

### 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:** With the weaker than expected US' August non-farm payrolls report continuing to have an impact on market sentiment, major European bourses retained a positive tone in early trade on Tuesday. The USD was slightly weaker, US Treasury yields moved higher with short-dates notes outperforming on the prevailing market view that the Fed will not rush to deliver another rate hike any time soon.

**GREECE:** In spite of concerns reportedly raised by European officials with regard to the progress made in the remaining prior actions, Greek officials appear reassuring that the programme implementation is on track.

### SOUTH EASTERN EUROPE

**ROMANIA:** The revised estimate of the Statistical Service on the seasonally adjusted Q2-2016 GDP reading confirmed the flash estimate of +1.5% QoQ/+5.9% YoY.

**CESEE MARKETS:** The majority of emerging stock markets rose earlier on Tuesday continuing to receive support from scaled back expectations for a Fed rate hike in the imminent future after a soft US non-farm payrolls report released last week. A recovery in commodity prices also favored, providing an additional lift on related shares. Elsewhere, regional currencies mostly retained a firm tone against a weaker US dollar and government bonds were mixed earlier on Tuesday. Today's calendar was dominated by Romania's and Hungary's Q2 GDP data breakdown, both confirmed at the flash reading of 6.0%YoY and 2.6%YoY, respectively. Additionally, Poland's two-day monetary policy meeting starts later on Tuesday.

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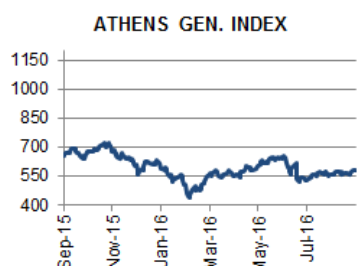
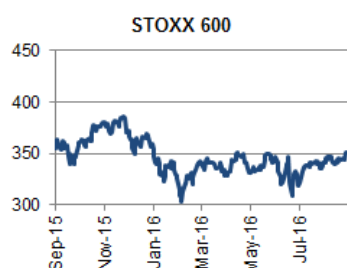
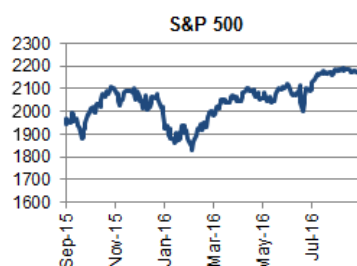
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## Latest world economic & market developments

### GLOBAL MARKETS

With the weaker than expected US' August non-farm payrolls report continuing to have an impact on market sentiment, major European bourses retained a positive tone in early trade on Tuesday. US Treasury yields moved higher with short-dated notes outperforming on the prevailing market view that the Fed will not rush to deliver another rate hike any time soon. In FX markets, the DXY index was a tad lower hovering around 95.620 at the time of writing after closing at 95.844 in the prior session but still above a multi-session trough of 95.189 touched on Friday in the aftermath of the US non-farm payrolls report. The USD/JPY was standing close to 103.35/38 in late European trade, having retreated from Monday's 104.12 session peak following comments by BoJ Governor Kuroda suggesting that the Central Bank is not likely to adopt an aggressive easing policy stance at the September 20-21 policy meeting. The AUD was among the main outperformers favored by stronger than expected Australia's Q2 current account data. Against a broadly modestly weaker US dollar, the AUD/USD hit a near two-week peak of 0.7655 earlier today with the next upside target standing at 0.7690 (Aug. 26 peak). With the key US employment survey out of the way, focus is now on the ECB's monetary policy meeting on Thursday (September 8). Though market consensus is for no changes to key interest rates and the size of monthly purchases, an extension of the Asset Purchase Programme (APP) beyond March 2017 as well as adjustments in some of the technical parameters of the programme to address the bond scarcity issues, seem to be highly likely. Meanwhile, according to ECB data released yesterday, net purchases under the expanded asset purchase programme amounted to €60.5bn in August, below an average monthly target of €80bn.

