



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 13, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Sep 12: Fed's Lockhart, Kashkari, Brainard speak
- Sep 15
  - Jobless claims (weekly)
  - Retail sales (Aug)
  - Philly Fed (Sep)
  - Empire manufacturing (Sep)
  - Industrial production (Aug)
- Sep 16
  - CPI (Aug)
  - UoM sentiment (Sep, p)

##### EUROZONE

- Sep 14: Industrial production (Jul)
- Sep 15: CPI (Aug, f)

##### GREECE

- Sep 12
  - Representatives of the institutions (EC, ESM, ECB & IMF) arrive in Athens to monitor the implementation of the milestones
  - Building Activity (Jun)
- Sep 13: Production Index in Construction (Q2)
- Sep 15: Labor Force Survey (Q2)

##### CYPRUS

- Sep 16: Sovereign credit rating review by S&P

##### SEE

##### BULGARIA

- Sept 12: Trade balance (Jul)
- Sept 13: CPI (Aug)
- Sept 15: U/E rate (Aug)
- Sept 12: Current account (Jul)

##### ROMANIA

- Sep 12
  - CPI (Aug)
  - 3.25% 2024 T-bonds auction
- Sep 14: Industrial production (Jul)

##### SERBIA

- Sep 12: HICP (Aug)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The Fed entered the one-week quiet period leading to the September 21st meeting on a dovish tone with yesterday's last speech delivered by Fed Governor Lael Brainard supporting the case for patience in raising interest rates. The above dovish comments supported market sentiment towards risky assets while selling pressures on major government bonds slowed down. Major currency pairs continued to consolidate.

**GREECE:** Talking to press, the Greek Minister of Economy, Development and Tourism Mr. Stathakis, appeared reassuring that all the remaining items attached to the €2.8bn sub-tranche will close in time. The production index in industry (IPI) according to working day adjusted data, in July 2016 increased by 4.1%YoY. Inflation based on the consumer price index (CPI) for August 2016 was in negative territory for the 42nd month in a row, -0.95% in August 2016.

### SOUTH EASTERN EUROPE

**ROMANIA:** Inflation remained in negative territory in August for the fourteenth month in a row. In more detail, CPI edged up to +0.1% MoM/-0.2% YoY in August vs. -0.2% MoM/-0.8% YoY in July, coming in above market expectations of -0.1% MoM/-0.4% YoY. In other news, the finance ministry sold at an auction on Monday RON 235 mn (~€52.85 mn) of April 2024 treasury bonds, less than half the amount of RON 500 mn (~€112.44 mn) initially planned, at an average accepted yield of 2.74%.

**SERBIA:** The consumer price index rose by 0.9%MoM in August bringing the annual rate of increase to 1.2%YoY.

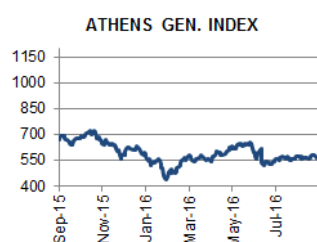
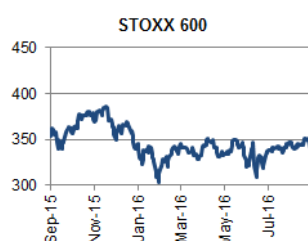
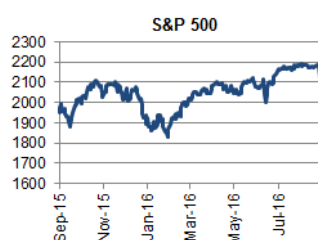
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## Latest world economic & market developments

### GLOBAL MARKETS

With the Fed's next monetary policy just one week away, Fed policymakers seem divided on whether the Central Bank should proceed with an immediate rate hike. The Fed entered the one-week quiet period leading to the September 21st meeting on a dovish tone with yesterday's last speech delivered by Fed Governor Lael Brainard supporting the case for patience in raising interest rates. In more detail, speaking at the Chicago Council on Global Affairs, the Fed official stressed that she wants to see consumer spending and inflation related data moving in a more positive direction going into the third and fourth quarter before she favors the case for higher interest rates. The above dovish comments supported market sentiment towards risky assets with major European bourses opening modestly higher on Tuesday. Selling pressures on major government bonds slowed down. The 10-yr US Treasury was yielding levels around 1.65% in European trade at the time of writing after hitting a fresh post-Brexit peak near 1.70% in the prior session, remaining though above levels close to 1.52% marked earlier this month. In FX markets, the DXY index was hovering around 95.151, not much changed compared to Monday's settlement. Meanwhile, the EUR/USD was standing close to 1.1230/35, consolidating within the 1.1100-1.1300 recent range. Unless upcoming US data ahead of next week's Fed meeting yield a surprise in either direction, market participants will barely alter their perception on the Fed's near-term policy deliberations. Should this be the case, EUR/USD sideways trading will likely continue in the way to next week's Fed policy meeting.



