

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: Market 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: All eyes today are on the US non-farm payrolls report for August which, in line with recent comments by Fed Vice Chairman Stanley Fischer, is expected to have an impact on the Fed's near-term monetary policy deliberations. Market expectations are for a c. 170k increase in the headline from 255k in July as well as a 0.1pp drop to 4.8% in the unemployment rate.

GREECE: Addressing the Hellenic Parliament yesterday, Alternate FinMin George Chouliarakis reaffirmed the Greek government's trust in the data produced and released by the Hellenic Statistical Authority (ELSTAT). IMF Managing Director Christine Lagarde stated in an interview to Reuters that for the IMF to financially participate in Greece's programme there have to be significant reforms and a debt that is sustainable by the fund's standards.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets continued to trade sideways earlier on Friday, as caution prevailed ahead of the key US labour market data release later on the day, which is eagerly awaited by investors for any hints over the Fed's monetary policy deliberations ahead. In the local currency debt markets, the Romanian finance ministry raised at an auction on Thursday RON 100.6mn (~€ 22.47mn) of 2027 Treasury bonds, selling a smaller than initially planned amount, at an average accepted yield of 3.13%.

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Latest world economic & market developments

GLOBAL MARKETS

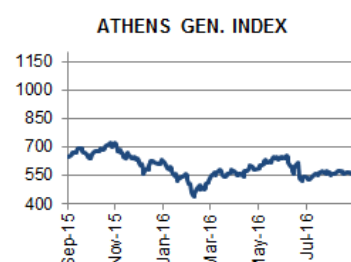
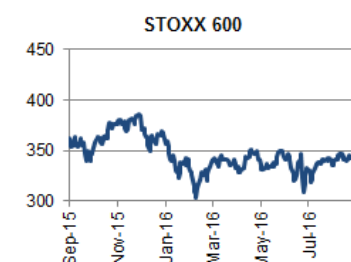
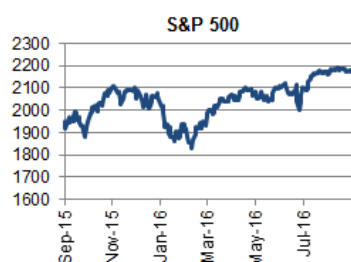
All eyes today are on the US non-farm payrolls report for August which, in line with recent comments by Fed Vice Chairman Stanley Fischer, is expected to have an impact on the Fed's near-term monetary policy deliberations. Market expectations are for a c. 170k increase in the headline from 255k in July as well as a 0.1pp drop to 4.8% in the unemployment rate. A firmer than expected employment report is expected to prompt a hawkish shift in near-term Fed rate hike expectations. In FX markets, the USD would rally as a knee-jerk reaction but quickly run out of steam as market attention will swiftly turn to the pace of Fed rate tightening ahead which remains data dependent. On the flipside, should the report surprise on the downside, the USD would move lower across the board. Odds for a near-term Fed rate hike will likely be reassessed downward especially as the employment report follows the August manufacturing ISM survey which was released a day earlier revealing a drop in the headline to 49.4 from 51.2 in July, below the boom-or-bust level of 50 for the first time in six months. Elsewhere, the UK Markit/CIPS PMI manufacturing report surprised positively pushing the GBP higher across the board. The headline jumped to a 10-month peak of 53.3 from a 41-month low of 48.3 in July, the biggest month on month increase in the 25 year survey history mainly on the back of higher new orders and manufacturing output. Yet, ahead of a flurry of hard UK July data due to be released in the coming sessions that are expected to shed more light on how post-referendum uncertainty has impacted domestic activity, any further GBP gains are likely to prove limited. The GBP/USD was hovering around 1.3272/75 in European trade at the time of writing, not far from a near one-month peak of 1.3317 recorded on Thursday shortly after the release of the PMI manufacturing report. Technically, strong resistance lies at 1.3480 (post-referendum peak marked in mid-July).

