



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, September 19, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Sep 19: NAHB (Sep)
- Sep 20: Housing starts/permits (Aug)
- Sep 21: FOMC rate decision
- Sep 22
  - Jobless claims (weekly)
  - Existing home sales (Aug)

##### JAPAN

- Sep 21: BoJ monetary policy decision

##### EUROZONE

- Sep 22: Consumer confidence (Sep, p)
- Sep 23: PMI manufacturing & services (Sep)

##### GREECE

- Sep 19: Turnover Index in Industry (Jul)
- Sep 20: Current account balance (Jul)
- Sep 22: Job Vacancy (Q2)

#### SEE

##### ROMANIA

- Sep 19: 2.25% 2020 T-Bonds auction
- Sep 22: 2.5% 2019 T-Bonds auction

##### SERBIA

- Sep 20: Current account balance (Jul)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** All eyes this week are on the BoJ and the Fed monetary policy meetings that both conclude on Wednesday (21 September). Fed Funds futures currently assign a probability of c. 15% for a 25bps Fed rate hike this week while recent comments from a number of Fed officials revealed a considerable divergence in their views about the Fed's future policy deliberations. The BoJ is expected to proceed with a cut in the deposit facility rate further into negative territory and adjust the breakdown of bond purchases while keeping the money base unchanged to steepen the JGB yield curve.

**GREECE:** The Greek government reportedly intends to bring to the Hellenic Parliament this week a multi-bill containing the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche. If all goes as planned, the 29th September Euroworking Group is expected to verify the completion of pending issues while the October 10th Eurogroup will approve the release of the €2.8bn sub-tranche. This time plan will allow the 2nd programme review to commence around mid-October.

### SOUTH EASTERN EUROPE

**CYPRUS:** On Friday evening, Standard and Poor's upgraded the sovereign credit rating of Cyprus by one notch (from BB- to BB) with a positive outlook.

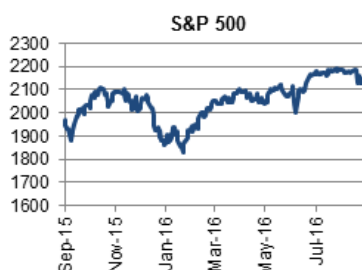
**ROMANIA:** The EUR/RON ended last week little changed, remaining bound within a very tight range between 4.4430/4.4540. On the money market, the short term RON interest rates were little changed, while trading in government bonds was choppy.

**SERBIA:** The EUR/RSD pair traded in a tight range of 123.00 -123.35 last week.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

All eyes this week are on the BoJ and the Fed monetary policy meetings that both conclude on Wednesday (21 September). Fed Funds futures currently assign a probability of c. 15% for a 25bps Fed rate hike this week while recent comments from a number of Fed officials revealed a considerable divergence in their views about the Fed's future policy deliberations. The BoJ, which is due to announce its monetary policy decision a few hours ahead of the Fed, has made known that it intends to release a comprehensive assessment of its monetary policy at this meeting. Awaiting the outcome of both monetary policy meetings, major European bourses were modestly firmer in early trade on Monday on the view that the Fed will likely stay put on its monetary policy while the BoJ will probably proceed with a cut in the deposit facility rate further into negative territory. Furthermore, the BoJ is expected to adjust the breakdown of bond purchases to steepen the JGB yield curve amid concerns about the side-effects on the domestic banking sector of a flattening yield curve that was observed in the first half of this year. In more detail, while keeping the base money target unchanged at 80trn JPY, the BoJ is expected to limit purchases at the ultra-long end of the curve while increasing purchases at the short-end. Awaiting the conclusion of both meetings, the USD/JPY was hovering around 101.87/90 in European trade on Monday, not much changed compared to Friday, but below last week's multi-session peak of 103.34. Technically, support lies at 101.73 intraday low in the way to 101.40 ahead of the more crucial 100.06 (Aug. 26). Elsewhere, commodity related currencies were among the main outperformers supported by higher oil prices amid reports claiming clashes at Libyan oil ports.