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Source: Reuters, Bloomberg, Eurobank Research

### GREECE

In view of the upcoming September 9th Eurogroup, local press reports convey strong concerns on behalf of European officials with regard to the progress in the completion of prior actions, which is a prerequisite for the disbursement of the €2.8bn sub-tranche. Greek officials, however, reportedly appear reassuring claiming that the implementation of the programme is on track and all outstanding issues will be closed by end-September, ahead of the October 10th Eurogroup. In addition, they claim that this week's Eurogroup was anyway not going to decide on the disbursement of the remaining loan tranche and that this decision will be made after the institutions representatives, who reportedly arrive in Athens on September 12th, have compiled their compliance report.

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September 6, 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

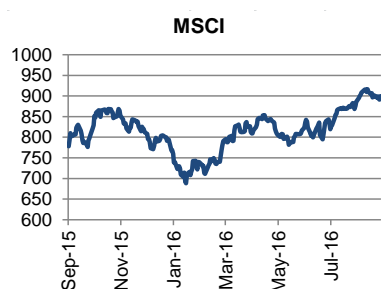
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 revised estimate of the Statistical Service on the seasonally adjusted Q2-2016 GDP reading confirmed the flash estimate of +1.5% QoQ/+5.9% YoY, +6.0% YoY in unadjusted terms. The second quarter GDP estimate was the positive surprise of the region, coming out significantly above analysts' consensus expectations (+0.1% QoQ/+4.1% YoY). The stronger than expected print compares to +1.5% QoQ/+4.2% YoY in Q1-2016, up from -0.1% QoQ/+3.7% YoY in Q2-2015. From a demand side point of view, both private consumption and gross fixed capital formation exhibited very strong dynamics. Driven by higher disposable income as a result of the generous VAT rate cut for food stuff and the rapid rise in real wages, private consumption jumped by +3.3% QoQ/+10.4% YoY in Q2, making a hefty contribution of 7.5ppps to growth. Gross fixed capital formation expanded by +6.5% QoQ/+10.6% YoY, making a 2.6ppps contribution to growth, which was only partially offset by the negative contribution of inventories (-0.8ppps). On the other hand, net exports made a negative contribution of -3.4ppps-mirroring the deceleration of exports (+1.0% QoQ/+3.5% YoY) vs. the robust dynamics of imports (+4.5% QoQ/+11.0% YoY) -which is broadly expected as domestic demand recovery is accompanied by a recovery of imports in the case of Romania.

Given the robust dynamics of the 1H-2016 (+5.2% YoY), we have put our FY206 growth forecast—currently at 4.2%—under review. However, we do keep note that growth dynamics are driven by a private consumption spending boom, fuelled by the unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections scheduled for late 2016. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off consolidation track and deteriorating the external position. The current account deterioration is one of those warning signs that macroeconomic imbalances are reemerging as a result of the expansionary policy. The current account deficit jumped to 1.5% of GDP in January-June 2016 compared to a negligible deficit of 0.2% of GDP in the same period a year ago.

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### CESEE MARKETS

The majority of emerging stock markets rose earlier on Tuesday continuing to receive support from scaled back expectations for a Fed rate hike in the imminent future after a soft US non-farm payrolls report released last week. A recovery in commodity prices also favored, providing an additional lift on related shares. Against this backdrop, the MSCI Emerging Markets index stood 0.5% higher in Asian trade. The index marks today the third consecutive session in the black, after firming by 2.1% cumulatively on Friday and Monday. It has parred most of the recent losses suffered over the last couple of weeks amid hawkish Fed officials' comments, standing just 0.2% lower compared to a 1-year closing high achieved in mid-August. Elsewhere, regional currencies mostly retained a firm tone against a weaker US dollar and government bonds were mixed earlier on Tuesday. In FX markets, the Romanian leu hovered not too far from yesterday's 1-1/2-month high of 4.4390/€ and the Polish zloty touched a 1-week peak at 4.3263/€ in Asian trade before pulling back slightly later in the session. Today's calendar was dominated by Romania's and Hungary's Q2 GDP data breakdown, both confirmed at the flash reading of 6.0%YoY and 2.6%YoY, respectively. Additionally, Poland's two-day monetary policy meeting starts later on Tuesday, with the market's median forecast being for stable interest rates at the current record low level of 1.50%.