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GREECE

Addressing the Hellenic Parliament yesterday, Alternate FinMin George Chouliarakis reaffirmed the Greek government's trust in the data produced and released by the Hellenic Statistical Authority (ELSTAT). Mr. Chouliarakis also expressed optimism that GDP growth for the current year may prove lower than the projected -0.3%. In other news, IMF Managing Director Christine Lagarde stated in an interview to Reuters, that she was encouraged by Greece's recent privatisation efforts and expressed the hope that the agreed reforms will be legislated and implemented. Nevertheless, she added that for the IMF to financially participate in Greece's programme there have to be significant reforms and a public debt that is sustainable by the Fund's standards, which in her view, is not the case at the moment. Meanwhile, IMF spokesperson Gerry Rice, confirmed that the head of the IMF mission in Greece, Delia Velculescu, is expected to return to Athens in mid-September for the regular Article IV Consultation held for all IMF member-states. The process will be completed in two weeks and its findings will be used in the upcoming 2nd programme review, which is expected to commence in October.

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Source: Reuters, Bloomberg, Eurobank Research

September 2, 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

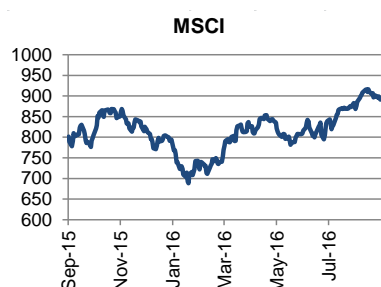
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	0.7	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 continued to trade sideways earlier on Friday, as caution prevailed ahead of the key US labour market data release later on the day, which is eagerly awaited by investors for any hints over the Fed's monetary policy deliberations ahead. Following Fed Chair Janet Yellen's and Vice Chair Fischer's hawkish comments last week, a strong non-farm payrolls reading for August is likely to add to expectations for an FOMC rate hike in the near term and dent emerging market assets' high yield allure.

The majority of stock exchanges in developing countries moved modestly higher earlier today. In support of the aforementioned, the MSCI Emerging Markets index stood in a marginally positive territory in Asian trade, having recovered ground from yesterday's 1-month trough and trimmed a decline of 1.1% registered on Thursday's settlement compared to the prior week's close. In the CESEE space, regional bourses traded mixed, with Turkey's BIST 100 index broadly outperforming with a 0.4% advance and Ukraine's PFTS leading the losses with a 0.15% decline.

In the FX markets, regional currencies were slightly weaker in European trade today. The Polish zloty led the losers' pack with the EUR/PLN reaching a new 1-½-month peak near 4.3855 in late Asian trade before pulling back slightly to trade around levels of 4.3765 in European markets. The currency has come under pressure over recent months in view of ongoing political noise domestically, amid exacerbated worries over the government's policies that have resulted to downward pressures on the country's sovereign credit ratings and warnings by major ratings agencies and the European Union. Only recently, Moody's highlighted that the domestic constitutional crisis is bearing risks for investments and the broader domestic economy.

In the local currency debt markets, the Romanian finance ministry raised at an auction on Thursday RON 100.6mn (~€ 22.47mn) of 2027 Treasury bonds, selling a smaller than initially planned amount of RON 300mn (~€ 67.40mn). The average accepted yield came in at 3.13%, 29bps lower compared to that achieved at a prior auction of same maturity paper held in early August. The issue matures on July 26, 2027 and bears an annual coupon of 5.80%, while the tender's bid-to-cover ratio stood at 1.74%.

