



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, September 23, 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: US Treasuries retained a firm tone in early European trade on Friday following the outcome of this week's Fed policy meeting (September 20th-21st) which reinforced expectations that any further rate tightening in 2017 and 2018 will be more gradually than earlier expected. Long-dated sovereign paper continued to outperform triggering some further bull steepening of the yield curve. In FX markets, the USD remained under pressure across the board.

GREECE: Greece's PM Alexis Tsipras told Reuters in an interview that government revenues and tourism flows have been strong and that Greece could grow by 0.2% to 0.4% in 2016, significantly above Eurostat's forecast for a -0.3% real GDP growth rate. Mr. Tsipras also appeared confident that the second programme review will be completed by the end of October. The multi-bill with the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche is expected to be voted by the Hellenic Parliament on Tuesday, September 27th.

SOUTH EASTERN EUROPE

CYPRUS: According to the CBC data, the stock of non-performing facilities and total facilities contracted by €1bn and € 3.2bn respectively in Q2-2016.

CESEE MARKETS: A rally staged this week in emerging stock markets appeared to be running out of steam in early trade on Friday, as a decline in oil prices weighed on related shares and the US dollar recovered some of its recently lost ground. Along the same lines, most regional currencies and government bonds weakened modestly earlier today.

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Latest world economic & market developments

GLOBAL MARKETS

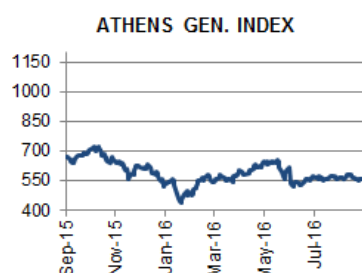
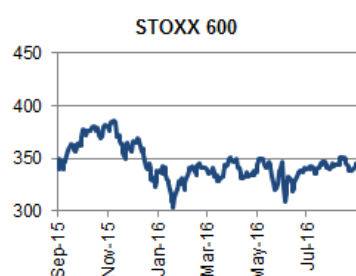
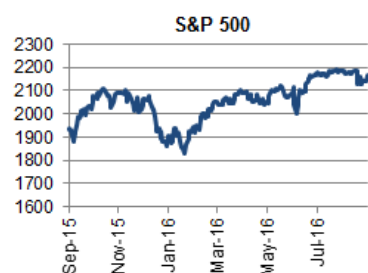
US Treasuries retained a firm tone in early trade on Friday following the outcome of this week's Fed monetary policy meeting (September 20th-21st) which reinforced expectations that any further rate tightening ahead will be more gradual than earlier expected. The updated Fed interest rate projections 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 and 2018 compared to three expected earlier. Furthermore, the median for the longer-run Federal funds rate was cut to 2.9% from 3.0%. US data yesterday showing that existing home sales unexpectedly fell in August mainly due to a shortage of inventory, also favored market sentiment towards US sovereign paper. Long-dated bonds continued to outperform with the 10-yr yield hovering around 1.618% in early European trade on Friday, close to a two-week trough of 1.608% marked at some point in the prior session. The move triggered some further bull steepening of the yield curve with the 2/10-yr yield spread standing close to 84bps, the flattest since September 8th. Elsewhere, major European bourses were modestly weaker in early trade on Friday on profit taking following hefty gains earlier this week with the FTSEurofirst 300 index poised for weekly gains to the tune of c. 2.5%. In FX markets, the USD remained under pressure across the board. Albeit some 0.1% higher relative to Thursday's settlement, the DXY index was standing in European trade below a 1 ½ month peak of 96.333 recorded earlier this week ahead of the announcement of the Fed's monetary policy decision. Fed funds futures currently assign a c. 60% probability of a 25bps rate hike in December, little changed compared to expectations earlier this week, suggesting that investors are reluctant to reprice upwards their short-term interest rate expectations in spite of the September monetary policy statement's hawkish tone. Market participants keep their focus on explicit signals for a December rate hike that could trigger a repricing in Fed rate hike expectations, exerting a positive impact on the USD.

