



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, September 15, 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 announcement of the BoE's MPC monetary policy decision and the MPC minutes of the meeting take centre stage today. The Committee is expected to keep its policy unchanged after a number of surveys and hard data released over the last few sessions surprised positively. However, the MPC minutes are expected to signal that the prospect of further BoE monetary policy easing in the coming months remains on the cards.

**GREECE:** According to the Bank of Greece, Greek banks further lowered their borrowing from the Eurosystem in August 2016 to €78.5bn from €82.8bn a month earlier. Data from Greece's main airports show an increase in international arrivals by 6.4%YoY in August 2016 and by 6.5%YoY for the period January – August 2016 while road arrivals decreased by 0.7%YoY in August 2016 and by 3.8%YoY for the period January – August 2016. According to the Hellenic Statistical Authority quarterly Labour Force Survey, the unemployment rate for Q2 2016 was 23.1% compared to 24.9% in Q1 2016 and 24.6% in Q2 2015.

### SOUTH EASTERN EUROPE

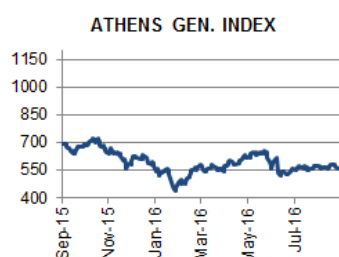
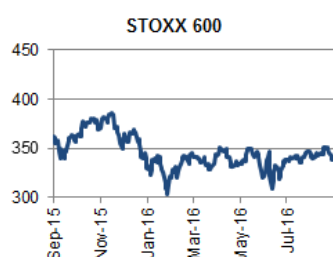
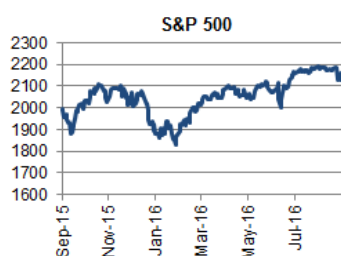
**ROMANIA:** The current account deficit widened to 1.3% of GDP in Jan-July up from 0.5% at the same period last year.

**CESEE MARKETS:** Emerging market assets remained under pressure for the fifth consecutive session earlier on Thursday, weighed down by the recent steepening in developed market yield curves and prevailing investor caution ahead of major Central Bank monetary policy meetings next week.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The announcement of the BoE's MPC monetary policy decision and the MPC minutes of the meeting take centre stage today. The Committee is expected to keep its policy unchanged after a number of surveys and hard data released over the last few sessions surprised positively mainly on the back of: (i) reduced political uncertainty following the appointment of the new Prime Minister, Theresa May, two months earlier than expected; (ii) the BoE's decision in August to adopt a more aggressive than expected stimulus package; (iii) the GBP's post-referendum weakness; and (iv) the PM's reluctance to trigger Article 50 any time soon. However, the MPC minutes are expected to signal that the prospect of further BoE monetary policy easing in the coming months remains on the cards if upcoming UK data evolve in line with the BoE's August projections. Brexit negotiations have been effectively put on hold with the UK PM saying publicly soon after her appointment that the formal procedure for the UK's exit from the EU will not start before the end of the year. As a result, it is still too early to make an assessment on the impact of the "Leave" referendum outcome on the UK's economic activity. Awaiting the BoE's monetary policy decision, the GBP was little changed hovering around 1.3225/28 against the USD at the time of writing, consolidating within the 1.3050-1.3450 recent range. Looking at today's calendar, focus is on US retail sales for August while on the US manufacturing front we expect the Empire State survey for September, the Philly Fed headline for September and August industrial production. Overall, today's US data are unlikely to alter Fed rate hike expectations for next week's monetary policy meeting.

