



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, September 26, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Sep 26: New home sales (Aug)
- Sep 27: CB consumer confidence (Sep)
- Sep 28: Durable goods orders (Aug)
- Sep 29
  - GDP (final, Q2)
  - Jobless claims (weekly)
  - Pending home sales (Aug)
- Sep 30
  - Personal income/ spending (Aug)
  - Core PCE deflator (Aug)
  - Chicago PMI (Sep)
  - UoM consumer sentiment (Sep)

##### EUROZONE

- Sep 26
  - IT: cabinet to decide on the referendum date
  - DE: Ifo business (Sep)
  - ECB President speaks
- Sep 27: PMI manufacturing & services (Sep)
- Sep 28: ECB President speaks
- Sep 29: Economic sentiment (Sep)
- Sep 30: HICP (flash, Sep)

##### SEE

##### BULGARIA

- Sep 28: Gros external debt (Jul)
- Sep 30: Sovereign credit rating review by Moody's

##### ROMANIA

- Sep 26: 2.5% 2022 T-Bonds auction
- Sep 30
  - MPC decision
  - International reserves (Sep)

##### SERBIA

- Sep 26: Real gross wages (Aug)
- Sep 30
  - Trade balance (Aug)
  - Retail sales (Aug)
  - Industrial output (Aug)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US Treasury prices were higher in European trade on Monday favored by Wall Street's lackluster performance in the prior session on market cautiousness ahead of the first US Presidential televised debate later today. In FX markets, the USD remained under pressure on the prevailing view that, in spite of the relatively hawkish tone of the September 21 monetary policy statement, the Fed will likely delay the next rate hike well beyond end-2016. Focus today is on ECB President Mario Draghi who will address the European Parliament.

**GREECE:** With regard to the progress made on the remaining open prior actions for the release of the €2.8 sub-tranche, according to press reports, the Greek government and the institutions have agreed on the nominations for the Supervisory Board of the new Privatisation Fund. Meanwhile, the multi-bill with the remaining legislative actions is expected to be voted by the Hellenic Parliament tomorrow (Tuesday, September 27). The IMF published on Friday the preliminary findings of its Staff Concluding Statement of the 2016 Article IV Mission on Greece stressing the importance of more growth-friendly policies, better tax policies, further structural reforms, strengthening banks and granting debt relief.

### SOUTH EASTERN EUROPE

**ROMANIA:** The EUR/RON ended little changed last week, remaining bound within a very tight range as has been the case since mid-August. On the money market, the short term RON interest rates remained close to the central bank's deposit facility rate of 0.25%. Government bonds received support on the back of a dovish Fed meeting on Friday. However, actual yield movements have been rather small.

**SERBIA:** The EUR/RSD continued to trade in a tight range of 123.05-123.50 last week, with a move towards 123.05 proving short-lived amid expectations that the National Bank of Serbia (NBS) will intervene anew in the FX markets in order to cap the dinar's uptrend.

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## Latest world economic & market developments

### GLOBAL MARKETS

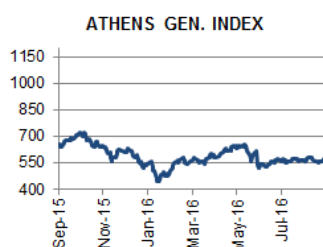
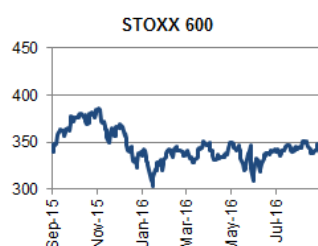
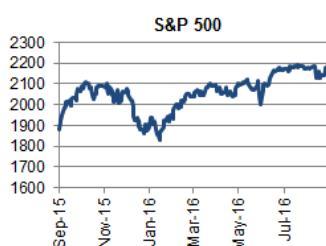
US Treasury prices were higher in European trade on Monday favored by Wall Street's lackluster performance in the prior session on market cautiousness ahead of the US Presidential televised debate later today between Democrat Hillary Clinton and Republican Donald Trump, the first out of three. Recent opinion polls show that Clinton's lead has narrowed to c. 2% while about 20% of the electorate remains undecided. Long-dated US Treasuries continued to outperform with the 2/10-yr yield spread standing close to 85bps at the time of writing, the narrowest in more than two weeks. In FX markets, the USD remained under pressure on the prevailing view that, in spite of the relatively hawkish tone of the September 21 monetary policy statement, the Fed will likely delay the next rate hike well beyond end-2016. Market uncertainty in the way to the November 8th Presidential election, also weighed on the USD. The USD/JPY was hovering around 100.55/65 in early European trade, not far from a one-month low of 100.07 touched late last week failing to capitalize on recent warnings from Japanese officials over the risk of renewed MoF/BoJ intervention in the FX markets to halt the JPY's appreciation trend. Elsewhere, the EUR/USD moved slightly higher trading close to 1.1235/40 at the time of writing, approaching a recent multi-session peak of 1.1257 after falling briefly to 1.1121 early last week. Focus today is on ECB President Mario Draghi who will address European Parliament following recent market rumours conveying that the ECB is considering more modest than currently expected adjustments to the modalities of the technical parameters of the QE programme.

