

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- Oct 7-9: IMF/World Bank annual meeting

US

- Oct 3: ISM manufact/g (Sep)
- Oct 5
 - ADP report (Sep)
 - Trade balance (Aug)
 - ISM non- manufact/g (Sep)
 - Factory orders (Aug)
- Oct 6: Jobless claims (weekly)
- Oct 7
 - NFP (Sep)
 - U/E rate (Sep)
 - Average hourly earnings (Sep)

EUROZONE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 5: PMI non- manufact/g (Sep, f)
- Oct 6: ECB Sept 8 meeting minutes
- Oct 7: ECB's Draghi, Coeure speak at IMF/World Bank meeting in Washington
- Oct 8: ECB's Draghi, Mersch

GREECE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 6: U/E rate (Jul)

CYPRUS

- Oct 6: CPI (Sep)

SEE

BULGARIA

- Oct 7
 - Retail sales (Aug)
 - Industrial production (Aug)

ROMANIA

- Oct 3: International reserves (Sep)
- Oct 5: Retail sales (Aug)
- Oct 6: 3.65% 2031 T-Bonds auction
- Oct 7
 - Net wages (Aug)
 - GDP (Q2, f)
 - Sovereign credit review by Moody's

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from firmer Asian bourses, major European equity markets were modestly firmer in early trade on Tuesday on improved optimism about the growth prospects of the US economy. The US' ISM manufacturing index moved in September above the boom-or-bust level of 50.0 prompting a hawkish shift in short-term Fed rate hike expectations and pushing the USD higher across the board. The USD's gains were more pronounced against the GBP amid worries over a hard Brexit scenario.

GREECE: The draft Budget 2017 that was tabled to the Hellenic Parliament yesterday foresees real GDP growth at +2.7% and a primary surplus of 1.8% slightly higher than the programme target of 1.75%. Private consumption is envisaged to rebound to 1.8% in 2017 while public consumption will continue to contract albeit at a slower pace of -0.3% in 2017. Investment will perform strongly with expected growth 9.1% while exports will rebound with 5.3% growth and imports will grow by 3.3% as a result of the further relaxation of capital controls. The unemployment rate is penciled at 22.4% in 2017.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Tuesday, after data released yesterday from the US added to optimism of improving economic growth prospects but also backed the case for a Fed rate hike this year.

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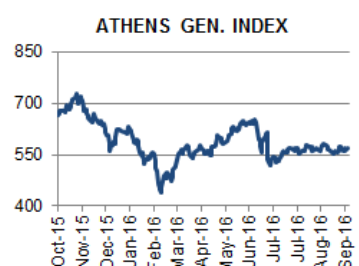
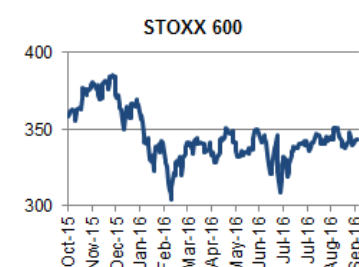
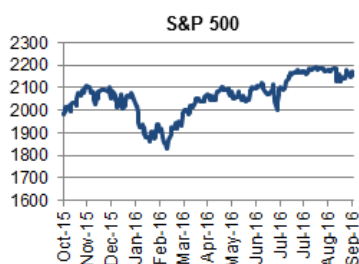
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Latest world economic & market developments

GLOBAL MARKETS

Taking their cue from firmer Asian bourses, major European equity markets were modestly firmer in early trade on Tuesday on improved optimism about the growth prospects of the US economy. The US' ISM manufacturing index moved in September above the boom-or-bust level of 50.0 coming in at a higher than expected 51.5 from August's 49.4 while key components such as new orders and production also rose. The above encouraging development prompted a hawkish shift in short-term Fed rate hike expectations, pushing the USD higher across the board. The USD's gains were more pronounced against the GBP amid worries over a hard Brexit scenario. Speaking at the weekend Conservative party conference, UK Prime Minister Theresa May announced that the government will initiate the process for the UK's withdrawal from the EU by the end of Q1 2017 pledging to control immigration while retaining market access to the continent. With Brexit jitters taking centre stage, the GBP/USD plunged to a 31-year low of 1.2760 earlier today failing to capitalize on yesterday's upbeat UK manufacturing PMI report. The PMI manufacturing headline rose from 52.1 in August to 55.4 in September, the highest since June 2014, easing worries over a potential near-term UK recession and reducing market expectations for additional BoE monetary stimulus at the next policy meeting on November 3rd. The breakdown of the UK report, was as rosy as the headline showing that export orders picked up mainly thanks to the weaker GBP, employment rose for the second month running and production expanded by the highest pace since May 2014. In other news, the RBA stayed put earlier today, as expected, retaining the cash rate unchanged at 1.5%. Speaking in the post-meeting press conference, newly appointed governor Philip Lowe gave the impression that the RBA adopts a wait-and-see stance as it needs time to assess the effect on the economy of the cumulative 50bps rate easing delivered so far this year.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