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### GREECE

According to the Bank of Greece, Greek banks further lowered their borrowing from the Eurosystem in August 2016 to €78.5bn from €82.8bn a month earlier, a development that reflected a decline in direct borrowing from the European Central Bank to €29.6bn from €31.4bn in July and a decline in borrowing from the ELA mechanism to €48.9bn from €51.4bn. According to the BoG this was due to a partial return of deposits and a continuing deleverage of loan portfolios. Meanwhile, data from Greece's main airports show an increase in international arrivals by 6.4%YoY in August 2016 and by 6.5%YoY for the period January – August 2016. Road arrivals, however, decreased by 0.7%YoY in August 2016 and by 3.8%YoY for the period January – August 2016. According to the Hellenic Statistical Authority quarterly Labour Force Survey, the unemployment rate for Q2 2016 was 23.1% compared to 24.9% in Q1 2016 and 24.6% in Q2 2015. The number of employed persons increased by 2.7% compared to Q1 2016 and by 2.1% compared to Q2 2015 while the number of unemployed persons dropped by 6.9% compared to Q1 2016 and by 5.8% compared to Q2 2015.

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September 15, 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

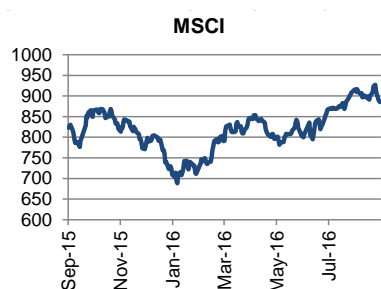
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 swelling of the current account deficit has become more visible in the Balance of Payments data released for the first seven months of the year. In more detail, the shortfall jumped to €2.2bn in January-July 2016 compared to a deficit of €756mn in the same period a year ago. As a percentage of GDP, the current account deficit widened to 1.3% in January-July 2016 up from 0.5% at the same period last year.

The widening of the trade deficit remains the main culprit behind the current account deterioration. Stronger imports dynamics (+6.7% YoY) than those of exports (+3.3% YoY) resulted in the swelling of the trade deficit to 2.8% of GDP vs 2.2% in the same period last year. Both the primary income gap and the surplus of services remained flat at 1.6% and +2.5% of GDP respectively, unable to offset the trade gap deterioration. Moreover, the secondary income stood at 0.7% of GDP lower by -21.3% YoY, as a result of lower EU funds absorption mirroring the end of the previous programming period and lower transportation services. From a financing point of view, net FDI inflows expanded by 19% YoY at €2.34bn covering fully the current account shortfall. Capital investments accounted for €2.06bn (channeled to the financial sector) while intra-group loans stood at €279mn.

In a nutshell, the current account deterioration is one of those warning signs that macroeconomic imbalances are reemerging as a result of lower EU funds absorption mirroring the end of the previous programming period. At this moment, our full year projection for the current account deficit stands 3% in 2016, still very far though from the pre-crisis peak of 13.4% in 2007.

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### CESEE MARKETS

Emerging market assets remained under pressure for the fifth consecutive session earlier on Thursday, weighed down by the recent steepening in developed market yield curves and prevailing investor caution ahead of major Central Bank monetary policy meetings (Fed and BoJ) next week. This week's persistent decline in oil prices also continued to have a negative impact on related shares, while the stronger US dollar weighed on emerging market currencies. In support of the aforementioned, the MSCI Emerging Markets index stood in a modestly negative territory in Asian trade, remaining near yesterday's 1-month closing trough. Reflecting the deterioration in risk sentiment over the last few days, emerging market sovereign debt spreads over US Treasuries on the EMBI+ index stood at 358bps on Wednesday's close, more than 20bps wider from last Thursday's 1 ½ -year low settlement. In the CESEE region, main bourses, currencies and government bonds were little changed in early European trade. Long-term local currency sovereign bond yields continued to trail those of Eurozone higher amid skepticism over whether the ECB will deliver in the near future further monetary stimulus. Indicatively, Poland's 10-year benchmark bond yield traded at 2.937% earlier today, ca 4bps higher compared to the prior session's settlement and near an 8-week peak hit this week. Today's calendar in the CESEE region is relatively light. Turkish markets are closed for the fourth consecutive session on holiday, while amongst the most notable items is a Central Bank monetary policy meeting in Ukraine, where the market's median forecast is for the key rate to be cut by 50bps to 15.00%. In this context, focus turns to developments abroad, e.g. US retail sales and industrial production for August as investors seek guidance in relation to the Fed's future monetary policy trajectory.