Source: Reuters, Bloomberg, Eurobank Research

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### GREECE

Talking to press, the Greek Minister of Economy, Development and Tourism Mr. Stathakis, appeared reassuring that all the remaining items attached to the €2.8bn sub-tranche will close in time for the additional official funding to be disbursed within the first two weeks of October. Furthermore, he reportedly expressed confidence that the country's economy is at a turning point, entering a growth path. In other news, according to data released by the Hellenic Statistical Authority the production index in industry (IPI) according to working day adjusted data, in July 2016 increased by 4.1%YoY. In the 7-month period from January to July 2016, according to working day adjusted data, the IPI increased on average 2.3%YoY. The seasonally adjusted IPI in July 2016 decreased by 1.4%MoM. Meanwhile, inflation based on the consumer price index (CPI) for August 2016 was in negative territory for the 42nd month in a row, -0.95% in August 2016, slightly less than -1.04% in the previous month. For the twelve month period from September 2015 to August 2016, the CPI fell on average -0.93%.

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September 13, 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

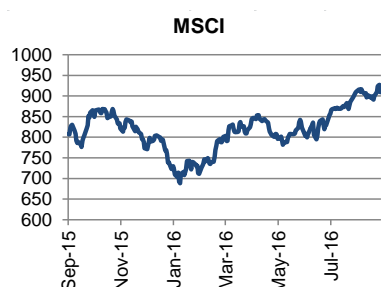
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Inflation remained in negative territory in August for the fourteenth month in a row. In more detail, CPI edged up to +0.1% MoM/-0.2% YoY in August vs. -0.2% MoM/-0.8% YoY in July, coming in above market expectations of -0.1% MoM/-0.4% YoY. The volatile food component inched down on monthly basis, yet annual dynamics accelerated sharply (-0.1% MoM/+2.0% YoY in August up from +0.04% MoM/+1.25% YoY in July). The said sub-index recorded the highest annual expansion rate in three years amid base effects from the phasing out of last year's food products' VAT rate cut from 24% to 9%. Non-food items expanded by +0.3% MoM/-1.4% YoY in August up from -0.5% MoM/-2.2% YoY in July. Non-food items dynamics were driven by the higher than expected hikes in tobacco prices (+1.8% MoM/+2.5% YoY). Services remained almost flat at -0.1% MoM/-1.0% YoY in August compared to -0.1% MoM/-0.9% YoY in July down from +0.1% MoM/-0.7% YoY in June. Overall, the August inflation reading, the highest since June 2015 when CPI switched to negative values, suggests that the pace of deflation has slowed down. On the other hand, given downbeat readings in the first half of the year, the inflation trajectory so far has been softer than envisaged before. Only recently, NBR slashed its year-end inflation forecast to -0.4% for 2016 down from +0.6% and +2.0% for 2017 down from +2.7% previously. The Central Bank is of the view that the short-term inflation trajectory will remain in negative territory until the end of the year mainly due to the low imported price dynamics. Moreover, inflation will most probably end below the mid-point of the 2.5% target range at the end of 2017, while it is seen at the upper bound of the inflation target interval (2.5-3.5%) by the end of Q2-2018.

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In other news, the finance ministry sold at an auction on Monday RON 235 mn (~€52.85 mn) of April 2024 treasury bonds, less than half the amount of RON 500 mn (~€112.44 mn) initially planned. The average accepted yield came in at 2.74%, 11bps higher compared to that achieved at a prior tender of same maturity paper held in late August. The bid to cover ratio came in at 1.8% yesterday. The issue which expires on April 29, 2024 bears a coupon of 3.25%.

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### SERBIA

The consumer price index rose by 0.9% MoM in August bringing the annual rate of increase to 1.2% YoY. The latter is in line with the prior month's reading. The breakdown of the data showed notable year-on-year increases in the subcomponents of *recreation & culture* (+6.8%), *alcoholic beverages & tobacco* (6.7%), *health* (3.9%). Prices of *food & non-alcoholic beverages* rose modestly (0.9%), while most other sub-indices were little changed. Looking ahead, inflation is anticipated to move higher in the coming months on the back of the waning impact of base effects, strengthening aggregate demand and a planned hike in electricity prices that is scheduled to come into effect in October. This anticipated backdrop of higher inflation with an eventual return within the Central Bank target range of 4±1.5% in the first half of 2017 supports the case for stable interest rates ahead, with the key policy rate likely to remain at the current record low level of 4.00% for some time.

