

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- November 15-16: G20 Summit

US

- November 16: Empire state index (Nov)
- November 17
 - CPI (Oct)
 - IP (Oct)
 - NAHB (Nov)
- November 18
 - Housing starts/permits (Oct)
 - FOMC minutes (October 27/28 meeting)
- November 19
 - Jobless Claims
 - Philly Fed (Nov)

EUROZONE

- November 16: HICP (Oct)
- November 17: DE: ZEW index (Nov)
- November 19: ECB Oct 22 meeting minutes
- November 20: Consumer confidence (Nov)

GREECE

- November 21: Government submits to parliament for approval 2016-2019 Medium-Term Fiscal Strategy

SEE

BULGARIA

- November 16
 - CAD (Sep)
 - U/E rate (Oct)
 - T-bonds auction

ROMANIA

- November 16: 2021 T-bonds auction
- November 19: 2025 T-bonds auction

SERBIA

- November 19: T-bonds auction
- November 20: CAD (Sep)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The minutes from the FOMC's 29 October policy meeting supported the view that, barring an unanticipated shock that would adversely affect the growth outlook, the Central Bank is ready to embark on a rate tightening cycle at the next policy meeting on December 15-16. In response to the minutes, the majority of global equity markets were firmer in early trade on Thursday, US Treasuries gained some ground while the USD moved lower, giving back some of its recent hefty gains.

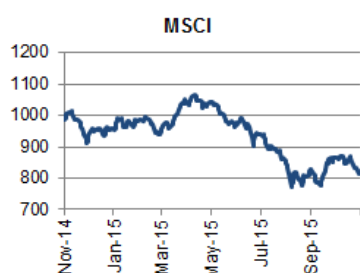
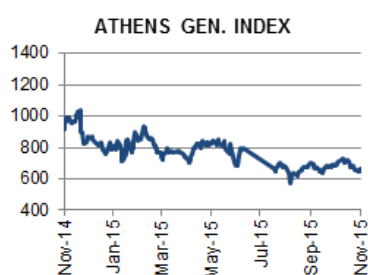
GREECE: The 300-seat Hellenic Parliament is scheduled to vote late today on a multi-bill containing the legislation required for the implementation of the outstanding milestones for the unlocking of the €12bn ESM loan installment. Provided that all goes as planned, the Euro Working Group is expected to convene on Friday to give the green light for the unlocking of the said loan installment and to discuss an initial draft of prior actions required for the release of the next ESM loan installment to Greece amounting to €1bn.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of **emerging stock markets** closed in the red on Wednesday, weighed down by increased expectations for a Fed rate hike in December and escalating concerns about China's- the world's second largest – economy prospects. Last week's terrorist attacks in Paris as well as a bomb scare in Germany and a deadly raid in the French capital earlier this week also continued to have a negative impact. Caution also prevailed ahead of the FOMC October 27/28 meeting minutes, released after the market close in Europe yesterday, which was eagerly awaited for any new clues regarding the FOMC's monetary policy deliberations ahead. Separately, **regional currencies** ended little changed on Wednesday and **government bonds** broadly weakened.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The minutes from the FOMC's 29 October policy meeting, which were released yesterday, did little to alter market expectations of a December Fed rate hike. In more detail, the minutes supported the view that, barring an unanticipated shock that would adversely affect the growth outlook, the Fed is ready to embark on a rate tightening cycle at the next policy meeting on December 15-16. The majority of policy members judged that downside risks from the world economy and global financial markets "had abated" and the pace of rate tightening ahead will be gradual, dependent on the outlook of the domestic economy. In response to the FOMC minutes, the majority of global equity markets were firmer in early trade on Thursday and US Treasuries gained some ground. Long-dated bonds outperformed with the 2/10-yr yield curve undertaking some bullish flattening. The corresponding spread was standing close to 138.7bps in European trade at the time of writing, the narrowest since mid-April, and c. 1bps lower compared to the prior session's closing level. In FX, the USD moved lower giving back some of its recent hefty gains with the DXY hovering around 99.360 after hitting a seven-month high of 99.745 on Wednesday. Looking at today's calendar, focus is on the minutes from the October ECB policy meeting, which are expected to reinforce market expectations for further policy stimulus at the December policy meeting.

GREECE

The 300-seat Hellenic Parliament is scheduled to vote late today on a multi-bill containing the legislation required for the implementation of the outstanding milestones for the unlocking of the €12bn ESM loan installment. Provided that all goes as planned, the Euro Working Group is expected to convene on Friday to give the green light for the unlocking of the said loan installment and to discuss an initial draft of prior actions required for the release of the next ESM loan installment to Greece, amounting to €1bn. According to press reports, that set of milestones will incorporate a number of contentious and politically sensitive items including, inter alia: (a) additional pension reforms; (b) abolishment of the preferential tax treatment for agricultural income and overhaul of the income tax code; and (c) establishment of an independent Privatization Fund. The EC/ECB/IMF/ESM mission heads are reportedly expected to depart from Athens on Friday and return by early December, on the assumption that the set of prior actions related to the release of the €1bn ESM loan installment will have been fulfilled by the Greek side.

