



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, September 13, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Sep 13: PPI (Aug)
- Sep 14
 - Jobless claims (weekly)
 - CPI (Aug)
- Sep 15
 - Empire State Index (Sep)
 - Retail sales (Aug)
 - Industrial production (Aug)
 - U. of Mich. Sentiment (Sep,p)

EUROZONE

- Sep 13
 - Industrial production (Jul)
 - Employment (Q2)
- Sep 15
 - Trade Balance (Jul)
 - Labour Costs (Q2)
- Sep 15/16: Eurogroup/Ecofin meetings

GREECE

- Sep 14: U/E rate (Q2)

CYPRUS

- Sep 12: HICP (Aug)
- Sep 15: S&P sovereign rating review

SEE

BULGARIA

- Sep 12: Trade balance (Jul)
- Sep 15
 - CPI (Aug)
 - U/E rate (Aug)

ROMANIA

- Sep 11
 - Trade balance (Jul)
 - Industrial sales (Jul)
 - 5.8% 2027 T-bonds auction
- Sep 12
 - Industrial output (Jul)
 - CPI (Jul)
- Sep 13: Current account (Jul)
- Sep 14: 3.25% 2024 T-bonds auction

SERBIA

- Sep 12: HICP (Aug)
- Sep 14
 - 15-year T-bonds auction
 - 2-year T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: UK CPI inflation for August surprised to the upside with the headline rising to a higher than expected 2.9%YoY from 2.6%YoY in July mainly on the back of a sharp increase in clothes prices and motor fuels. Core inflation also rose to 2.7%YoY from 2.4%YoY, the highest since late 2011. In reaction to the above, the GBP firmed across the board testing levels above 1.3300 against the USD earlier today for the first time in a year while the EUR/GBP moved slightly below 0.9000, marking the lowest level in nearly 1 ½ month. Meanwhile, UK Gilts came under pressure with the 10-yr yield rising to 1.14%, the highest in around six weeks. Focus today is on UK employment data which are expected to show acceleration in the average weekly earnings growth to 2.5%YoY in the three months to July.

GREECE: The completion of the sale of TRAINOSE to Ferrovie dello Stato Italiane S.p.A. for EUR45million is reportedly expected to take place tomorrow. With regard to the Hellinikon project, the release of the Presidential Decree that will ratify the Integrated Development Plan – one of the pre-requisites for the start of construction works – is being delayed.

SOUTH EASTERN EUROPE

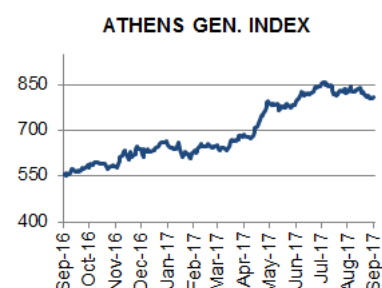
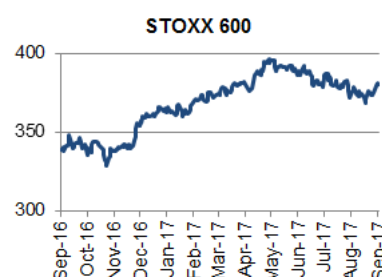
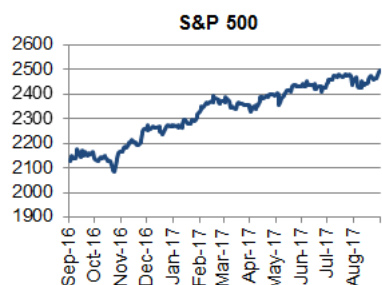
CESEE MARKETS: CESEE assets traded mixed earlier on Wednesday, with the majority of regional stock markets moving timidly higher, while currencies modestly weakened.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