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September 13, 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	2124.90	-0.1%	4.0%	EUR/USD	1.123	0.0%	3.4%	UST - 10yr	1.68	0	-59	GOLD	1326	-0.2%	24.9%
Nikkei 225	16672.92	-1.7%	-12.4%	GBP/USD	1.3304	0.3%	-9.7%	Bund-10yr	0.03	2	-60	BRENT CRUDE	47	-1.1%	27.4%
STOXX 600	340.75	-1.4%	-6.9%	USD/JPY	102.03	0.6%	17.7%	JGB - 10yr	0.00	1	-27	LMEX	2348	-0.8%	6.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	1	0
1-week	3.16	1	-3
1-month	3.31	1	-20
3-month	3.61	7	-22
6-month	3.86	13	-17

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.95	xs	-64
5Y RSD	4.48	-1	-63
7Y RSD	5.74	0	-196

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.23	8	-93
USD Nov-24	6.51	2	10

**CDS**

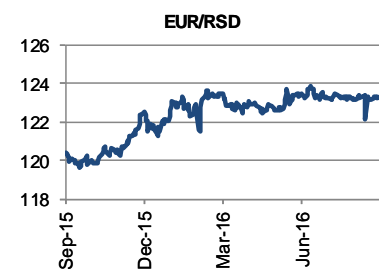
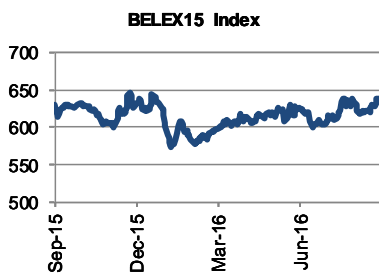
	Last	ΔDbps	ΔYTD bps
5-year	218	-1	-57
10-year	260	-1	-80

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	633.9	-0.76%	-1.59%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.26	0.02%	-1.36%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	0	-9
1-month	0.54	-1	-15
3-month	0.73	-1	-29
6-month	0.96	0	-38
12-month	1.11	0	-41

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.49	2	-44
5Y RON	2.16	2	-64
10Y RON	3.01	5	-77

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-100
USD Jan-24	2.77	6	-102

**CDS**

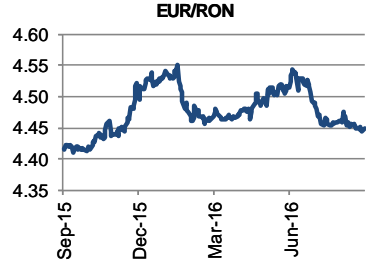
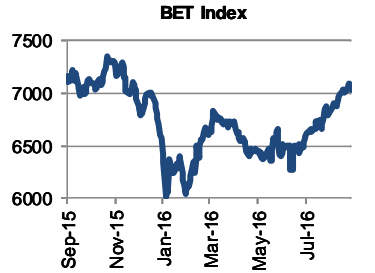
	Last	ΔDbps	ΔYTD bps
5-year	105	1	-28
10-year	149	1	-22

**STOCKS**

	Last	ΔD	ΔYTD
BET	6917.5	-1.56%	-1.24%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.449	-0.10%	1.46%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	1	-6
1-month	-0.14	1	-30
3-month	-0.03	1	-29
6-month	0.12	1	-41
12-month	0.45	1	-53

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	-2	-41
5Y BGN	0.59	1	-68
10Y BGN	1.91	0	-74

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.09	-5	-16
EUR Sep-24	1.47	-84	-95

**CDS**

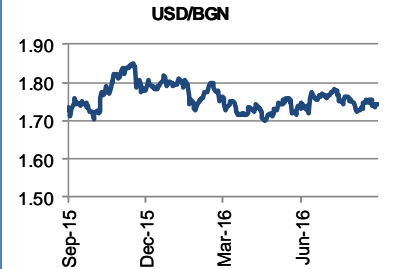
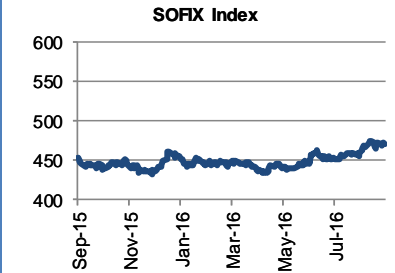
	Last	ΔDbps	ΔYTD bps
5-year	136	1	-36
10-year	177	1	-39

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	470.6	-0.27%	2.11%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7419	-0.03%	3.35%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 17:00 EEST of previous session

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