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### GREECE

The Greek government reportedly intends to bring to the Hellenic Parliament this week a multi-bill containing the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche and at the same time, proceed with any other action attached to the aforementioned sub-tranche which does not require additional legislation. The pending actions include among others: a) the appointment of the Supervisory Board of the new Privatisation and Investment Fund, b) the transfer of a second group of state-owned enterprises to the new Privatisation and Investment Fund, c) the call for expression of interest for Egnatia Odos, d) a number of actions pertaining to privatisations, e) the change of the operation framework of the Hellenic Civil Aviation Authority, f) the adoption of measures by the Regulatory Authority for Energy to reform of the natural gas market, and g) the adoption of legislation to promote competition in the electricity market. If all goes as planned, the 29th September Euroworking Group is expected to verify the completion of pending issues while the October 10th Eurogroup will approve the release of the €2.8bn sub-tranche. This time plan will allow the 2nd programme review to commence around mid-October. It should, however, be noted, that -in line with recent comments by ESM Managing Director Klaus Regling- the €2.8bn sub-tranche will only be available until October 31st. After that date, the funds will return to the pool of funds available for Greece under the ESM loan facility and will be released subject to the successful completion of future reviews.

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September 19, 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

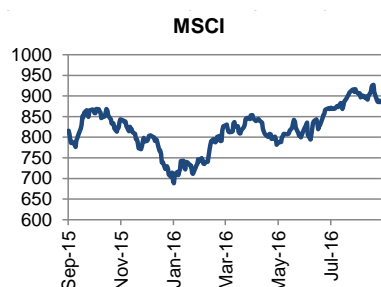
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### CYPRUS

On Friday evening, Standard and Poor's upgraded the sovereign credit rating of Cyprus by one notch (from BB- to BB) with a positive outlook. The decision confirmed a consensus forecast. The decision reflects the better than expected growth performance so far and its positive impact on debt reduction as well as the steady improvement in the banking sector asset quality. In all past editions we have extensively discussed the progress of the Cypriot economy in the last three years. Based on fact findings and our analysis, we always advocated that Cyprus is a solid turn-around economic story. The Q2-2016 GDP reading of +0.7% QoQ/+2.7% YoY confirmed that the economy is on a fast growth recovery track. After a three year recession in 2012-2014 and a cumulative drop of 10.5% in GDP, the economy expanded by +1.6% YoY in 2015 and is expected to gain further momentum to +2.7% YoY in 2016 above the most recent EU Commission Spring forecast of +1.7% YoY. Confidence indicators reached a new post-Lehman high in August, coming very close to the pre-crisis high recorded in August2007.

Despite rating agencies' aggressive upgrading, Cypriot government bonds still have not reached investment grade status. After S&P's upgrade, an increase of two more notches is required in the said agency's grading system while four are needed by Fitch and Moody's (currently at B1 and B+ respectively). As a result, the ECB's waiver for government bonds eligibility for Euro system financing has been lifted as of April 1<sup>st</sup> and Cyprus no longer qualifies for QE. The waiver allowed these instruments to be used in Euro system monetary policy operations despite the fact that they did not fulfill minimum credit rating requirements.

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### ROMANIA

The EUR/RON ended last week little changed, remaining bound within a very tight range between 4.4430/4.4540 and closing on Friday at 4.4520, near the previous week's settlement of 4.4470. On the money market, the short term RON interest rates remained close to the Central Bank's deposit facility rate of 0.25%. Similarly, the 1W implied rate from swaps was little changed around 0.30%, while the 1M fell from 0.55% to 0.45%. Trading in government bonds was choppy. However, the end result was neutral with yields closing the week roughly at the same levels as on the previous Friday.

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### SERBIA

Although short-term risks remain skewed to the downside, the EUR/RSD pair traded in a tight range of 123.00 -123.35 last week, amid expectations for renewed Central Bank intervention in the FX markets in order to halt further dinar appreciation. Looking ahead, a move towards 124.00 is likely in the coming weeks and is anticipated to come on the back of increasing euro demand from corporates due to seasonal factors. In other news, the National Bank of Serbia redrew RSD78.4bn of surpluses via a 1W reverse REPO agreement. Eighteen commercial banks have placed funds at a weighted average of 2.89%, 2 basis points lower than a week earlier.

