



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, September 05, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 6: ISM non-manufacturing (Aug)
- Sept 8: Jobless claims (weekly)

EUROZONE

- Sep 5: PMI (Aug, f)
- Sep 6: GDP (Q2, f)
- Sep 8: ECB monetary policy meeting & press conference
- Sep 9/10: Eurogroup/Ecofin meetings

GREECE

- Sep 7: Commercial transactions (Jul, p)
- Sep 8
- Labour force survey (Jun, p)
- Motor Vehicle Circulation Licenses (Aug)
- Sep 9
 - Eurogroup
 - Industrial production (Jul)
 - CPI (Aug)

CYPRUS

- Sep 6: HICP (Aug)
- Sep 8: GDP (Q2, f)

SEE

BULGARIA

- Sept 9
 - Retail sales (Jul)
 - Industrial production (Jul)

ROMANIA

- Sep 5: Retail sales (Jul)
- Sep 6
 - Net wages (Jul)
 - GDP (Q2,p)
- Sept 8: 3.25% 2021 T-bonds auction
- Sept 9: Trade balance (Jul)

SERBIA

- Sep 8
 - MPC meeting
 - €100mn 2.5% 5-year T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US non-farm payrolls rose by 151k in August, less than the 180k market consensus following an upwardly revised 275k gain in the prior month. Though the August headline came in lower than expected, we should not rush to rule out completely the prospect of a rate hike in the coming months. In response to the weaker than expected US employment report, the USD moved lower, major European bourses were firmer in early trade on Monday, US long-dated Treasury yields were slightly higher while short-dated US yields were little changed.

GREECE: The 9 September Eurogroup will discuss, among others, the current state of the macroeconomic adjustment programme to Greece and in particular, the implementation of the milestones and progress with arrears clearance as defined in the Eurogroup statement on Greece of 25 May as well as the next steps for the second review. Fitch Ratings affirmed Greece's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'CCC'.

SOUTH EASTERN EUROPE

ROMANIA: The EUR/RON ended little changed last week, remaining bound within its recent trading range. On the money market, the recent small spike in short term rates related to month-end tax payments has already faded, with RON interest rates already falling back towards the Central Bank's deposit facility rate of 0.25%. Government bonds kicked off the week on the back foot, in view of a large issuance calendar for September (RON 4.3bn) and caution ahead of the release of the US non-farm payrolls (NFP) last Friday and the upcoming Fed meeting.

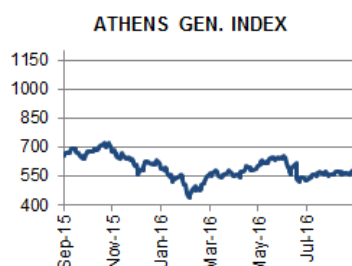
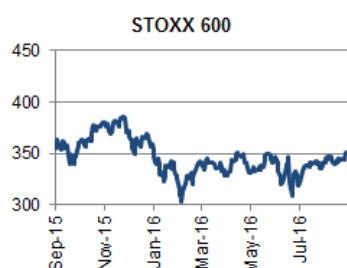
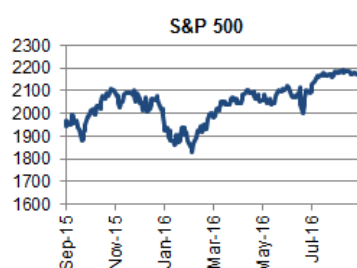
SERBIA: The EUR/RSD remained mostly above 123.00 last week as the National bank of Serbia (NBS) intervened in the FX markets in order to stem any further dinar appreciation.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US non-farm payrolls rose by 151k in August, less than the 180k market consensus following an upwardly revised 275k gain in the prior month. Though the August headline came in lower than expected, we should not rush to rule out completely the prospect of a rate hike in the coming months. The reason is that payroll figures for August tend to disappoint over the last few years due to season effects and are usually subject to upward revisions. Speaking soon after the release of the August employment report on Friday, Richmond Fed President Jeffrey Lacker noted that payrolls are growing at “double the rate needed to keep pace with growth in the working-age population” and that the U.S. economy appears strong enough to warrant significantly higher interest rates adding that he still favours raising rates sooner than later. With the US report out of the way, market focus is on several Fed officials who are scheduled to speak in the coming sessions for clues on whether a rate hike could potentially come at the next Fed monetary policy meeting on September 21-22 or later. The August non-farm payrolls report also showed that average hourly earnings rose by a lower than expected 0.1% mom taking the annual rate of increase to 2.4% from 2.6% in July. The unemployment rate remained stable at 4.9% against expectations for a modest decline to 4.8%. In response to the modestly weaker than expected US employment report, major European bourses were firmer in early trade on Monday, US long-dated Treasury yields were slightly higher at the time of writing while short-dated US yields were little changed on the prevailing market view that the Fed will not rush to push interest rates higher any time soon. In FX markets, the USD was modestly weaker with the DXY index hovering around 95.650 in late European trade following a spike to 96.239 in the prior session ahead of the US data release. The EUR/USD was trading close to 1.1175/79 after falling to as low as 1.1120 at some point early last week with investors eagerly awaiting the ECB monetary policy meeting on Thursday (September 8). Though market consensus is for unchanged interest rates, an extension of the Asset Purchase Programme (APP) beyond March 2017 and adjustments in the technical parameters of the programme to address the bond scarcity issues seem to be highly likely.