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GREECE

Greece's PM Alexis Tsipras told Reuters in an interview that government revenues and tourism flows have been strong and that Greece could grow by 0.2% to 0.4% in 2016, significantly above Eurostat's forecast for a -0.3% real GDP growth rate. He also expressed the hope that within the next six months Greece could be included in the ECB's quantitative easing programme, which will send a strong positive signal to the markets. He also appeared confident that the second programme review will be completed by the end of October claiming that from now on each review will be difficult but easier than the previous one. In other news, the multi-bill, which is expected to be voted by the Hellenic Parliament on Tuesday (September 27th), a couple of sessions ahead of the September 29th EuroWorking Group, will reportedly contain the remaining legislative measures pertaining to the pending prior actions for the release of the €2.8bn sub-tranche, namely legislation to: 1) eliminate the lower minimum contribution base for owners of tourist accommodation, 2) repeal all exemptions allowing for lower health contributions, 3) revise downwards the discount for lump sum payment of notion insurance periods, 4) implement the EU target model for the electricity market, and 5) Transfer to the new Fund a second group of SOEs (EYATH, EYDAP, ELVO, Attiko Metro S.A., Building Infrastructure S.A. and PPC).

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Source: Reuters, Bloomberg, Eurobank Research

September 23, 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

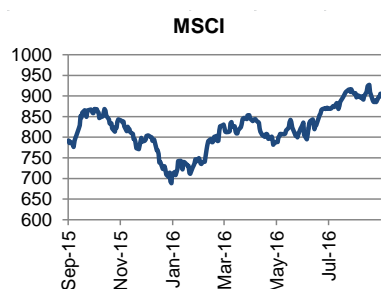
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

According to the data released by the Central Bank of Cyprus, the stock of non-performing facilities (NPFs) declined by €1bn in Q2-2016, bringing the stock of NPFs down by 9.6% in the period between December 2014 – June 2016. The decline in NPFs reflects three main factors: increased repayments, the migration of successful restructurings to performing facilities after the completion of the observance period, plus write-offs and settlements through immovable property exchange. Total facilities decreased by €3.2bn during the same period, resulting in the increase in the ratio of NPFs to total facilities, from 48.4% in March to 49.5% in June despite the significant decrease of NPFs stock. Based on the EBA conservative definition a restructured NPF is still classified as an NPF for a probation period of at least 12 months, even if it is serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified in NPFs (€10.2bn out of €13.7bn in June 2016). In any case, the ratio remains extremely high, among the highest following any recent banking crisis. From that point of view, the Central Bank noted that there is a long road towards the resolution of the NPFs problem.

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CESEE MARKETS

A rally staged this week in emerging stock markets appeared to be running out of steam in early trade on Friday, as a decline in oil prices weighed on related shares and the US dollar recovered some of its recently lost ground. Sentiment towards high-yield assets strengthened over the last few days after the FOMC delayed raising interest rates and signaled a slower pace of future tightening, while the Bank of Japan maintained its monetary stimulus but overhauled its policy framework and left the door open for further monetary accommodation ahead. With the recent rally appearing to have been overdone, the MSCI Emerging Markets index stood in a modestly negative territory in Asian markets. Nonetheless, the said index is poised to finish the week with gains to the tune of ca 4.0% after ending yesterday at a 2-week high. Similarly, Turkey's BIST 100 fell by 0.3% in early European trade, having jumped by 2.4% on Thursday marking its best close since mid-July.

Along the same lines, most regional currencies and government bonds stood on the back foot earlier today. Indicatively, the Turkish lira posed as the day's biggest loser, with the USD/TRY having weakened by 0.35% compared to the prior session's settlement, to trade around levels of 2.9515 in European markets on Friday. The pair bounced from a 2-week intraday low near 2.9360 hit yesterday as profit taking kicked in and the US dollar's timid firming today further exacerbated the Turkish currency's losses. Yesterday's biggest winner, the Hungarian forint, stood little changed in European trade compared to Thursday's close. In more detail, the EUR/HUF hovered around levels of 306.00 at the time of writing, nearly in line with the prior session's close of 305.90 and within distance from a 305.02 seven-month intraday trough hit yesterday. Reflecting the improvement in global risk sentiment yesterday, a Romanian finance ministry T-bond auction received impressively strong demand. The FinMin raised RON 500mn (~€ 112.4mn) of paper that matures on April 29, 2019. Total bids amounted to RON 2.77bn (~€ 0.62bn) bringing the bid to cover ratio at 5.5. The tender's average accepted yield was at 1.39%, well below 1.57% achieved at a prior tender of same maturity paper held in early August. In other news, vindicating market expectations Turkey's Central Bank kept at its MPC meeting on Thursday the key policy and overnight borrowing rates unchanged at 7.50% and 7.25%, respectively, cutting the overnight lending by another 25bps to 8.25%. Behind its decision the CBT cited expectations for a decline in inflation in the short term and a deceleration evidenced in the economic activity in Q3.