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### GREECE

With regard to the progress made on the remaining open prior actions for the release of the €2.8 sub-tranche, according to press reports, the Greek government and the institutions have agreed on the nominations for the Supervisory Board of the new Privatisation Fund. The institutions have appointed the Chairman – Mr. Jacques Le Pape – and one more member while the Greek side has appointed the remaining three members. Meanwhile, the multi-bill with the remaining legislative actions is expected to be voted by the Hellenic Parliament tomorrow (Tuesday, September 27). In other news, the IMF published on Friday the preliminary findings of its Staff Concluding Statement of the 2016 Article IV Mission. The Fund acknowledges the significant progress that Greece has made in addressing its macroeconomic imbalances but argues that a lot more needs to be achieved in order for the country to prosper within the currency union without long-term support from its European partners. The Fund claims that there should be a fiscally-neutral rebalancing of policies over the medium term toward lower pensions and a fairer distribution of the tax burden. Action should be taken to curb the evasion of tax and social security contributions by avoiding further installment schemes and instead putting in place restructuring solutions for viable debtors in line with their capacity to pay, concentrating audits on large taxpayers and continuing to strengthen the use of enforcement tools against those who can but do not pay. In addition, the IMF stresses the importance of rapidly reducing NPLs and strengthening the governance of banks and complementing labor market reforms with more ambitious efforts to fully open up remaining closed professions, foster competition, and facilitate investment licensing and privatizations, as well as bring Greece's collective-dismissals and industrial-action frameworks in line with international best practices. Finally, the IMF reiterates its position that even with full implementation of the policy agenda, debt relief will be required to restore sustainability, based on realistic assumptions about Greece's ability to generate sustained surpluses and long-term growth.

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Source: Reuters, Bloomberg, Eurobank Research

September 26, 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

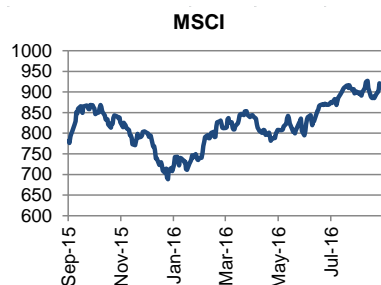
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 EUR/RON ended little changed last week, remaining bound within a very tight range as has been the case since mid-August. In more detail, the pair hovered around 4.4445/545 over the last few days, closing on Friday at 4.4500, near the previous week's settlement of 4.4520. On the money market, the short term RON interest rates remained close to the central bank's deposit facility rate of 0.25%. The 1W implied rate from swaps remained unchanged around 0.30% and the 1M stayed at 0.45%. Government bonds were supported after the Fed's monetary policy meeting. However, actual yield movements have been rather small, with those up to 2-years having moved around 5 bps lower, while the 10-year benchmark yield dropped a couple of basis points to 2.90%.

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### SERBIA

The EUR/RSD continued to trade in a tight range of 123.05-123.50 last week, with a move towards 123.05 proving short-lived amid expectations that the National Bank of Serbia (NBS) will intervene anew in the FX markets in order to cap the dinar's uptrend. However, from October onwards, we anticipate a modest depreciation of the domestic currency. The move will likely be primarily driven by seasonal factors, such as increased EUR demand towards year-end in tandem with the prospect of higher Fed interest rates in December. The NBS sold and bought only €1mn of a 2W swap auction on Friday, confirming that liquidity shortage, which appeared last week, had only a temporary nature.