ppetropoulou@eurobank.gr

GREECE

The 9 September Eurogroup will discuss, among others, the current state of the macroeconomic adjustment programme to Greece and in particular, the implementation of the milestones as defined in the Eurogroup statement on Greece of 25 May as well as the next steps for the second review. The aforementioned milestones pertain to privatisation, including the new Privatisation and Investment Fund, bank governance, revenue agency and energy sector reforms as well as the clearing of net arrears. In other news, Fitch Ratings affirmed Greece's long-term foreign and local currency Issuer Default Ratings (IDRs) at 'CCC'. The issue ratings on Greece's long-term senior unsecured bonds have also been affirmed at 'CCC'. The short-term foreign and local currency IDRs and the rating on Greece's short-term debt have all been affirmed at 'C', and the country ceiling at 'B'. Fitch's statement mentions on the positive side the completion of the 1st programme review and consequent approval of the second ESM loan tranche in May, improved relations with creditors and fiscal performance this year which is consistent with the 0.5%-of-GDP fiscal target. On the other side, according to Fitch, several risk factors are in place such as the fiscal targets for 2017 and 2018, which will be harder to meet, weak domestic ownership of programme policy and contentious components in the upcoming 2nd programme review, which may delay its completion.

andimitriadou@eurobank.gr

September 5, 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

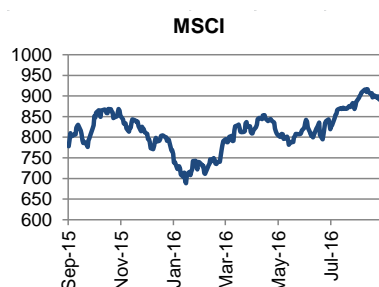
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The EUR/RON ended little changed last week, trading between 4.4450/635, remaining bound within the range seen since July. On the money market, the recent small spike in short term rates related to month-end tax payments has already faded, with RON interest rates already falling back towards the Central Bank's deposit facility rate of 0.25%. The 1W implied rate from swaps fell from 0.55% at the prior week's settlement to 0.30% on Friday and the 1M from 0.55% to 0.45%, while the 12M rate remained relatively stable around 0.70%. Government bonds kicked off the week on the back foot, in view of a large issuance calendar for September (RON 4.3bn) and caution ahead of the release of the US non-farm payrolls (NFP) last Friday and the upcoming Fed meeting. As a result the curve bear steepened by Friday – the 3Y yield moved around 3bps higher to 1.53%, the 5Y moved 6 bps higher to 2.18% while the 10Y yield jumped 10 bps to 2.95%. A relatively soft NFP published on Friday dispelled some fears of an imminent Fed rate hike providing some relief to the domestic bond market, however it came too late in the day to make much of a difference and yields recovered at most a couple of basis points by closing time.

Bogdan.Radulescu@bancpost.ro

SERBIA

The EUR/RSD remained mostly above 123.00 last week as the National bank of Serbia (NBS) intervened in FX markets in order to stem any further dinar appreciation. The pair came under the pressure because of oversupply of euros due to large loan disbursements. In more detail, the NBS intervened three days in a row, from Tuesday to Thursday, buying a total of €75mn. With these latest interventions, the total amount of interventions rose to €510mn so far this year. Taking into account the latest NBS action as well as the current situation of an oversupplied market with euros, the pair is likely to remain stable within its recent trading range of 123.00-123.50 on a short term basis.

