



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, September 22, 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:** The Fed decided to keep interest rates unchanged at the September 20-21 monetary policy meeting leaving, however, the door ajar for a rate hike in the not too distant future. All in all, the tone of the policy statement suggested that, barring significant negative developments, a rate hike is highly likely by the end of the year, while the pace of rate tightening in the coming years will be gradual dependent on the US' economic outlook. In reaction to the Fed policy decision, European equity markets were firmer in early trade on Thursday, the USD weakened especially against the JPY and US Treasury yields moved lower with long-dated paper outperforming.

**GREECE:** The multi-bill containing the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche is expected to be brought before the Hellenic Parliament today and be voted on Monday, while other pending prior actions that do not require additional legislation are expected to close in October. The Hellenikon S.A. concession agreement was ratified yesterday in Parliament. According to the BoG, in July 2016 travel receipts recorded a decrease of 3.5%YoY against an increase of 6.6%YoY in July 2015, while inbound traveler flows rose by 5.8%YoY against 4.4%YoY in July 2015.

### SOUTH EASTERN EUROPE

**BULGARIA:** According to the monthly monetary survey of BNB, the annual growth rate of credit to the non-government sector switched to positive territory in August for the first time in the last two years.

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## Latest world economic & market developments

### GLOBAL MARKETS

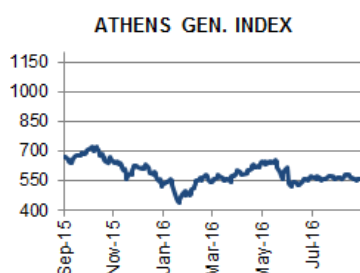
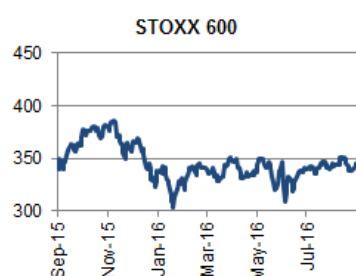
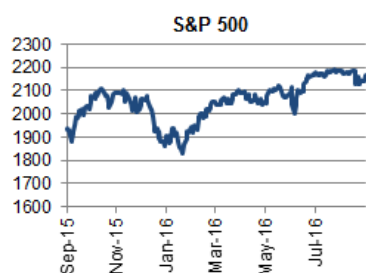
The Fed decided to keep interest rates unchanged at the September 20-21 monetary policy meeting leaving, however, the door ajar for a rate hike in the not too distant future. Three policy members dissented in favor of a rate hike and the overall tone of the accompanying statement was more hawkish compared to that in the prior meeting. The accompanying statement read that near-term risks to the economic outlook are “roughly balanced”, an upgrade from July when it had described the near-term risks as having “diminished” while the labor market “has continued to strengthen”. With respect to their policy deliberations ahead, the Fed said that “the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress towards its objectives”. The updated interest rate projections revealed that the median path of policy in the dot-plot is consistent with one hike by the end of this year and only two in 2017. All in all, the tone of the policy statement suggested that, barring significant negative developments, a rate hike is highly likely by the end of the year, while the pace of rate tightening in the coming years will be gradual dependent on the US’ economic outlook. In reaction to the Fed policy decision, European equity markets were firmer in early trade on Thursday and US Treasury yields moved lower with long-dated paper outperforming. In FX markets, the USD weakened especially against the JPY falling to 100.07 earlier today, the lowest in nearly two months, before recovering modestly to levels around 100.80/85 at the time of writing. With the Fed and the BoJ monetary policy meetings out of the way, focus now is on any signs on the Fed’s near-term policy deliberations that are expected to have a significant impact on the USD’s moves in FX markets in the coming sessions/weeks.