September 23, 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	2179.46	0.8%	6.6%	EUR/USD	1.1244	0.5%	3.6%	UST - 10yr	1.62	-3	-65	GOLD	1338	0.4%	26.1%
Nikkei 225	16807.62	1.9%	-11.7%	GBP/USD	1.3102	0.5%	-11.1%	Bund-10yr	-0.08	-8	-71	BRENT CRUDE	48	1.5%	27.5%
STOXX 600	348.54	1.8%	-4.7%	USD/JPY	100.8	-0.5%	19.1%	JGB - 10yr	-0.03	0	-29	LMEX	2385	-0.5%	8.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	0	-1
1-week	3.14	-1	-5
1-month	3.29	1	-22
3-month	3.51	-1	-32
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	5.72	0	-198

RS Eurobonds

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

CDS

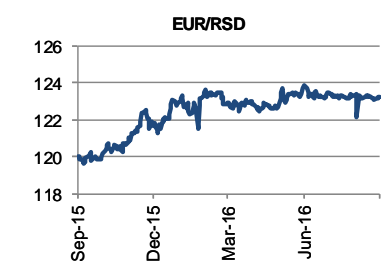
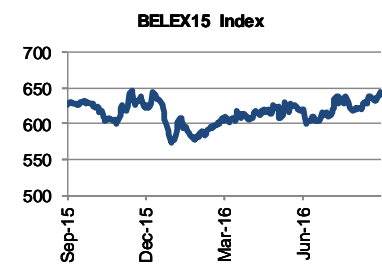
	Last	ΔDbps	ΔYTD bps
5-year	198	-18	-76
10-year	241	-19	-99

STOCKS

	Last	ΔD	ΔYTD
BELEX15	642.0	-0.45%	-0.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.25	0.02%	-1.35%



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	1.41	-5	-52
5Y RON	2.10	-4	-70
10Y RON	2.89	-4	-89

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	-2	-90
USD Jan-24	2.66	-6	-112

CDS

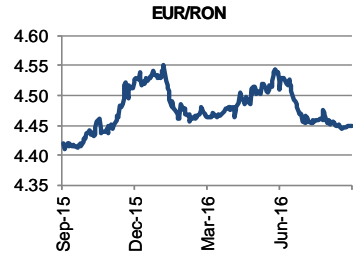
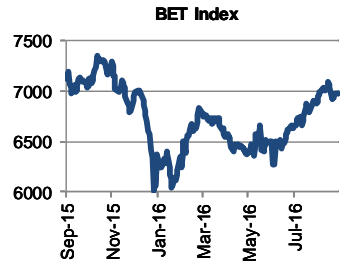
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-28
10-year	150	-1	-22

STOCKS

	Last	ΔD	ΔYTD
BET	7030.4	-0.08%	0.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4494	0.10%	1.45%



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	0.64	6	-63
10Y BGN	2.04	-1	-61

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.09	-39	-15
EUR Sep-24	1.49	-5	-93

CDS

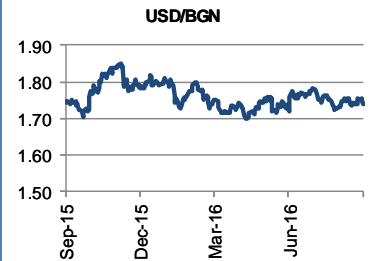
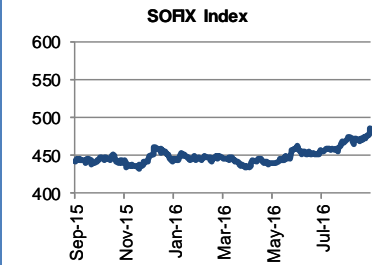
	Last	ΔDbps	ΔYTD bps
5-year	140	-3	-31
10-year	184	-2	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	484.9	1.11%	5.21%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7397	0.56%	3.48%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:50 EEST of previous session

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