UK CPI inflation for August surprised to the upside with the headline rising to a higher than expected 2.9%YoY from 2.6%YoY in July mainly on the back of a sharp increase in clothes prices and motor fuels. Core inflation also rose to 2.7%YoY from 2.4%YoY, the highest since late 2011. Separately, UK PPI input price inflation accelerated to 7.6%YoY in August from 6.2%YoY in July suggesting that more inflation pressures are in the pipeline mainly on the back of a further fall in the effective sterling index and higher oil prices. In reaction to the above, the GBP firmed across the board testing levels above 1.3300 against the USD earlier today for the first time in a year while the EUR/GBP moved slightly below 0.9000, marking the lowest level in nearly 1 ½ month. Meanwhile, UK Gilts came under pressure with the 10-yr yield rising to 1.14%, the highest in around six weeks. Focus today is on UK employment data which are expected to show acceleration in the average weekly earnings growth to 2.5%YoY in the three months to July. Should this be the case, tomorrow's MPC minutes from the September 13th BoE monetary policy meeting are likely to err on the hawkish side of market expectations, having the potential to push the GBP higher and exert sell-off pressure on the front end of the UK Gilts curve. Meanwhile, the USD was little changed on the day against the majority of its currency peers and US Treasuries remained under pressure for the third session in a row ahead of tomorrow's US inflation data for the month of August. Elsewhere, taking their cue from UK Gilts, German Bunds retained a bearish tone with the 10-yr yield standing in early European trade not too far from yesterday's three-week intraday peak close to 0.41%. Euro area supply jitters and easing geopolitical tensions in North Korea, which pushed major US stock market indices to fresh record highs overnight, also had some impact. Chief economist of the ECB Peter Praet is scheduled to speak in Frankfurt at 19:00 CET.

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GREECE

The completion of the sale of TRAINOSE to Ferrovie dello Stato Italiane S.p.A. for EUR45million is reportedly expected to take place tomorrow after the last remaining items for the completion of the deal have been closed. The decision reportedly opens the way for the privatisation of the Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY) which is 100% owned by the Hellenic Republic Asset Development Fund (HRADF). With regard to the Hellenikon project, the release of the Presidential Decree that will ratify the Integrated Development Plan – one of the pre-requisites for the start of construction works - is being delayed due to a number of open issues pertaining to the characterization of parts of the area as archaeological sites and/or woodland.

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September 13, 2017

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.9
Budget Balance/GDP*	-2.8	1.6	-1.4
Current Account/GDP	-0.1	4.2	2.0
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.2	1.2
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

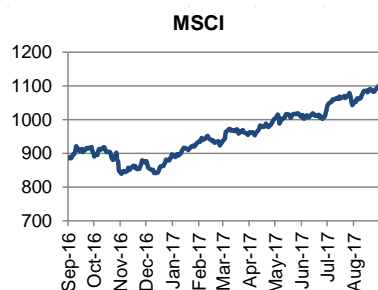
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	3.0
CPI (pa, yoy %)	1.4	1.1	3.3
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	122.0
	2016	current	2017
Policy Rate (eop)	4.00	3.75	3.75

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	Ba3	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB+	BB-

Source: Reuters, Bloomberg, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

CESEE assets traded mixed earlier on Wednesday, with the majority of regional stock markets moving timidly higher, while currencies modestly weakened. Romania's main stock BET index led the gains, rising by ca. 0.5% on the day in European trade today. On the flipside, Bulgaria's SOFIX index underperformed its regional peers as well as a 0.2% decline in the broader MSCI Emerging Markets index, to stand approximately 0.6% lower compared to Tuesday's settlement.

In FX markets, the Polish zloty came under pressure following news that the European Commission took further action in an infringement procedure against Poland that was launched in July, deciding to send a Reasoned Opinion to the country regarding the Polish law on the Ordinary Courts Organisation. The Commission said in a statement in its website that "the Polish authorities now have one month to take the necessary measures to comply with this Reasoned Opinion. If the Polish authorities do not take appropriate measures, the Commission may decide to refer the case to the Court of Justice of the EU". Against this backdrop, the EUR/PLN bounced as far as a 3-week high of 4.2772 in European trade today, pulling further away from a 1½ month trough of 4.2304 hit earlier in September.

Elsewhere, the Hungarian forint eased to a 2-month low of 307.90 against the euro earlier on the day amid mounting expectations for further monetary easing via unconventional targeted instruments by the Central Bank (MNB), which holds its next MPC meeting on Tuesday next week. The market's median forecast is for further easing of monetary conditions after the Central Bank flagged such action in its previous meeting in August citing relatively subdued inflation pressures. Despite an uptick so far this year, inflation has remained 2013 persistently below the 3% MNB medium-term target since early 2013 and the forint has strengthened significantly over recent months having hit a 2½-year high near 301.75 in late August.