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### GREECE

The multi-bill containing the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche is expected to be brought before the Hellenic Parliament today and be voted on Monday, in time for the September 29th Euroworking Group. Meanwhile, according to press reports, other pending prior actions that do not require additional legislation are expected to close in October. On the privatisations front, the Hellinikon S.A. concession agreement was ratified yesterday in Parliament, backed by the governing coalition parties SYRIZA and ANEL as well as the opposition parties ND, PASOK, To Potami and Union of Centrists. In other news, the Bank of Greece published yesterday data on Greece’s balance of travel services for July 2016. Receipts recorded a decrease of 3.5%YoY against an increase of 6.6%YoY in July 2015, while inbound traveler flows rose by 5.8%YoY against 4.4%YoY in July 2015. Of particular interest are receipts and inbound travelers from the UK which fell by 35.6%YoY and 7.5%YoY respectively in July 2016, whereas in July 2015 they had increased by 92.9%YoY and 54.2%YoY respectively. This development could be attributed to the June 23rd Brexit referendum and the consequent weakening of the GBP against the EUR, taking into consideration that for the 6-month period prior to the Brexit referendum travel receipts and arrivals from the UK were on the rise. In particular, in June 2016 travel receipts and arrivals from the UK had increased 24.8%YoY and 26.6%YoY respectively while for the period January-June 2016 travel receipts and arrivals from the UK had increased 2.2%YoY and 13.1%YoY. On the positive side, inbound flows from other major origin countries recorded increases with the most significant ones being from Russia (+40%), the USA (+27.3%), Germany (+9.9%) and France (+4.1%). For the period January – July 2016 travel receipts declined 4.8%YoY while in the corresponding period of 2015 they had increased by 8.2%YoY. Inbound traveler flows were higher by 1.1%YoY whereas for the corresponding period of 2015 they were higher by 14.2%.

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Source: Reuters, Bloomberg, Eurobank Research

September 22, 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

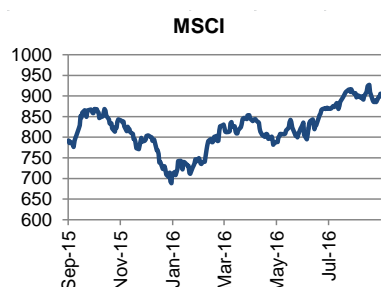
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

According to the monthly monetary survey of BNB, the annual growth rate of credit to the non-government sector switched to positive territory in August for the first time in the last two years. Credit to the non-government sector expanded by a negligible +0.1% YoY in August compared to 0% YoY in July up from -1.2% YoY in 2015 and -8.2% YoY in 2014. The data of 2014 reflect the dropping of assets of Corporate Commercial Bank (KTB) out of the official statistics in the aftermath of the bank run which eventually resulted in the bankruptcy of the fourth largest bank in terms of assets.

Credit to the non-financial corporations declined by -0.9% YoY in August compared to -0.6% YoY in July, up from -1.7% YoY in 2015 and -11.6% YoY in 2014. Credit to households declined by -1.5% YoY in March 2016, broadly unchanged from -1.3% YoY in December 2015 and -1.6% YoY in 2014. On the other hand, non-government deposits expanded by +9.6% YoY in August up from +9.2% YoY in July, +10.6% YoY in 2015 but still up from +1.5% YoY in 2014. Deposits have fared strongly so far driven by increased precautionary households' savings, positive real interest rate differentials vis-à-vis the Euroarea and improved corporate sector deposits (+18.7% YoY in 2015, +12.8% YoY in August 2016). Overall, credit expansion has been in negative territory constrained by both demand and supply factors. Demand for new credit has been weak but also the financial institutions have been reluctant to lend ahead of the conclusion of the asset quality review (AQR).

The results of the asset quality review (AQR) and stress tests in mid-August confirmed the strong capital position of the domestic banking sector to absorb losses from hypothetical adverse macroeconomic and financial shocks. The AQR and the stress test were an important step in the 18-month banking supervision reform plan of the BNB after the election of the new governor in July 2015. The AQR resulted in aggregate adjustments of BGN665mn (0.75% of projected GDP or 1.3% of risk-weighted assets). A large fraction of those adjustments (BGN474.9mn) came as a result of the reclassification of performing assets worth BGN 3.7bn (7.1% of RWA) into non-performing exposures (NPEs) in the corporate sector portfolios. The AQR adjusted core equity capital ratio (CET1) of the banking system stood at 18.9% at the end of 2015, significantly above the minimum regulatory requirement. Under the baseline scenario, the banking system CET1 ratio improves to 22.2% by the end of the forecasting period. Under the adverse scenario, the relevant ratio deteriorates to 14.4%.

