



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 14, 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: In spite of nearly unchanged Fed rate hike expectations, selling pressure on US Treasuries resumed on Tuesday, especially on the long end of the curve. In FX markets, the JPY came under some pressure in response to a press report suggesting that the BoJ is mulling to cut the deposit rate further into negative territory at next week's policy meeting. Today's calendar includes euro area's July industrial production as and UK labor market data for July which are expected to provide more insight ahead of Thursday's BoE monetary policy meeting on how the Brexit vote affects the domestic economy.

GREECE: Based on press reports, according to BoG Governor Yannis Stournaras, Greece's primary surplus for 2016 will reach 0.8%-of-GDP while GDP for 2016 and 2017 will grow by -0.3% and +2.5% respectively. According to ELSTAT, the turnover index in the accommodation and food service activities sector for Q2 2016 decreased by 1.1% YoY while the production index in construction for Q2 2016 increased 9.7%YoY.

SOUTH EASTERN EUROPE

BULGARIA: CPI came in at 0.0% MoM/-0.3% YoY in August compared to -0.7% MoM/-0.2% YoY in July.

CESEE MARKETS: Emerging market assets remained under pressure earlier today amid ongoing uncertainty over global major Central Banks' monetary policy deliberations ahead.

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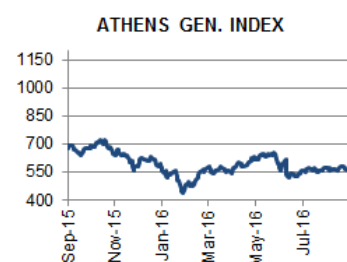
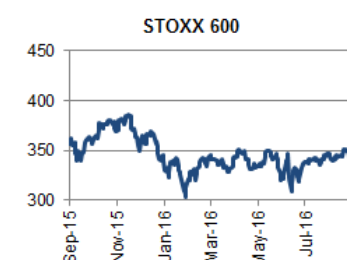
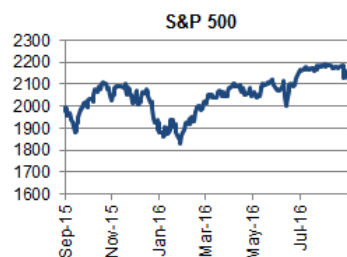
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Latest world economic & market developments

GLOBAL MARKETS

In spite of nearly unchanged Fed rate hike expectations, selling pressure on US Treasuries resumed on Tuesday, especially on the long end of the curve. The 10-yr Treasury yield was hovering around 1.717% at the time of writing, not far from Tuesday's three-month intraday peak of 1.752% compared to levels around 1.520% earlier this month. Taking their cue from US Treasuries, Bunds remained under pressure partially due to market disappointment from the lack of clear hints by ECB President Mario Draghi last week over the prospect of further monetary policy easing in the coming months. The 10-yr Bund yield remained in positive territory for the fourth consecutive session while the 2-yr Schatz was yielding levels above a two-month low of -0.644% recorded a week earlier. In FX markets, the JPY came under some pressure in response to a press report suggesting that the BoJ is mulling to cut the deposit rate further into negative territory at next week's policy meeting and possibly shifting QE purchases away from the long-end of the curve. The USD/JPY spiked to a multi-session high of 103.35 earlier on Wednesday having recovered from Tuesday's 102.53 close with 103.80 presenting the next target for USD-bulls. The US data calendar is quiet today ahead of Thursday's retail sales for July and industrial production for August. Elsewhere, today's major data releases include euro area's July industrial production as well as UK labor market data for July which are expected to provide more insight ahead of Thursday's BoE monetary policy meeting on how the Brexit vote affects the domestic economy.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