In other news, annual consumer price inflation in Serbia slowed down in August, coming in at 2.5% from 3.2% in the prior month, primarily thanks to base effects and a stronger dinar. Despite a rise in inflation in recent months, with CPI having moved within the target tolerance band of 3.0%±1.5 pps since October 2016, price pressures appear to be gradually easing after the headline index reached a 4-year high of 4.0%YoY in April. Core CPI (CPI excluding prices of food, energy, alcohol and cigarettes) also eased further in August – to 1.5%YoY from 1.7%YoY in July. Overall the data vindicates the Central Bank's view that CPI will remain within the target tolerance band in the period ahead, with a further slowdown anticipated as of early 2018 on the back of favorable base effects. It also justifies the Central Bank unexpected decision last week to slash by 25bps the key monetary policy rate by 25bps to a new lifetime low of 3.75% aiming to provide an additional boost to credit and economic activity. The recent deceleration in economic activity in H1 2017 and easing inflation pressures support the case for the Central Bank's current easing bias in the coming months.

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September 13, 2017

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	2496.48	0.3%	11.5%	EUR/USD	1.1977	0.1%	13.8%	UST - 10yr	2.17	0	-28	GOLD	1332	0.0%	15.6%
Nikkei 225	19865.82	0.5%	3.9%	GBP/USD	1.3271	-0.1%	7.4%	Bund-10yr	0.40	0	19	BRENT CRUDE	55	0.5%	-4.0%
STOXX 600	380.35	-0.3%	5.2%	USD/JPY	110.13	0.0%	6.2%	JGB - 10yr	0.03	1	-1	LMEX	3175	-0.4%	19.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.74	0	-26
1-week	2.86	0	-31
1-month	3.07	0	-28
3-month	3.36	0	-11
6-month	3.57	0	-9

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.63	0	-45
5Y RSD	5.03	0	-33
7Y RSD	5.42	0	-26

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.68	3	-64
USD Nov-24	6.28	1	-14

CDS

	Last	ΔDbps	ΔYTD bps
5-year	129	0	-79
10-year	178	0	-77

STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.5	-0.01%	1.55%

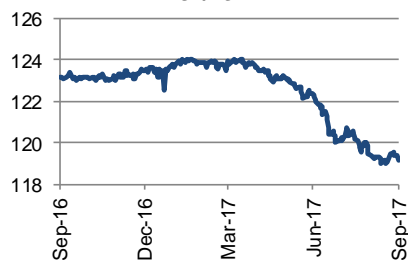
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.14	0.03%	3.62%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	-2	-2
1-month	0.68	0	-8
3-month	0.96	1	6
6-month	1.13	-1	2
12-month	1.33	1	8

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.40	-1	-22
5Y RON	2.26	-1	-26
10Y RON	3.57	0	-8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.57	0	-57
USD Jan-24	2.80	-1	-110

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	0	-15
10-year	141	0	-11

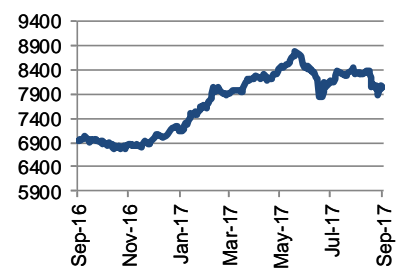
STOCKS

	Last	ΔD	ΔYTD
BET	8046.3	0.46%	13.57%

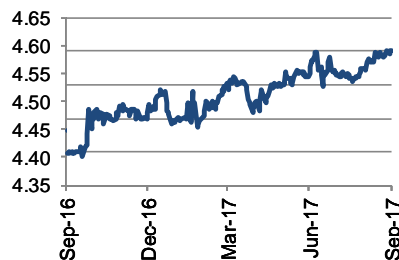
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6001	0.02%	-1.33%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.15	0	2
3-month	-0.07	0	0
6-month	0.03	0	-5
12-month	0.35	0	-6

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.19	-1	-34
5Y BGN	0.05	-1	-45
10Y BGN	1.44	0	-47

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	12	-73
EUR Sep-24	0.86	4	-82

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	150	0	-44

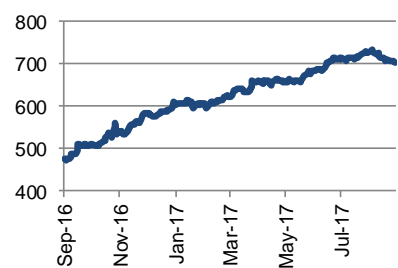
STOCKS

	Last	ΔD	ΔYTD
SOFIX	690.1	-0.65%	17.67%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6329	0.10%	13.81%

SOFIX Index



USD/BGN



September 13, 2017

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