Follow up plans have been drafted with individual banks, which include measures to maintain or increase capital buffers for some or decreasing risk weighted assets for others. FiBank, the third largest bank in the market, and Investbank are required to address a BGN205.7mn and BGN33.2mn capital shortfall respectively by April 2017; Viktoria Bank has already addressed their respective shortfall by raising BGN30mn in last February. Overall, no state support will be required to support the capital adequacy and liquidity of the banking system. From that point of view, Moody's reaction was credit positive. More importantly, the fiscal buffer created by the government through Eurobond issuance in last March (BGN 1.7bn out of BGN3.9bn) will be released and utilized for the repayment of the public debt.

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September 22, 2016

## GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	1	-1
1-week	3.15	0	-4
1-month	3.28	-1	-23
3-month	3.52	0	-31
6-month	3.70	0	-33

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.70	xs	-90
5Y RSD	4.38	-2	-71
7Y RSD	5.68	-4	-202

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.07	-5	-109
USD Nov-24	6.56	-1	14

#### CDS

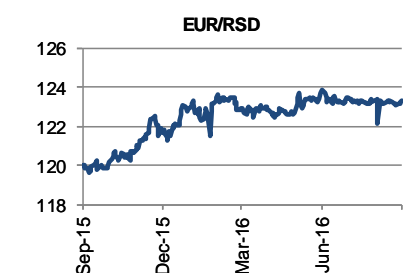
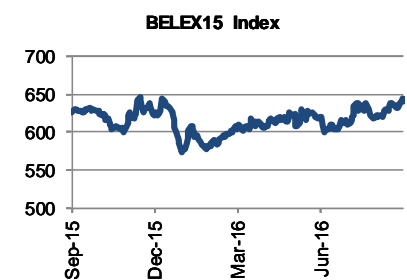
	Last	ΔDbps	ΔYTD bps
5-year	198	-18	-76
10-year	241	-19	-99

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	641.9	-0.46%	-0.35%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.28	0.00%	-1.38%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-10
1-month	0.55	1	-14
3-month	0.71	0	-31
6-month	0.94	0	-40
12-month	1.1	0	-42

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.45	-1	-48
5Y RON	2.13	-1	-67
10Y RON	2.90	-4	-88

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	-2	-90
USD Jan-24	2.58	-15	-121

#### CDS

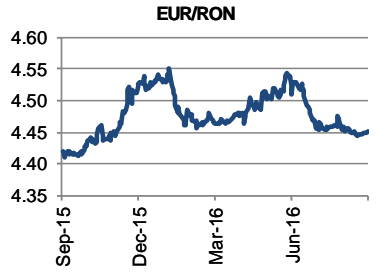
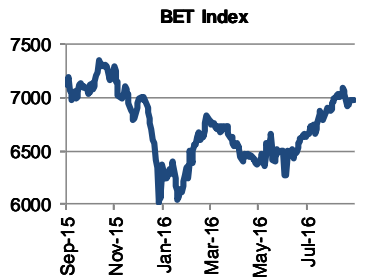
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-28
10-year	150	-1	-22

#### STOCKS

	Last	ΔD	ΔYTD
BET	7031.5	-0.07%	0.39%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4512	0.06%	1.41%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.07	-2	-8
1-month	-0.14	0	-29
3-month	-0.04	0	-30
6-month	0.12	1	-41
12-month	0.44	0	-53

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	0	-41
5Y BGN	0.60	2	-67
10Y BGN	2.04	-1	-61

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.09	-39	-15
EUR Sep-24	1.47	10	-95

#### CDS

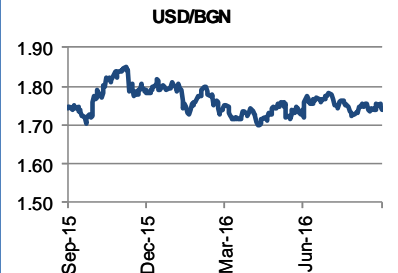
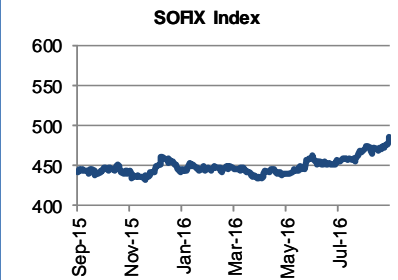
	Last	ΔDbps	ΔYTD bps
5-year	140	-3	-31
10-year	184	-2	-32

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	484.9	1.11%	5.21%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7396	0.57%	3.49%



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

Data updated as of 11:40 EEST

September 22, 2016

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