



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, August 24, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Aug 22: Chicago FED Nat Activity Index (Jul)
- Aug 23
  - New home sales (Jul)
  - Richmond Fed manufacturing (Aug)
  - Markit PMI manufacturing (Aug, p)
- Aug 24
  - MBA Mortgage applications (Aug 19)
  - FHFA House price index (Jun)
  - Existing home sales (Jul)
- Aug 25
  - Jobless claims (weekly)
  - Durable goods orders (Jul, p)
  - Kansas Fed manufacturing index (Aug)
- Aug 26
  - GDP (Q2, 2<sup>nd</sup> est)
  - UoM sentiment (Aug, f)
  - Fed Chair Janet Yellen speaks at Jackson Hole Symposium

#### EUROZONE

- Aug 23: Markit PMIs (Aug, p)
- Aug 24: DE: GDP (Q2)
- Aug 25: DE: Ifo business climate (Aug)

#### SEE BULGARIA

- Aug 26: Gross external debt (Jun)

#### ROMANIA

- Aug 22: 2.25% 2020 T-bonds auction
- Aug 25: 3.25% 2024 T-bonds auction

#### SERBIA

- Aug 22: Current account balance (Jun)
- Aug 25: Real gross wages (Jul)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

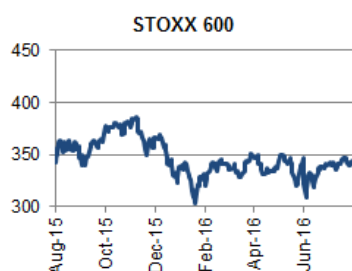
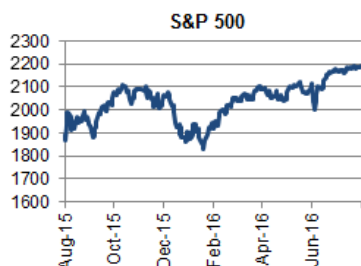
**GLOBAL MARKETS:** Wall Street closed modestly firmer near record highs overnight after upbeat US housing data, while the majority of Asian stock markets ended mixed and European bourses inched higher earlier on Wednesday. Trade volumes remain low in view of the summer lull and investors remain cautious eagerly awaiting Fed Chair Janet Yellen's speech on Friday at the annual meeting of world central bankers in Jackson Hole, Wyoming for any hints on the FOMC's monetary policy deliberations ahead. Against this backdrop, US Treasuries remained bound within tight ranges and the US dollar treaded water earlier today.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Emerging market assets came under renewed pressure earlier on Wednesday weighed down by intensified political noise in South Africa and Turkey and increased US rate hike expectations. In the external debt markets, the Republic of Poland opened the books for a 3-year renminbi-denominated Panda bond. In other news, as was broadly anticipated Hungary's Central Bank stayed put on its monetary policy at yesterday's meeting while Turkey's maintained the key policy and overnight borrowing rates stable, rendering a 25bps cut on the overnight lending rate.

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Wall Street closed modestly firmer near record highs overnight after upbeat US housing data, while the majority of Asian stock markets ended mixed and European bourses inched higher earlier on Wednesday. Trade volumes remain low in view of the summer lull and investors remain cautious eagerly awaiting Fed Chair Janet Yellen's speech on Friday at the annual meeting of world central bankers in Jackson Hole, Wyoming for any hints on the FOMC's monetary policy deliberations ahead. Meanwhile, energy-related shares came under renewed pressure as oil prices resumed Monday's down-move, with the WIT crude future price sliding by 1.73% earlier on Wednesday after yesterday's 1.46% advance.

Overall, US data released yesterday proved rather mixed. On a positive tone, new home sales increased by 12.4%MoM in July bringing the seasonally adjusted annual rate to 654k units, the highest level in nearly nine years. On the flipside, manufacturing data (Markit US PMI and Richmond Fed) for August pointed to a slowdown in the sector.

US Treasuries remained bound within tight ranges, with the 10-year yield hovering around levels of 1.55% earlier today ahead of Fed Yellen's speech later in the week. Against this backdrop, the US dollar treaded water earlier on Wednesday, with the DXY dollar index, a measure of the greenback's performance against a basket of six foreign currencies, hovering around levels of 94.650 in Asian trade, modestly firmer from yesterday's 94.539 settlement.

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August 24, 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

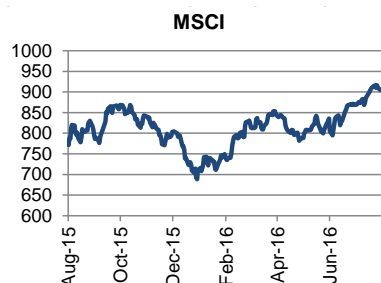
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	0.8	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 came under renewed pressure earlier on Wednesday weighed down by intensified political noise in south Africa and Turkey and increased US rate hike expectations. Media reports suggested that South Africa's finance minister was summoned by police over an investigation into a surveillance unit of the state tax service, while the Turkish military launched operations against Islamic State targets in the country's border with Syria.

Against this backdrop, the Emerging Markets MSCI index slid by ca 1% to 2-week lows in European trade today, while Turkey's BIST 100 led the losses in the CESEE region with a near 2% decline. Poland's WIG stood in a modestly negative territory at the time of writing having recouped part of its earlier losses incurred after state-owned insurer PZU announced a fall in profit which added to worries over the outlook of the domestic financial sector.