Djordje.Lucic@eurobank.rs

September 5, 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	2179.98	0.4%	6.7%	EUR/USD	1.1167	0.1%	2.9%	UST - 10yr	1.60	0	-67	GOLD	1326	0.1%	24.9%
Nikkei 225	17037.63	0.7%	-10.5%	GBP/USD	1.3356	0.5%	-9.4%	Bund-10yr	-0.05	-1	-68	BRENT CRUDE	49	4.4%	31.2%
STOXX 600	351.41	0.3%	-3.9%	USD/JPY	103.38	0.5%	16.1%	JGB - 10yr	-0.03	0	-30	LMEX	2360	0.0%	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	2.68	xs	-76
5Y RSD	4.49	0	-64
7Y RSD	5.74	0	-196

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.23	-3	-93
USD Nov-24	6.50	0	8

CDS

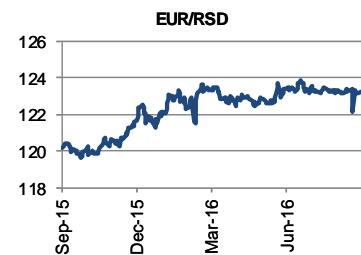
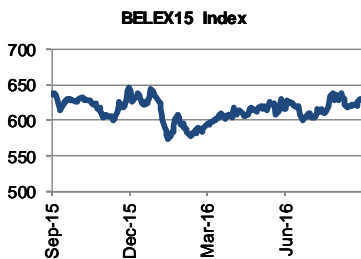
	Last	ΔDbps	ΔYTD bps
5-year	218	0	-56
10-year	261	0	-79

STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.0	0.06%	-2.03%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.26	-0.07%	-1.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	-2	-8
1-month	0.57	-1	-12
3-month	0.76	0	-26
6-month	0.97	0	-37
12-month	1.12	-1	-40

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	0	-43
5Y RON	2.15	2	-65
10Y RON	2.95	2	-83

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.68	#N/A	N/A
USD Jan-24	2.73	2	-106

CDS

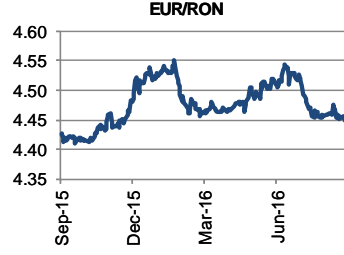
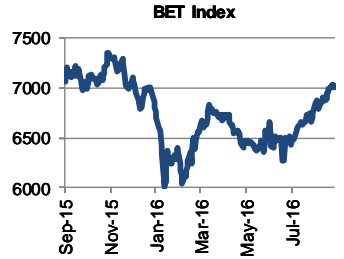
	Last	ΔDbps	ΔYTD bps
5-year	109	-1	-24
10-year	153	-1	-19

STOCKS

	Last	ΔD	ΔYTD
BET	7006.9	0.03%	0.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4468	0.08%	1.51%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.06	0	-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	0.56	-2	-71
10Y BGN	1.92	0	-74

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.11	-14	-18
EUR Sep-24	1.52	5	-90

CDS

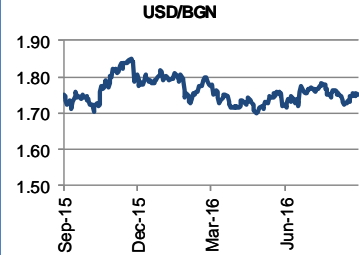
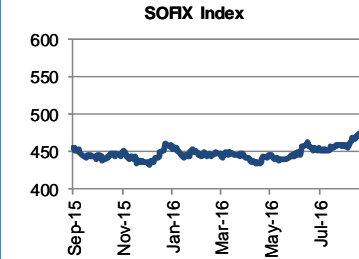
	Last	ΔDbps	ΔYTD bps
5-year	143	0	-29
10-year	185	0	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	471.9	0.51%	2.38%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7515	0.11%	2.79%



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

Data updated as of 12:00 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 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
pmonokroussos@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

Eurobank Economic Analysis and Financial Markets
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

