

### 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:** In the monetary policy meeting that concluded earlier today, the BoJ decided to keep major interest rates unchanged and proceed with certain amendments to its QQE program introducing a new policy framework "QQE with yield curve control. Reacting to the BoJ's policy decision, the 10-yr JGB yield briefly rose into positive territory earlier today for the first time since March before moving back to negative rates a few hours later. In FX markets, the USD/JPY gave back most of its post-BoJ gains ahead of the Fed monetary policy decision at 20:00 CET today.

**GREECE:** According to the State Budget Execution data for August 2016 the respective fiscal deficit was at €1.04 bn, against a targeted deficit of €3.88 bn in the 2016 Budget. The State Budget Primary Balance recorded a surplus of €3.76 bn, against a targeted primary deficit of €0.98 bn in the 2016 Budget.

### SOUTH EASTERN EUROPE

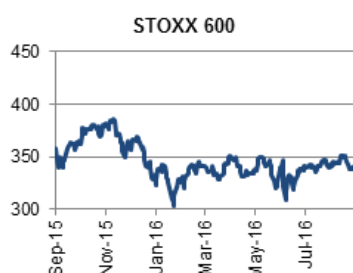
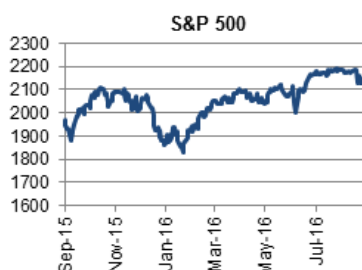
**BULGARIA:** An IMF mission concluded its annual visit in Bulgaria and published its findings yesterday. The IMF mission statement acknowledged the resilience of the Bulgarian economy to multiple shocks in recent years and described the latest macroeconomic developments as encouraging.

**CESEE MARKETS:** Emerging market assets broadly firmed in morning trade on Wednesday after the Bank of Japan meeting. All eyes are on the Fed's monetary policy announcement today.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

In the monetary policy meeting that concluded earlier today, the BoJ decided to keep major interest rates unchanged and proceed with certain amendments to its QQE program introducing a new policy framework "QQE with yield curve control". The BoJ will no longer target specific average maturity of JGB purchases or annual monetary base expansion. Instead, it will target a certain yield curve, purchasing JGBs at a rate such that 10-yr yields remain at around 0%. The size and pace of monetary base expansion will be flexible as the BoJ committed itself to expand the monetary base until the YoY rate of inflation exceeds the price stability target of 2% in a stable manner. Reacting to the BoJ's policy decision, the 10-yr JGB yield briefly rose into positive territory earlier today for the first time since March before moving back to negative rates standing at around -0.025% in European trade. The 10-yr UST yield followed suit hitting multi-session highs close to 1.74% earlier in the day before retreating to levels around 1.70% at the time of writing. In FX markets, the USD/JPY rallied soon after the BoJ policy decision recording a multi-session peak of 102.78. But post-BoJ gains proved short-lived with the pair standing at around 101.80/85 in early European trade, not much changed compared to Tuesday's close amid market anxiety ahead of the Fed's monetary policy decision (20:00 CET). After the conclusion of the Fed meeting, Chair Janet Yellen is scheduled to give a press conference at 20.30 CET.

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### GREECE

According to the State Budget Execution data for August 2016 the respective fiscal deficit was at €1.04 bn, against a targeted deficit of €3.88 bn in the 2016 Budget. The State Budget Primary Balance recorded a surplus of €3.76 bn, against a targeted primary deficit of €0.98 bn in the 2016 Budget. Ordinary Budget net revenues over-performed their target by €0.46 bn. At the same time, Ordinary Budget expenditures were lower by €2.55 bn compared to their 2016 Budget target. With respect to General Government arrears, according to the respective bulletin published by the Ministry of Finance, by the end of July 2016 the total funds that were transferred to the various general government entities for arrears (including tax refund arrears) clearance were at €1.71 bn in line with the respective target of the ESM Compliance Report (June 2016). However, the actual payments of arrears to the private sector were only at €0.49 bn. In other news, Greek Prime Minister Alexis Tsipras, met yesterday with the USA Vice President Joe Biden in the sidelines of the United Nations Summit and discussed Greece's public debt among others. According to press releases, Mr. Tsipras presented the benefits of a potential debt relief and requested support on this issue while Mr. Biden urged the Greek government to proceed with reforms and reiterated the interest of the US government in developments in Greece.

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September 21, 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

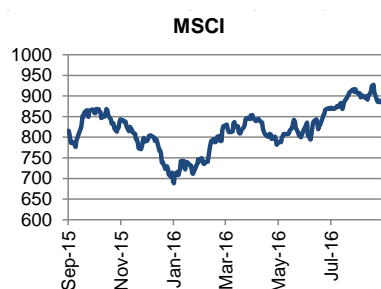
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

An IMF mission concluded its annual visit in Bulgaria and published its findings yesterday. The IMF mission statement acknowledged the resilience of the Bulgarian economy to multiple shocks in recent years and described the latest macroeconomic developments as encouraging. From that point of view, the GDP growth forecast of 2016 was upgraded to 3.0% up from 2.3% in the latest World Economic Outlook (WEO) report. However, the IMF stressed that acceleration in structural reforms is required in order to boost the growth potential of the economy and thus speed up income convergence with the EU-28 average. Finally, the IMF praised the new BNB leadership for the progress in restoring financial sector stability by addressing shortcoming in banking supervision and resolution. In that direction, the Fund urged authorities to continue strengthening the institutional framework of the financial system.

