



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, September 20, 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: Major currency pairs consolidated within recent ranges in early European trade on Tuesday amid investors' reluctance to establish fresh sizable positions ahead of the BoJ and Fed monetary policy meetings that both conclude on Wednesday. Fed Funds futures currently assign a probability of 13% for a 25bps rate hike while recent comments from a number of Fed officials revealed a considerable divergence in their views about the Fed's near term policy deliberations. Meanwhile, the BoJ is anticipated to proceed with a cut in the deposit facility rate further into negative territory and adjust the breakdown of bond purchases to mitigate the impact of negative rates on financial institutions.

GREECE: The Bank of Greece data on the Balance of Payments (BoP) in July 2016 show a surplus of €1.4bn decreased by 43%YoY mainly due a deterioration in the deficit of goods excluding oil and ships which was €1.0bn, more than double compared to July 2015 when a significant drop in exports had occurred as a result of the capital controls which had been imposed at the end of June 2015. According to the Hellenic Statistical Authority, the overall turnover index in industry in July 2016 recorded a decrease of 5.9% YoY.

SOUTH EASTERN EUROPE

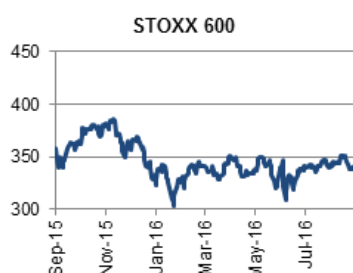
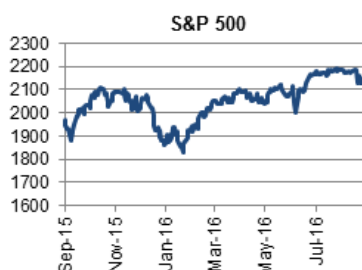
ROMANIA: The finance ministry sold at an auction on Monday the planned RON 500mn (~€112.4mn) of 2020 Treasury bonds at an average accepted yield of 1.80%.

CESEE MARKETS: Emerging market assets were mixed earlier on Tuesday, trading in a consolidation mode as investor caution prevails ahead of the much anticipated FOMC and BoJ meeting decisions tomorrow.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Major currency pairs consolidated within recent ranges in early European trade on Tuesday amid investors' reluctance to establish fresh sizable positions ahead of the BoJ and Fed monetary policy meetings that both conclude on Wednesday. Fed Funds futures currently assign a probability of 13% for a 25bps rate hike while recent comments from a number of Fed officials revealed a considerable divergence in their views about the Fed's near-term policy deliberations. A rate hike by the Fed could push the USD higher though further gains from current levels are likely to prove limited as, under such a scenario, the Central Bank is expected to make clear that the pace of any further rate tightening in the coming months will be gradual. On the flip side, if the Fed decides to stay put on its monetary policy, the USD is likely to move lower although, under such a scenario, the Central Bank is anticipated to leave the door open for a rate hike in the foreseeable future. The USD/JPY was hovering around 101.70/75 at the time of writing, a tad lower compared to Monday's settlement of 101.92 but still within the 101.20-103.35 recent range. Technically, the next target for USD-bulls stands at 103.35 in the way to 104.30. On the downside, major support lies at 101.20, a level that could be tested if the Fed stands pat and, in parallel, the BoJ's additional easing steps disappoint. The BoJ is anticipated to proceed with a cut in the deposit facility rate further into negative territory and adjust the breakdown of bond purchases to mitigate the impact of negative rates on financial institutions. The BoJ monetary policy decision is expected to be announced between 4:30 and 6:00 CET on Wednesday morning while a press conference will follow. Looking at the day ahead, the US is scheduled to release housing starts and building permits data for August.

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GREECE

The Bank of Greece data on the Balance of Payments (BoP) in July 2016 show a surplus of €1.4bn decreased by 43%YoY mainly due a deterioration in the deficit of goods excluding oil and ships which was €1.0bn, more than double compared to July 2015 when a significant drop in exports had occurred as a result of the capital controls which had been imposed at the end of June 2015. The surplus in the services balance declined by 4.4%YoY mainly due to decreased net travel (-3.5%) and other services receipts. In the January-July 2016 period the current account deficit declined by 22%YoY due to improved primary and secondary income balances, while both the goods and services balances deteriorated. Meanwhile, according to the Hellenic Statistical Authority, the overall turnover index in industry in July 2016 recorded a decrease of 5.9% YoY. As per the individual industrial sections, mining and quarrying turnover increased by 4.5% YoY while manufacturing turnover fell by 6.1% YoY. Additionally, domestic and non-domestic market turnover decreased by 5.3% and 6.7% respectively. For the twelve month period from August 2015 to July 2016 the average overall turnover index in industry decreased by 12% compared to the 12 month period from August 2014 to July 2015.

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September 20, 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

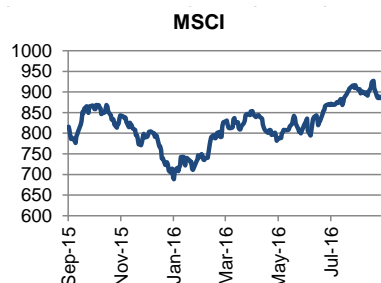
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 finance ministry sold at an auction on Monday the planned RON 500mn (~€112.4mn) of 2020 Treasury bonds. The average accepted yield came in at 1.80%, nearly in line with that achieved at a prior tender of same maturity paper held on August 22. Reflecting strong investor interest, the bid to cover ratio stood at 3.5. The issue matures on February 26, 2020 and bears an annual coupon of 2.25%.