The draft Budget 2017 that was tabled to the Hellenic Parliament yesterday foresees real GDP growth at +2.7% and a primary surplus of 1.8% slightly higher than the programme target of 1.75%. Private consumption is envisaged to rebound to 1.8% in 2017 from -0.6% in 2016 while public consumption will continue to contract albeit at a slower pace (-0.3% in 2017 against -1.5% in 2016). Investment will perform strongly with expected growth 9.1% in 2017 (up from 3.3% in 2016) while exports will rebound with 5.3% growth in 2017 (against -6.3% in 2016) and imports will grow by 3.3% (against -2.6% in 2016) as a result of the further relaxation of capital controls. The unemployment rate is penciled at 22.4% in 2017 from 23.5% in 2016. The domestic factors that will play a role in the attainment of the macroeconomic and fiscal targets according to the draft Budget are: the resolution of NPLs, the implementation of the structural reforms of the economic adjustment programme, the exploitation of EU funds, the gradual implementation of specific short- and medium- term debt relief measures, the consolidation of improved fiscal results in order to avoid the activation of the automatic fiscal adjustment mechanism and the reinforcement of the social cohesion network. On the other hand, external parameters that may negatively affect the Greek economy are: potential implications from Brexit, deviation from the EU-Turkey refugee crisis deal and prolonged geopolitical tensions in Eastern Mediterranean and the Middle East that may negatively affect Greek tourism and foreign direct investment in the medium term.

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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

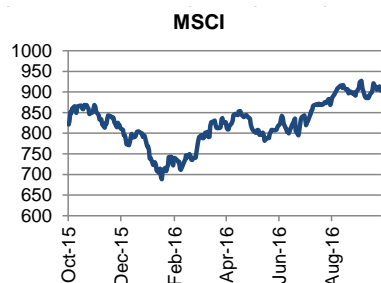
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging market assets were mixed earlier on Tuesday, after data released yesterday from the US added to optimism of improving US economic growth prospects but also backed the case for a Fed rate hike this year. Meanwhile, global risk appetite was also supported by news that Deutsche Bank will reach a swift settlement with US authorities over recently imposed legal penalties. Against this backdrop, emerging market stocks moved broadly higher, while most currencies fell against a stronger US dollar and government bond yields moved timidly higher. The MSCI Emerging Markets index was in a modestly positive territory in Asian markets following yesterday's 0.9% rally. The majority of regional bourses also stood in the black in early European trade assisted by positive PMI data released yesterday which indicated improvement in the manufacturing sector last month. Hungary's main BUX index led the way higher posting daily gains to the tune of 1.3% at the time of writing. The index was further buoyed by news that JP Morgan upgraded its target price for OTP bank's stocks.

In FX markets, the Turkish lira remained under pressure hitting a 2-month trough near 3.0160/\$ earlier in Europe today after September's CPI came in weaker than anticipated adding to the view for further Central Bank monetary easing ahead. In more detail, CPI eased to a 4-month low of 7.28%YoY from 8.05% in August, providing additional ammunition for the CBT to further reduce the overnight lending rate from 8.25%. Despite inflation remaining well above the official target of 5.0% the CBT anticipates inflation to decline further in the coming months while a deceleration is being evidenced in the economic activity in Q3. Displaying little reaction to Brexit jitters the Polish zloty and the Hungarian forint were marginally weaker at the time of writing compared to the prior session's settlement hovering around levels of 4.4555 and 307.80 against the euro, respectively.

Looking into the remainder of the week, the IMF/World Bank annual meetings in Washington DC and the US non-farm payrolls report are at the top of investors' radars. On a regional basis, Poland's MPC meeting takes centre stage, where a stable key policy rate at the current record low of 1.50% is considered a deal done. Among other, Romania's final GDP data for Q2 and Ukraine's CPI for September as well as government bond auctions in Hungary, Romania and Poland also lure market attention on a regional level in the coming days. Meanwhile, a review by S&P on Romania's sovereign credit ratings is scheduled for Friday.