Bank of Greece Governor Yannis Stournaras met yesterday the institutions representatives in Athens and, according to press reports, he estimated that Greece's primary surplus for 2016 will reach 0.8%-of-GDP, higher than the 0.5%-of-GDP official target. In addition, his projection for GDP growth for 2016 and 2017 was reportedly -0.3% and +2.5% respectively. In other news, according to the Hellenic Statistical Authority (ELSTAT), the turnover index in the accommodation and food service activities sector for Q2 2016 fell on an annual basis for the first time since 2012 decreasing by 1.1% YoY while for the corresponding period of 2015 it had increased by 8.6% YoY. This data is in line with Bank of Greece data for H1 2016 which shows a drop in both tourism arrivals and receipts. Nevertheless, significant last minute bookings for July and August as well as the anticipated extension of the tourism season for the current year may reverse the picture. Meanwhile, according to ELSTAT, the production index in construction for Q2 2016 increased 9.7%YoY, while the adjusted for the seasonal effects production index in construction for Q2 2016 increased by 5.9%MoM.

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September 14, 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

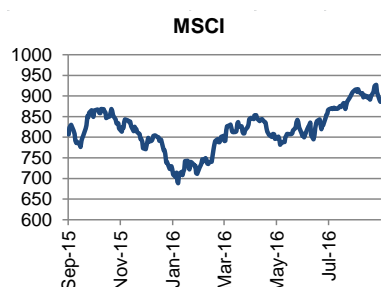
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

CPI came in at 0.0% MoM/-0.3% YoY in August compared to -0.7% MoM/-0.2% YoY in July. As a result, the annual inflation in the past twelve months averaged at -0.8% YoY. Food prices, both the largest as well as the most volatile component of CPI, slowed down on a monthly basis driven by lower prices of unprocessed food, namely fruits and vegetables, reversing a sharp rise of July. In more detail the food sub-component came in at -0.2% MoM/+1.2% YoY in August vs. +1.7% MoM/+2.0% YoY in July, making the largest positive contribution on an annual basis. Despite the spike of world energy prices in the past two months, they are still much lower on an annual basis driving transportation prices lower by +0.5% MoM/-7.9% YoY in August compared to +1.8% MoM/-8.7% YoY in July. Overall, deflation has slowed down in the last couple of months, remaining in slightly negative territory. Looking ahead, inflation is expected to continue its gradual recovery in the coming months and possibly return in positive territory in late 2016 amid improving domestic demand dynamics in tandem with the waning impact of weak global energy prices. On the other hand, regulatory prices' adjustment in the energy sector pose a downside risk to an already lower than previously expected inflation outlook.

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CESEE MARKETS

Emerging market assets remained under pressure earlier today amid ongoing uncertainty over global major Central Banks' monetary policy deliberations ahead. An earlier rally staged on hopes that the Fed will refrain from raising interest rates in the near future was reversed late last week after the ECB disappointed market expectations for further monetary stimulus. The recent selloff extended earlier today in the majority of developing nation bourses, with the MSCI Emerging Markets index standing in a modestly negative territory in Asian trade. The index hovered near yesterday's 1-month trough, marking the fourth consecutive session in the red and bringing its cumulative losses to nearly 5% since last Friday. In the CESEE region, main bourses and government bonds were little changed in early European trade, while currencies remained near recent lows. With the much anticipated FOMC meeting just a week away, (September 20-21) increased volatility is likely to prevail in global financial markets in the coming days. In this context, focus abroad will primarily be on any data releases from the US for any guidance in relation to the Fed's future monetary policy trajectory.