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September 26, 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	2164.69	-0.6%	5.9%	EUR/USD	1.1239	0.1%	3.5%	UST - 10yr	1.60	-2	-67	GOLD	1335	-0.2%	25.8%
Nikkei 225	16544.56	-1.3%	-13.1%	GBP/USD	1.2924	-0.4%	-12.3%	Bund-10yr	-0.10	-2	-73	BRENT CRUDE	46	0.0%	23.1%
STOXX 600	339.91	-1.6%	-7.1%	USD/JPY	100.61	0.4%	19.3%	JGB - 10yr	-0.06	-2	-33	LMEX	2433	-0.1%	10.4%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	-2	-3
1-week	3.14	0	-5
1-month	3.31	2	-20
3-month	3.54	3	-29
6-month	3.73	3	-30

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.38	xs	-88
5Y RSD	4.40	0	-72
7Y RSD	5.72	0	-198

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.07	0	-109
USD Nov-24	6.56	1	14

**CDS**

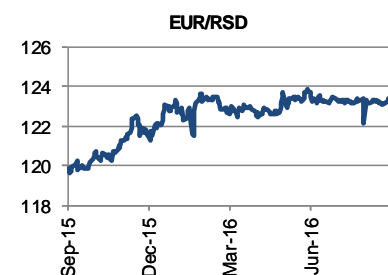
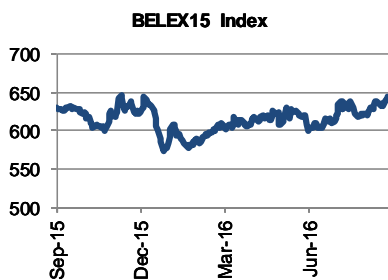
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	241	1	-99

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	636.1	-0.53%	-1.24%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.20	0.12%	-1.31%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.51	7	-2
1-month	0.56	1	-13
3-month	0.72	1	-30
6-month	0.94	0	-40
12-month	1.09	-1	-43

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.41	0	-52
5Y RON	2.10	0	-70
10Y RON	2.90	0	-88

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.62	0	-95
USD Jan-24	2.61	-3	-117

**CDS**

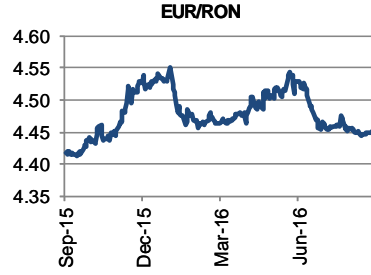
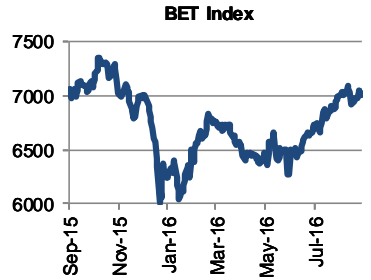
	Last	ΔDbps	ΔYTD bps
5-year	93	-3	-40
10-year	140	0	-32

**STOCKS**

	Last	ΔD	ΔYTD
BET	6960.4	-0.57%	-0.63%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4513	0.01%	1.41%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.07	-2	-8
1-month	-0.14	0	-29
3-month	-0.05	0	-31
6-month	0.12	0	-41
12-month	0.44	0	-53

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	0	-41
5Y BGN	0.54	-10	-73
10Y BGN	1.87	2	-78

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.08	-2	-15
EUR Sep-24	1.42	-2	-100

**CDS**

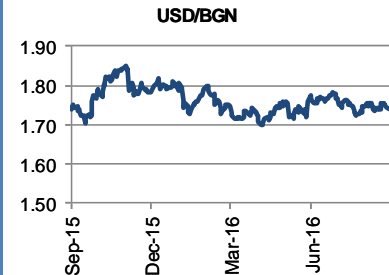
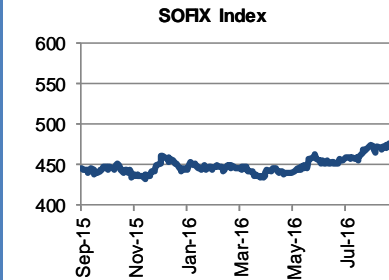
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-36
10-year	179	1	-37

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	485.1	0.03%	5.25%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7402	0.03%	3.45%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:30 EEST

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