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September 2, 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	2170.86	0.0%	6.2%	EUR/USD	1.1179	-0.2%	3.0%	UST - 10yr	1.59	2	-68	GOLD	1313	-0.1%	23.7%
Nikkei 225	16925.68	0.0%	-11.1%	GBP/USD	1.3265	0.0%	-10.0%	Bund-10yr	-0.06	0	-69	BRENT CRUDE	46	1.1%	23.2%
STOXX 600	345.30	0.5%	-5.6%	USD/JPY	103.57	-0.3%	15.9%	JGB - 10yr	-0.03	2	-30	LMEX	2361	0.5%	7.1%

CESEE MARKETS

SERBIA

Money Market

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.89	xs	-56
5Y RSD	4.48	-1	-63
7Y RSD	5.74	0	-196

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.26	-1	-91
USD Nov-24	6.50	0	8

CDS

	Last	ΔDbps	ΔYTD bps
5-year	218	0	-56
10-year	261	0	-79

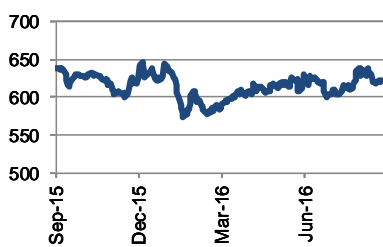
STOCKS

	Last	ΔD	ΔYTD
BELEX15	628.4	0.14%	-2.44%

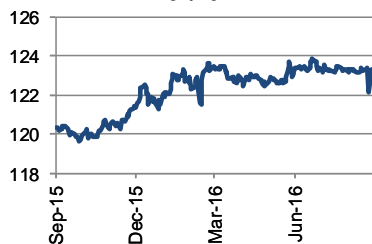
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.23	-0.06%	-1.34%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	0	-6
1-month	0.58	0	-11
3-month	0.76	0	-26
6-month	0.97	-1	-37
12-month	1.13	0	-39

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	0	-43
5Y RON	2.13	0	-67
10Y RON	2.93	1	-85

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.68	0	-89
USD Jan-24	2.74	-3	-105

CDS

	Last	ΔDbps	ΔYTD bps
5-year	110	-3	-23
10-year	154	-3	-17

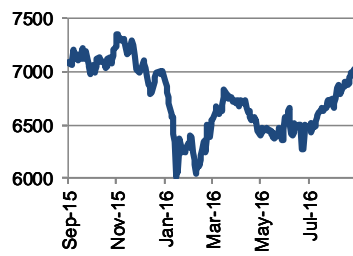
STOCKS

	Last	ΔD	ΔYTD
BET	7017.7	-0.15%	0.19%

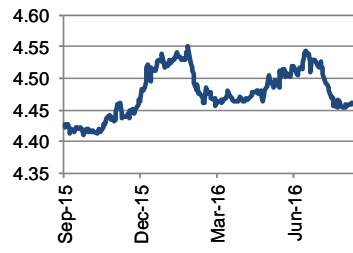
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.456	-0.07%	1.30%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.06	-2	-7
1-month	-0.14	0	-30
3-month	-0.03	0	-30
6-month	0.12	0	-41
12-month	0.45	0	-52

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	0	-40
5Y BGN	0.58	0	-70
10Y BGN	1.93	0	-73

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.10	-14	-17
EUR Sep-24	1.55	-17	-87

CDS

	Last	ΔDbps	ΔYTD bps
5-year	143	-2	-29
10-year	185	-2	-31

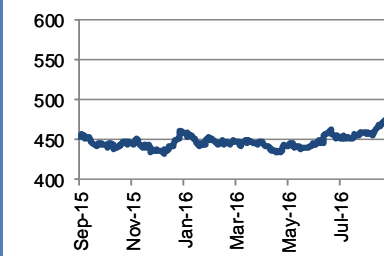
STOCKS

	Last	ΔD	ΔYTD
SOFIX	468.6	-0.20%	1.66%

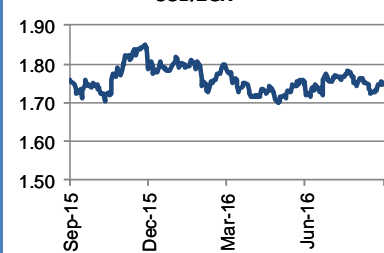
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7498	-0.17%	2.89%

SOFIX Index



USD/BGN



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

Data updated as of 12:40 EEST of previous session

September 2, 2016

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