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September 6, 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	0.2%	2.9%	UST - 10yr	1.61	1	-66	GOLD	1329	0.1%	25.2%
Nikkei 225	17081.98	0.3%	-10.3%	GBP/USD	1.3342	0.3%	-9.5%	Bund-10yr	-0.05	0	-68	BRENT CRUDE	48	0.2%	28.1%
STOXX 600	351.24	0.2%	-4.0%	USD/JPY	103.37	0.1%	16.1%	JGB - 10yr	-0.02	1	-29	LMEX	2357	-0.1%	7.0%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	0	0
1-week	3.16	0	-3
1-month	3.30	-1	-21
3-month	3.56	-1	-27
6-month	3.77	0	-26

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.67	xs	-83
5Y RSD	4.48	-1	-64
7Y RSD	5.74	0	-196

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.22	-1	-94
USD Nov-24	6.49	0	8

**CDS**

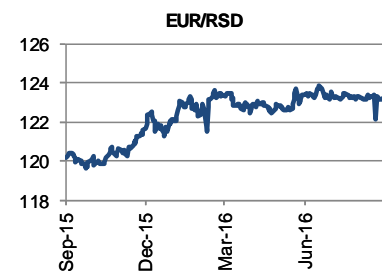
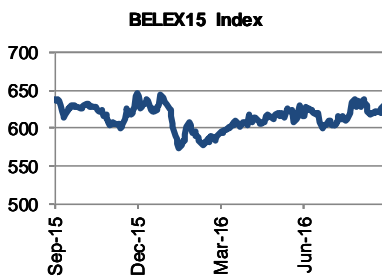
	Last	ΔDbps	ΔYTD bps
5-year	219	0	-56
10-year	260	-1	-80

**STOCKS**

	Last	ΔD	ΔYTD
BELX15	628.6	-0.32%	-2.40%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.30	-0.07%	-1.39%



**ROMANIA**

**Money Market**

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

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	0	-43
5Y RON	2.14	0	-66
10Y RON	2.95	0	-83

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	-1	-90
USD Jan-24	2.73	1	-105

**CDS**

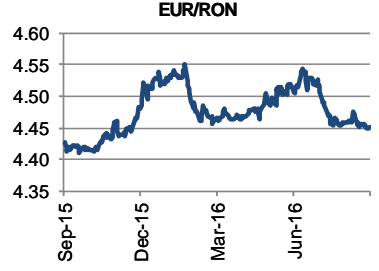
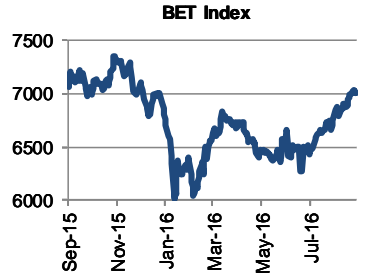
	Last	ΔDbps	ΔYTD bps
5-year	109	0	-24
10-year	153	1	-18

**STOCKS**

	Last	ΔD	ΔYTD
BET	7014.7	-0.16%	0.15%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4511	-0.05%	1.41%



**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	0.18	1	-38
5Y BGN	0.60	0	-59
10Y BGN	1.97	0	-70

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.13	-14	-20
EUR Sep-24	1.50	14	-92

**CDS**

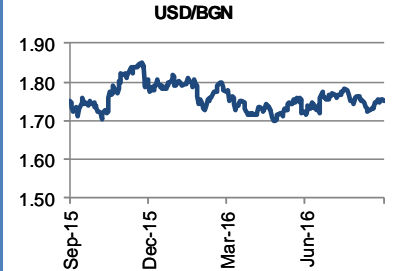
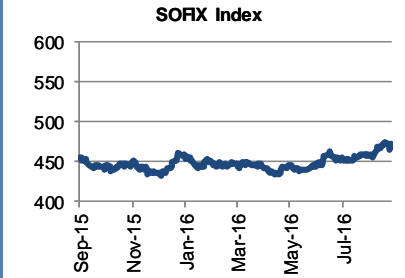
	Last	ΔDbps	ΔYTD bps
5-year	142	-1	-29
10-year	184	-2	-32

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	471.9	0.51%	2.38%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7518	0.15%	2.77%



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

Data updated as of 10:30 EEST

September 6, 2016

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