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September 14, 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	2127.02	-1.5%	4.1%	EUR/USD	1.1228	0.1%	3.4%	UST - 10yr	1.72	-1	-55	GOLD	1322	0.3%	24.6%
Nikkei 225	16614.24	-0.7%	-12.7%	GBP/USD	1.3203	0.1%	-10.4%	Bund-10yr	0.05	-2	-58	BRENT CRUDE	47	0.1%	26.4%
STOXX 600	339.68	0.3%	-7.1%	USD/JPY	102.64	-0.1%	17.0%	JGB - 10yr	-0.02	-1	-29	LMEX	2331	-0.3%	5.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	0	0
1-week	3.17	1	-2
1-month	3.31	0	-20
3-month	3.50	-11	-33
6-month	3.67	-19	-36

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.53	xs	-85
5Y RSD	4.44	-1	-67
7Y RSD	5.74	0	-196

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.24	5	-93
USD Nov-24	6.56	1	14

CDS

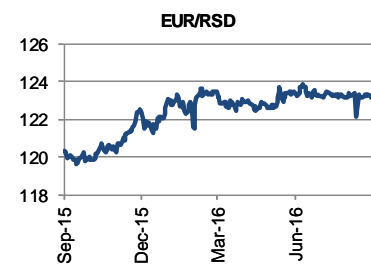
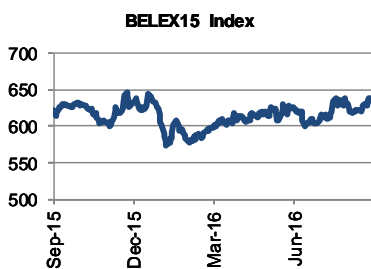
	Last	ΔDbps	ΔYTD bps
5-year	219	1	-56
10-year	260	0	-80

STOCKS

	Last	ΔD	ΔYTD
BELEX15	633.0	0.27%	-1.73%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.22	-0.02%	-1.32%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	0	-9
1-month	0.55	0	-14
3-month	0.74	1	-28
6-month	0.96	0	-38
12-month	1.11	-1	-41

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	2	-43
5Y RON	2.15	1	-65
10Y RON	2.98	0	-80

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A	N/A
USD Jan-24	2.82	-2	-97

CDS

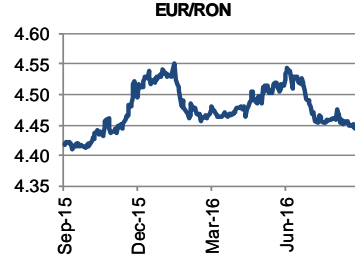
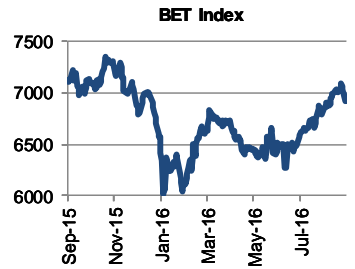
	Last	ΔDbps	ΔYTD bps
5-year	105	-1	-28
10-year	149	-1	-22

STOCKS

	Last	ΔD	ΔYTD
BET	6946.2	0.10%	-0.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4487	-0.01%	1.47%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	0	-6
1-month	-0.14	0	-30
3-month	-0.04	0	-30
6-month	0.12	0	-41
12-month	0.44	0	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	0	-40
5Y BGN	0.59	1	-68
10Y BGN	1.90	0	-76

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.42	29	-49
EUR Sep-24	1.45	3	-97

CDS

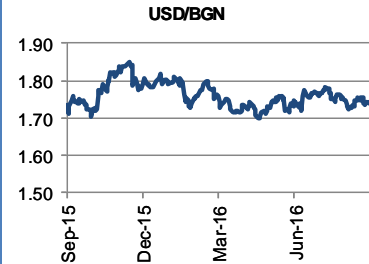
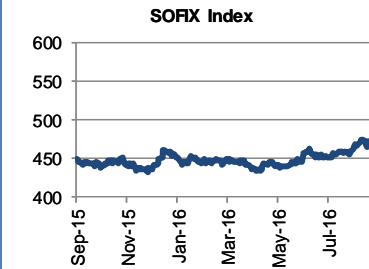
	Last	ΔDbps	ΔYTD bps
5-year	135	-3	-37
10-year	176	-3	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	473.2	-0.28%	2.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.742	0.07%	3.35%



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

Data updated as of 12:15 EEST

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