CESEE MARKETS

Emerging market assets were mixed earlier on Tuesday, trading in a consolidation mode as investor caution prevails ahead of the much anticipated FOMC and BoJ meeting decisions tomorrow. Following yesterday's 1.7% rally, which was instigated by an upgrade on Hungary's sovereign credit ratings, the Hungarian BUX index stood 0.5% lower in European trade today, though remaining close to Monday's 9-year high. In more detail, S&P announced after the market close in Europe on Friday its decision to upgrade by one notch the country's sovereign debt rating into investment grade (BBB-/A3) on the back of the country's improving fiscal position and growth outlook as well as narrowing external imbalances. The move which follows a similar action by Fitch in May was not anticipated by market participants at this stage, with most expecting just a change on the outlook to positive from stable. Along these lines, the Hungarian forint remained earlier today near Monday's 7-month peak of 307.27, while government bonds hit multi week lows yesterday when the 2- and 10-year benchmark yields fell by 7bps and 19bps to 1.29% and 2.84%, respectively.

Looking into the CESEE calendar today, Hungary's MPC meeting takes centre stage. The MNB is broadly anticipated to hold its key policy rate at the current record low level of 0.90%, but according to consensus it is expected to announce a HUF 630bn reduction in its 3-month deposits by the end the year in order to support bank lending and purchases of government bonds. Further ahead, Turkey's Central Bank monetary policy meeting is scheduled on Thursday. The market's median forecast is for the key policy and the overnight borrowing rate to remain unchanged at 7.50% and 7.25%, respectively, while the overnight lending is expected to be reduced by another 25bps to 8.25%.

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September 20, 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	2139.12	0.0%	4.7%	EUR/USD	1.1184	0.1%	3.0%	UST - 10yr	1.69	-2	-58	GOLD	1315	0.2%	23.9%
Nikkei 225	16492.15	-0.2%	-13.4%	GBP/USD	1.3002	-0.2%	-11.8%	Bund-10yr	0.00	-2	-63	BRENT CRUDE	46	-0.4%	22.7%
STOXX 600	341.89	0.2%	-6.5%	USD/JPY	101.74	0.2%	18.0%	JGB - 10yr	-0.06	-2	-33	LMEX	2383	0.5%	8.2%

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	2.46	xs	-120
5Y RSD	4.40	-1	-73
7Y RSD	5.68	-4	-202

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.12	-2	-104
USD Nov-24	6.57	0	16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	218	-1	-57
10-year	261	0	-79

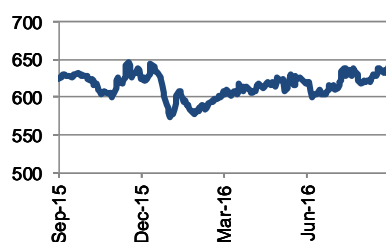
STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.8	-0.28%	-0.97%

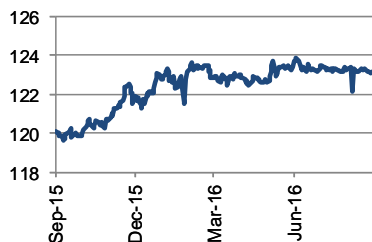
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.15	0.01%	-1.27%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	-1	-11
1-month	0.55	1	-14
3-month	0.7	-2	-32
6-month	0.94	-2	-40
12-month	1.09	-2	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	-1	-45
5Y RON	2.15	0	-65
10Y RON	2.93	-2	-85

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	0	-88
USD Jan-24	2.73	-6	-105

CDS

	Last	ΔDbps	ΔYTD bps
5-year	102	-2	-31
10-year	146	-1	-26

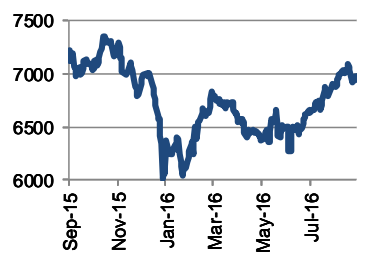
STOCKS

	Last	ΔD	ΔYTD
BET	6977.0	0.10%	-0.39%

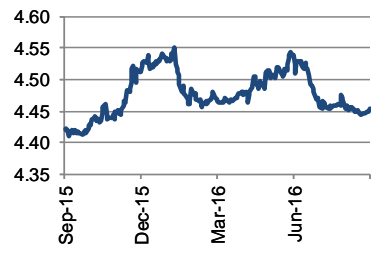
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4535	-0.11%	1.36%

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	0.11	0	-42
12-month	0.44	-1	-53

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	-1	-41
5Y BGN	0.58	-1	-69
10Y BGN	1.91	0	-75

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.51	0	-58
EUR Sep-24	1.47	-21	-95

CDS

	Last	ΔDbps	ΔYTD bps
5-year	137	-2	-34
10-year	179	-1	-38

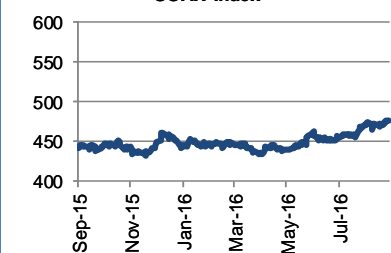
STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.4	-0.09%	3.35%

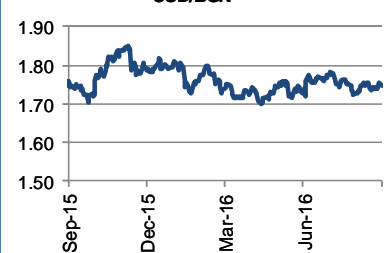
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7488	0.08%	2.94%

SOFIX Index



USD/BGN



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

Data updated as of 12:30 EEST

September 20, 2016

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