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### CESEE MARKETS

Emerging market assets broadly firmed in morning trade on Wednesday after the Bank of Japan meeting. Trailing gains in Asian and European bourses, the MSCI Emerging Markets index stood in a modestly positive territory earlier today, marking the third consecutive session in the black and hovering near Tuesday's 1-week closing high. Bourses in CESEE also inched higher, while regional currencies were mixed and government bonds slightly weakened. In FX markets, the Hungarian forint recovered ground after yesterday's short-lived correction that came largely on the back of the Central Bank's monetary policy meeting announcement. In line with the market's median forecast, the MNB held on Tuesday the key policy (base) rate unchanged at the current record low level of 0.90%. However, it reduced by more than market expectations the maximum volume offered at the three-month deposit instrument tenders by year-end to HUF 900bn. The move, which is expected to release at least HUF 200-400bn of liquidity from the deposit instrument, aims to support bank lending and purchases of government bonds. In its latest Inflation Report – expected to be publicly released on Thursday, the Central Bank reportedly updated its macroeconomic projections, revising lower its average inflation forecast for 2017 to 2.3% from 2.6% before, having signaled at the MPC meeting its readiness to further limit deposits if needed in order for its 3.0% target to be attained. Additionally, it revised marginally lower its 2016 CPI projection to 0.4% (from 0.5%) and maintained its earlier real GDP growth forecast for 2016 and 2017 to 2.8% and 3.0% 2017, respectively. In this context, the EUR/HUF hovered around levels of 308.50 in European trade on Wednesday, having eased from this week's peak of 309.90 hit yesterday and approaching anew Monday's 7-month trough of 307.27 achieved in the aftermath of the S&P's largely unexpected sovereign credit rating upgrade announcement. In the local rate markets, Hungarian government bonds traded in tight ranges after falling by ca 20bps to near record lows in the wake of last week's S&P upgrade. Elsewhere, Polish assets broadly lagged the positive regional trend, pressured by ongoing worries over a domestic constitutional crisis. All eyes are on the Fed's monetary policy announcement today. In contrast, the CESEE data and events calendar is particularly thin.

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September 21, 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

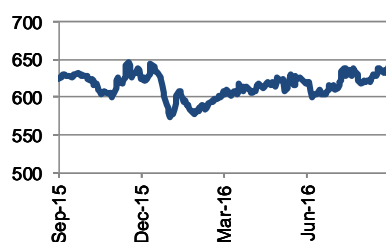
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	637.8	-0.28%	-0.97%

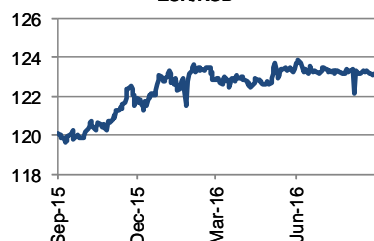
#### FOREX

	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

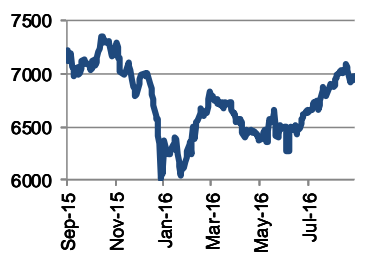
#### STOCKS

	Last	ΔD	ΔYTD
BET	6977.0	0.10%	-0.39%

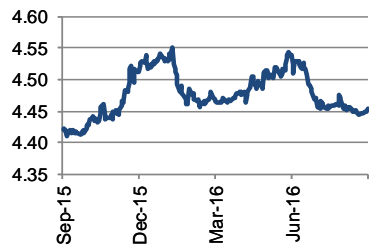
#### FOREX

	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

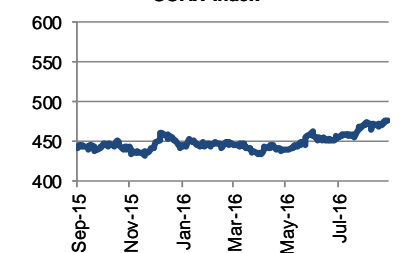
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	476.4	-0.09%	3.35%

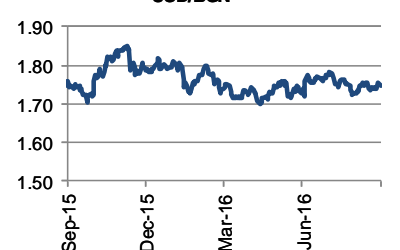
#### FOREX

	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 of previous session

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