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September 19, 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	2139.16	-0.4%	4.7%	EUR/USD	1.1167	0.0%	2.9%	UST - 10yr	1.69	0	-58	GOLD	1315	0.4%	23.9%
Nikkei 225	16519.29	0.7%	-13.2%	GBP/USD	1.305	0.4%	-11.4%	Bund-10yr	0.02	1	-61	BRENT CRUDE	46	1.2%	24.3%
STOXX 600	341.10	1.0%	-6.8%	USD/JPY	101.9	0.4%	17.8%	JGB - 10yr	-0.04	0	-30	LMEX	2371	0.0%	7.6%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-1	-2
1-week	3.14	-1	-5
1-month	3.27	-4	-24
3-month	3.52	-1	-31
6-month	3.72	2	-31

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.44	xs	-91
5Y RSD	4.40	0	-72
7Y RSD	5.74	0	-196

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.14	0	-102
USD Nov-24	6.57	0	16

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	219	0	-56
10-year	261	0	-79

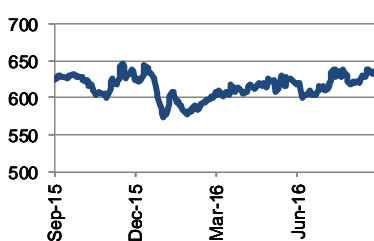
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	632.3	0.01%	-1.83%

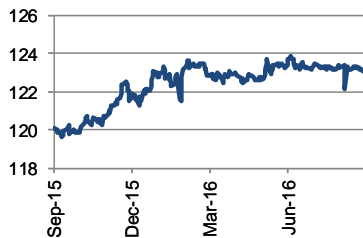
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.20	-0.03%	-1.31%

**BELEX15 Index**



**EUR/RSD**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-10
1-month	0.54	-1	-15
3-month	0.72	-1	-30
6-month	0.96	1	-38
12-month	1.11	0	-41

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.49	0	-44
5Y RON	2.15	0	-65
10Y RON	2.97	-1	-81

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	1	-88
USD Jan-24	2.78	-1	-101

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	103	-2	-30
10-year	147	-2	-25

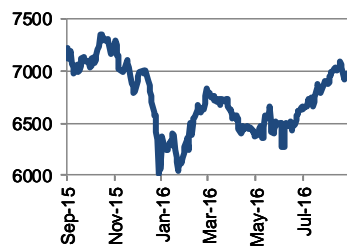
**STOCKS**

	Last	ΔD	ΔYTD
BET	6967.1	-0.17%	-0.53%

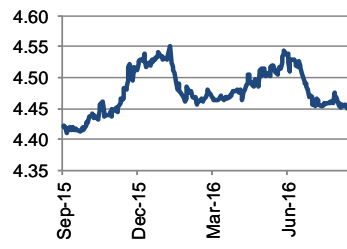
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4455	0.08%	1.54%

**BET Index**



**EUR/RON**



**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	0.19	2	-41
5Y BGN	0.59	-1	-68
10Y BGN	1.91	1	-75

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.49	39	-56
EUR Sep-24	1.48	-3	-94

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	139	1	-33
10-year	180	1	-37

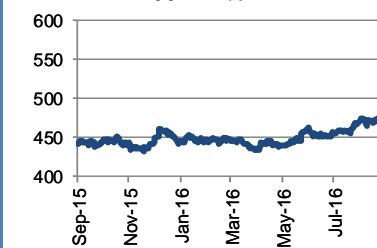
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	476.9	0.26%	3.46%

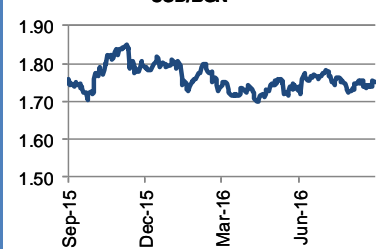
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7512	0.12%	2.80%

**SOFIX Index**



**USD/BGN**



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

Data updated as of 12:20 EEST

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