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October 4, 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	2168.27	0.8%	6.1%	EUR/USD	1.1235	0.0%	3.5%	UST - 10yr	1.60	1	-67	GOLD	1318	0.1%	24.1%
Nikkei 225	16598.67	0.9%	-12.8%	GBP/USD	1.287	-0.8%	-12.7%	Bund-10yr	-0.11	1	-74	BRENT CRUDE	51	1.2%	36.3%
STOXX 600	343.64	0.2%	-6.1%	USD/JPY	101.36	0.0%	18.4%	JGB - 10yr	-0.07	2	-33	LMEX	2474	0.6%	12.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	0	-3
1-week	3.13	0	-6
1-month	3.29	1	-22
3-month	3.46	0	-37
6-month	3.65	0	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.11	xs	-94
5Y RSD	4.35	-1	-78
7Y RSD	5.67	0	-202

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.17	6	-100
USD Nov-24	6.54	-1	13

CDS

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

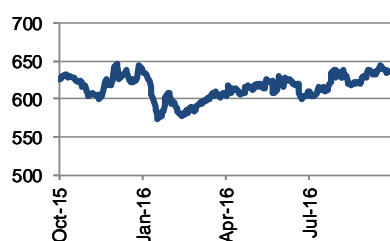
STOCKS

	Last	ΔD	ΔYTD
BELEX15	635.6	-0.11%	-1.32%

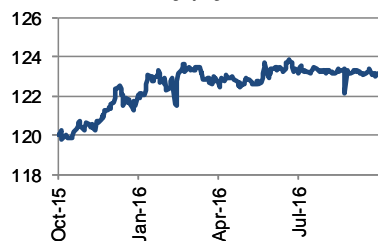
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.21	0.28%	-1.32%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	-3	-7
1-month	0.55	0	-14
3-month	0.69	0	-33
6-month	0.92	0	-42
12-month	1.08	-1	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.39	0	-54
5Y RON	2.10	1	-70
10Y RON	2.85	1	-93

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.64	-1	-92
USD Jan-24	2.66	18	-112

CDS

	Last	ΔDbps	ΔYTD bps
5-year	103	2	-30
10-year	148	3	-23

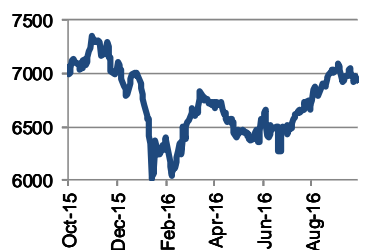
STOCKS

	Last	ΔD	ΔYTD
BET	6964.7	0.40%	-0.57%

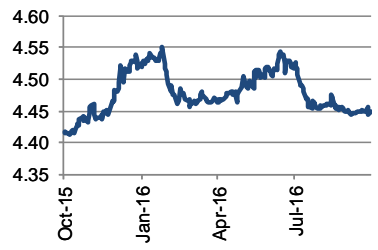
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.449	-0.12%	1.46%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.02	28	-3
1-month	-0.15	0	-31
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	0	-41
5Y BGN	0.56	1	-72
10Y BGN	1.86	0	-80

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.06	-15	-1
EUR Sep-24	1.42	-16	-100

CDS

	Last	ΔDbps	ΔYTD bps
5-year	136	1	-36
10-year	177	0	-40

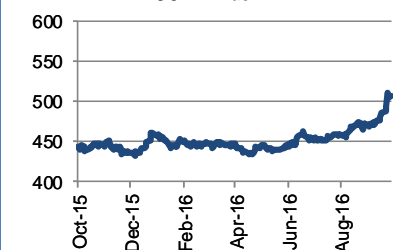
STOCKS

	Last	ΔD	ΔYTD
SOFIX	505.8	0.25%	9.75%

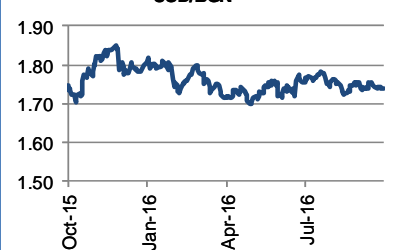
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7409	-0.02%	3.41%

SOFIX Index



USD/BGN



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

Data updated as of 13:00 EEST of previous session

October 4, 2016

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