In the external debt markets, the Republic of Poland opened the books for a 3-year renminbi-denominated bond, in a move placing the country as the second to sell Panda bonds after South Korea. The Polish Treasury plans to raise CNY 3bn (~€400mn) with the paper expected to be marketed at a yield of 3.2-3.7%.

In other news, as was broadly anticipated Hungary's Central Bank stayed put on its monetary policy at yesterday's meeting, maintaining the key policy rate at the current record low level of 0.90%. The MNB noted on Tuesday that it anticipates inflation approaching its goal in H12018 adding that loose monetary conditions will likely remain in place "for an extended period" and that the current base rate level is consistent with inflation reaching its target in the medium-term. Elsewhere, Turkey's Central Bank also vindicated market expectations maintaining the key policy and overnight borrowing rates stable at 7.50% and 7.25% respectively, rendering a 25bps cut on the overnight lending rate to 8.50%.

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August 24, 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	2192.82	0.5%	7.3%	EUR/USD	1.1325	0.0%	4.3%	UST - 10yr	1.53	-1	-74	GOLD	1343	0.3%	26.5%
Nikkei 225	16497.36	-0.6%	-13.3%	GBP/USD	1.3182	0.3%	-10.5%	Bund-10yr	-0.10	-1	-73	BRENT CRUDE	49	-1.2%	30.3%
STOXX 600	344.01	1.1%	-6.0%	USD/JPY	100.09	0.2%	20.0%	JGB - 10yr	-0.08	-2	-35	LMEX	2398	-0.7%	8.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	0	1
1-week	3.17	0	-2
1-month	3.30	0	-21
3-month	3.57	0	-26
6-month	3.78	0	-25

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.76	xs	-90
5Y RSD	4.48	0	-64
7Y RSD	5.70	0	-199

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.32	0	-84
USD Nov-24	6.45	2	4

**CDS**

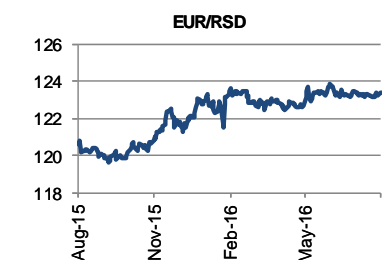
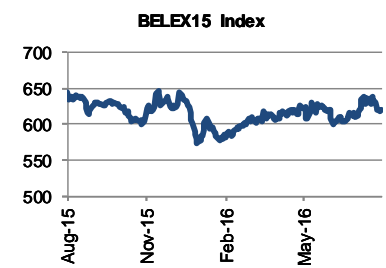
	Last	ΔDbps	ΔYTD bps
5-year	231	0	-44
10-year	279	-1	-61

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	622.4	0.38%	-3.38%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.38	-0.02%	-1.46%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.49	1	-4
1-month	0.6	1	-9
3-month	0.77	0	-25
6-month	1.02	0	-32
12-month	1.15	0	-37

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.48	0	-45
5Y RON	2.10	-1	-70
10Y RON	2.80	-1	-98

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.76	-4	-81
USD Jan-24	2.74	0	-104

**CDS**

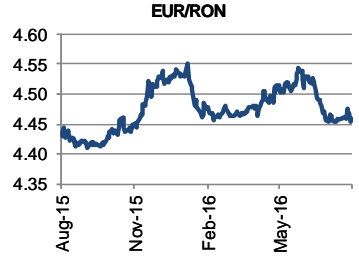
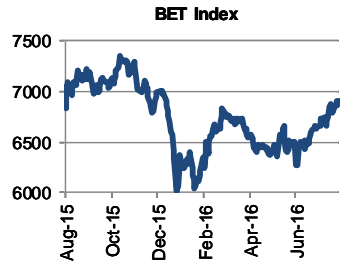
	Last	ΔDbps	ΔYTD bps
5-year	110	0	-23
10-year	154	0	-18

**STOCKS**

	Last	ΔD	ΔYTD
BET	6867.4	-0.10%	-1.95%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4568	-0.06%	1.28%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.15	0	-30
3-month	-0.04	0	-30
6-month	0.12	0	-41
12-month	0.45	0	-52

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	-3	-39
5Y BGN	0.69	0	-58
10Y BGN	1.99	0	-67

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.06	0	-13
EUR Sep-24	1.63	1	-79

**CDS**

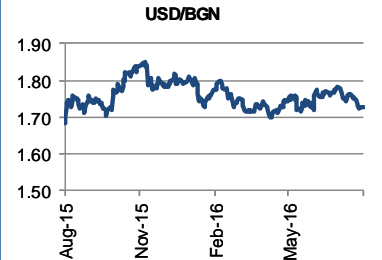
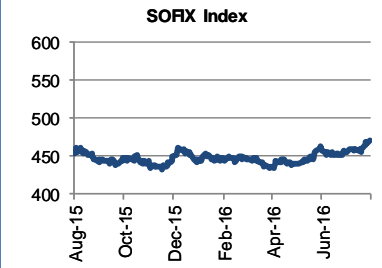
	Last	ΔDbps	ΔYTD bps
5-year	146	0	-26
10-year	190	-1	-26

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	469.6	-0.20%	1.89%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.727	0.03%	4.24%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 17:00 EEST

August 24, 2016

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