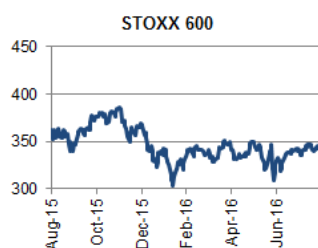
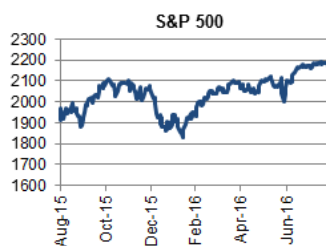
SERBIA: The EUR/RSD remained bound within recent trading ranges, with volumes remaining particularly thin.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed in a negative territory on Friday following remarks from Fed officials that bolstered speculation for an increase in the federal funds rate as soon as next month. Specifically, in her much anticipated speech at Jackson Hall on Friday, Fed's Chair Janet Yellen stated that in view of the continued robust performance of the US labor market and Fed's outlook for economic activity and inflation, the case for an interest rate hike has recently strengthened. Vice Chair Stanley Fischer highlighted that Yellen's remarks were consistent with a September hike provided that incoming economic data continue to confirm the Fed's outlook. Fischer also cautioned that this week's jobs report will sway the September decision. Following Fed officials' comments, the probability of a Fed's rate hike in September rose to 42% from 32% one day earlier, while the case for a hike in December is now at 65% from 57% earlier. In Japan, BoJ Governor Kuroda reiterated on Saturday the bank's intention to proceed with further monetary policy easing if needed, with the Nikkei 225 index responding positively to his remarks and closing 2.30% higher on Monday. The rest of the Asian equity markets kicked off the week on a negative footing, while most European bourses traded lower at the time of writing, after Fed officials reinforced near-term rate increase expectations. Treasury yields rose at their highest level since June, with the 2y note yield, which had recorded an intraday session low of 0.762% on Friday, increased nearly 8bps to close at 0.843%, while the 10y yield also ended up nearly 6bps higher by the close at 1.630%. In FX markets, the DXY dollar index increased to a two-week high of 95.724 on Monday on rising expectations for an interest rate hike in the near future. In commodity markets, WTI crude oil price was losing 1.5% in European trade to \$47.0/ barrel, after rising roughly 2.0% over the previous two sessions on speculation that informal OPEC talks next month will result in some kind of output freeze. A similar proposal was made in February, but a meeting in April ended with no final accord. On the US data front this week, July personal income on Monday, August CB consumer sentiment on Tuesday, August ISM manufacturing on Thursday and August employment report on Friday will take centre stage. In the euro area, August Economic Sentiment Indicator on Tuesday, August inflation data on Wednesday and August PMI manufacturing index on Thursday are also expected to lure market attention.

okosma@eurobank.gr

stritsonis@eurobank.gr

GREECE

The Euroworking Group (EWG) is scheduled to convene today ahead of the September 9th Eurogroup. The Euroworking Group, where the Alternate Minister of Finance Mr. Chouliarakis is expected to participate on behalf of the Greek government, will assess the progress made with regard to the 15 prior actions for the disbursement of the €2.8bn ESM sub-tranche. Meanwhile, the Greek Ministers of Finance and the Economy, Messrs. Tsakalotos and Stathakis will meet today the European Commissioner Mr. Moscovici, who is responsible for the 3rd Economic Adjustment Programme for Greece on behalf of the Commission and will reportedly discuss, among others, the medium-term fiscal targets. On the data front, according to the Bank of Greece, in July 2016 the annual growth rate of total bank credit extended to the domestic private sector stood at -1.6% from -2.0% in the previous month. In more detail, the annual growth rate of credit to corporations stood at -0.4%, to sole proprietors and unincorporated partnerships at -1.7% and to individuals and private non-profit institutions at -2.8%.

andimitriadou@eurobank.gr

August 29, 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

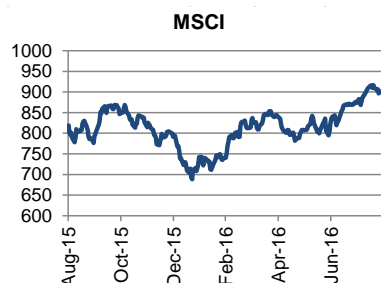
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

After a short-lived spike to 4.4780 a week earlier, the EUR/RON moved back lower last week. The pair traded between 4.4500/650, back to the range held since the beginning of August, closing the week little changed around 4.4550. On the money market, rates moved a few basis points higher on the back of corporate budget payments. However, the market remains very liquid and rates are expected to eventually move lower, especially in view of a large government debt redemption of RON 7.5bn government bonds on 29 August. In more detail, the 1M implied rate from swaps remained stable at 0.55%, while the 12M rate moved from 0.65% last week to 0.70% on Friday. RON government bonds remained well supported by international investors' buying interest, but the yield curve ended little changed over the week. The 3Y yield remained unchanged at 1.48%, while the 10Y moved 5 bps higher from 2.80% at the previous Friday's settlement to a close of 2.85% on the back of some profit-taking flows.