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September 15, 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	2125.77	-0.1%	4.0%	EUR/USD	1.1241	-0.1%	3.5%	UST - 10yr	1.70	1	-57	GOLD	1321	-0.1%	24.5%
Nikkei 225	16405.01	-1.3%	-13.8%	GBP/USD	1.3234	0.0%	-10.2%	Bund-10yr	0.05	3	-58	BRENT CRUDE	46	0.7%	23.9%
STOXX 600	339.44	0.3%	-7.2%	USD/JPY	102.39	0.0%	17.3%	JGB - 10yr	-0.04	-2	-30	LME X	2377	2.0%	7.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	302	0	-1
1-week	3.15	0	-4
1-month	3.30	-1	-21
3-month	3.52	-1	-31
6-month	3.70	0	-33

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.02	xs	-88
5Y RSD	4.37	-2	-72
7Y RSD	5.74	0	-196

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.25	1	-91
USD Nov-24	6.57	-1	16

**CDS**

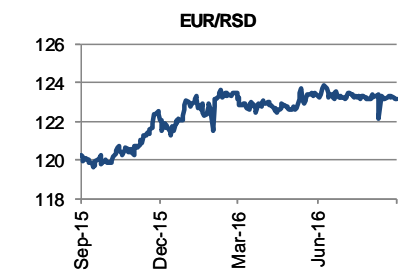
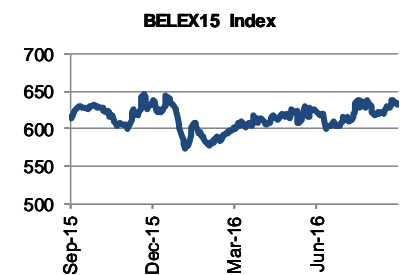
	Last	ΔDbps	ΔYTD bps
5-year	219	0	-56
10-year	261	0	-78

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	637.4	0.64%	-1.04%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.26	-0.06%	-1.36%



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.43	-1	-10
1-month	0.55	0	-14
3-month	0.73	-1	-29
6-month	0.95	-1	-39
12-month	1.12	1	-40

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.51	0	-42
5Y RON	2.16	0	-64
10Y RON	2.99	0	-79

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-90
USD Jan-24	2.79	0	-100

**CDS**

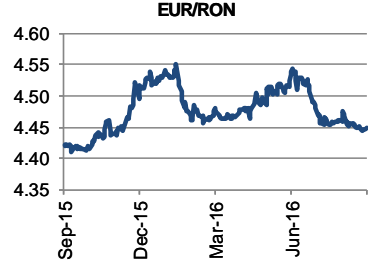
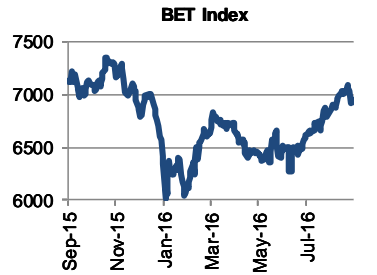
	Last	ΔDbps	ΔYTD bps
5-year	106	1	-27
10-year	149	0	-22

**STOCKS**

	Last	ΔD	ΔYTD
BET	6961.3	0.44%	-0.61%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.448	-0.01%	1.48%



**BULGARIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	-0.05	0	-6
1-month	-0.14	0	-29
3-month	-0.04	0	-30
6-month	0.12	0	-41
12-month	0.45	0	-53

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	0	-40
5Y BGN	0.62	4	-65
10Y BGN	1.91	0	-74

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.11	0	-17
EUR Sep-24	1.47	26	-95

**CDS**

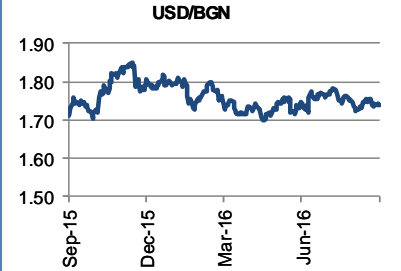
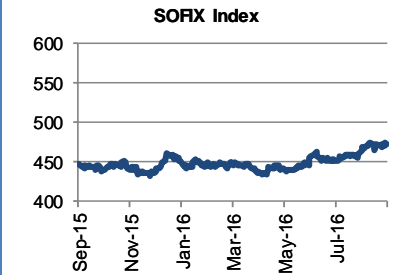
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-37
10-year	175	-1	-41

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	472.8	0.03%	2.57%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7401	-0.09%	3.46%



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

Data updated as of 13:00 EEST

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