Bogdan.Radulescu@bancpost.ro

SERBIA

The EUR/RSD remained bound within recent trading ranges, with volumes remaining particularly thin. In more detail, the currency pair was trapped last week between 123.20/40 and 123.35/55, having closed Friday's session at the level of 123.25/45. Considering Central Bank's consistency in defending the 123.00 level, as well as the fact that there will be no dinar denominated bond auctions until the end of the month, EUR/RSD is likely to remain bound within its one-and-a-half-month range of 123.00-123.60 over the next few days. Looking longer ahead, the EUR/RSD has the potential to advance due to seasonality in demand (for euro), that is traditionally stronger in September.

Djordje.Lucic@eurobank.rs

August 29, 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	2169.04	-0.2%	6.1%	EUR/USD	1.1186	-0.1%	3.0%	UST - 10yr	1.61	-2	-66	GOLD	1320	-0.1%	24.3%
Nikkei 225	16737.49	2.3%	-12.1%	GBP/USD	1.309	-0.4%	-11.2%	Bund-10yr	-0.05	2	-68	BRENT CRUDE	49	-1.5%	31.8%
STOXX 600	341.96	-0.5%	-6.5%	USD/JPY	102.15	-0.3%	17.5%	JGB - 10yr	-0.06	1	-33	LME X	2358	0.0%	7.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	1	0
1-week	3.16	0	-3
1-month	3.31	1	-20
3-month	3.57	4	-26
6-month	3.77	2	-26

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.71	xs	-96
5Y RSD	4.47	0	-66
7Y RSD	5.74	0	-195

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.28	-2	-89
USD Nov-24	6.43	-6	2

CDS

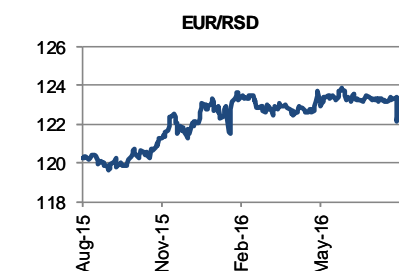
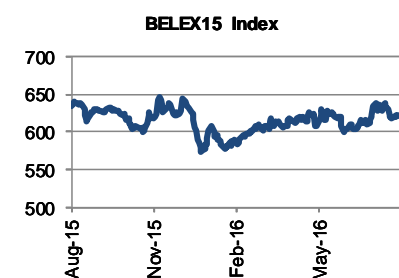
	Last	ΔDbps	ΔYTD bps
5-year	218	-12	-56
10-year	260	-18	-79

STOCKS

	Last	ΔD	ΔYTD
BELEX15	622.0	0.00%	-3.43%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.35	-0.04%	-1.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-1	2
1-month	0.61	0	-8
3-month	0.77	0	-25
6-month	1.01	0	-33
12-month	1.16	0	-36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	1	-45
5Y RON	2.10	1	-70
10Y RON	2.85	3	-93

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.74	#N/A	N/A
USD Jan-24	2.69	1	-109

CDS

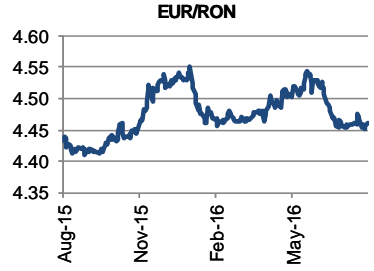
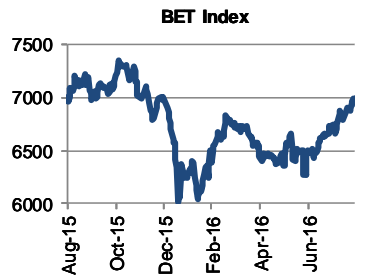
	Last	ΔDbps	ΔYTD bps
5-year	112	2	-21
10-year	156	2	-15

STOCKS

	Last	ΔD	ΔYTD
BET	6992.2	0.10%	-0.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4623	-0.12%	1.16%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	-5	-6
1-month	-0.15	-1	-30
3-month	-0.03	0	-29
6-month	0.12	0	-41
12-month	0.44	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	-1	-39
5Y BGN	0.62	-5	-65
10Y BGN	1.96	0	-70

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.19	0	-26
EUR Sep-24	1.95	-252	-47

CDS

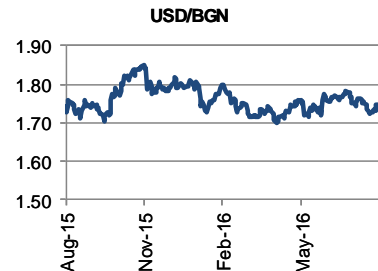
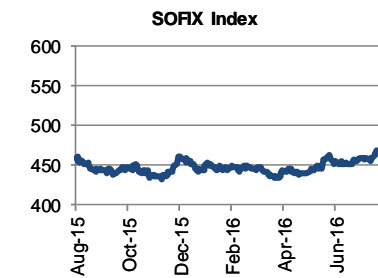
	Last	ΔDbps	ΔYTD bps
5-year	139	-7	-33
10-year	183	-8	-33

STOCKS

	Last	ΔD	ΔYTD
SOFIX	469.7	-0.86%	1.91%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7486	-0.09%	2.96%



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

Data updated as of 13:30 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 Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@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 Stamatiou: Senior Economist
tstamatiou@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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