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November 19, 2015

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.1	2.5
CPI (pa, yoy %)	-1.4	0.2	0.8
Budget Balance/GDP*	-3.7	-2.0	-2.4
Current Account/GDP	0.9	2.0	1.5
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

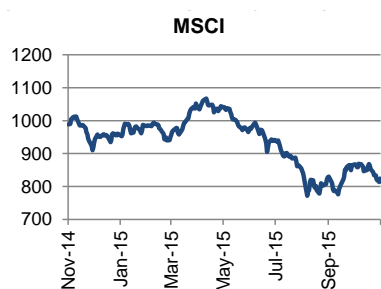
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

CESEE MARKETS

The majority of **emerging stock markets** closed in the red on Wednesday, weighed down by increased expectations for a Fed rate hike in December and escalating concerns about China's - the world's second largest economy - prospects. Chinese President Xi Jinping cited yesterday downside risks to growth, while the recovery in domestic property prices appeared to decelerate in October due to a supply glut. Last week's terrorist attacks in Paris as well as a bomb scare in Germany and a deadly raid in the French capital earlier this week also continued to have a negative impact. Caution also prevailed ahead of the FOMC October 27/28 meeting minutes, released after the market close in Europe yesterday, which was eagerly awaited for any new clues regarding the FOMC's monetary policy deliberations ahead.

Against this backdrop, the MSCI Emerging Markets index ended modestly lower yesterday, compared to the prior session's settlement. Trailing losses in European equity markets, most bourses in the CESEE region closed in the red. Ukraine's PFTS and Serbia's BELEX15 led the losses, falling by ca 0.8-1.4%. On the other hand, Hungary's BUX and Romania's BETI bucked the negative trend to close modestly higher on the day.

Separately, **regional currencies** ended little changed on Wednesday and **government bonds** broadly weakened. In FX markets, the Polish zloty fared worse than most of its CESEE peers having slightly eased in the aftermath of new Prime Minister Beata Szydlo's first speech on government policies, where she announced planned increases in public spending aimed at supporting the domestic economy. The ruling Law and Justice party (PiS) had pledged during its pre-election campaign ahead of the October 25th general elections, among others, to impose higher taxation on banks, lower the retirement age and boost economic activity via the adoption of fiscal and monetary stimulus. Its decisive victory fanned worries over a shift towards a more populist agenda, raising concerns about the country's medium-term growth outlook. Along these lines, the EUR/PLN hit a multi-day high near 4.2630 in European trade on Wednesday before recovering some ground shortly after. The pair remains not too far from a 7-month high of 4.2953 hit in late October, a few days after the general elections. Elsewhere, the Hungarian forint gained ground hitting a 2-week peak at 310.19 against the euro amid increased expectations for an upgrade by Fitch on the country's sovereign credit rating on Friday.

CESEE **focus today** turns to T-bond auctions in Romania and Serbia, yet in view of a relatively light calendar for the remainder of the week in the region, global developments remain centre stage.

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November 19, 2015

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	2059.02	0.4%	0.0%	EUR/USD	1.0664	0.2%	-11.9%	UST - 10yr	2.29	3	12	GOLD	1068	-0.2%	-9.8%
Nikkei 225	19649.18	0.1%	12.6%	GBP/USD	1.5217	0.0%	-2.3%	Bund-10yr	0.53	0	-2	BRENT CRUDE	44	1.6%	-22.8%
STOXX 600	378.88	-0.3%	10.6%	USD/JPY	123.44	0.0%	-3.0%	JGB - 10yr	0.30	0	-3	LMEX	2172	-0.3%	-25.5%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA					
Money Market				Money Market				Money Market					
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps		
T/N	308	0	-683	O/N	0.52	-2	-5	LEONIA	0.01	0	-1		
1-week	3.24	0	-677	1-month	0.82	-1	-9	1-month	0.18	0	-4		
1-month	3.55	-1	-650	3-month	1.04	-4	-66	3-month	0.31	0	-13		
3-month	3.90	0	-595	6-month	1.37	1	-64	6-month	0.57	0	-23		
6-month	4.10	0	-569	12-month	1.53	1	-49	12-month	1.12	-1	-39		
RS Local Bonds				RO Local Bonds				BG Local Bonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		
3Y RSD	4.00	#N/A	N/A	3Y RON	1.48	-1	-83	3Y BGN	0.23	-9	-80		
5Y RSD	6.61	0	-357	5Y RON	2.00	-1	-71	5Y BGN	0.57	1	-88		
7Y RSD	7.38	0	-143	10Y RON	3.51	1	-15	10Y BGN	2.08	0	-67		
RS Eurobonds				RO Eurobonds				BG Eurobonds					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
USD Nov-17	3.09	-1	-117	EUR Sep-20	1.12	-2	-61	EUR Jul-17	0.33	-2	-83		
USD Nov-24	6.41	0	-18	USD Aug-23	3.61	-5	0	EUR Sep-24	2.44	1	-42		
CDS				CDS				CDS					
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		
5-year	284	0	-6	5-year	133	-6	-10	5-year	168	-6	-23		
10-year	349	0	-7	10-year	174	-6	-12	10-year	216	-6	-25		
STOCKS				STOCKS				STOCKS					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
BELEX15	600.1	-0.84%	-10.03%	BET	7203.2	0.18%	1.70%	SOFIX	442.4	-0.28%	-15.27%		
FOREX				FOREX				FOREX					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		
EUR/RSD	120.77	-0.05%	0.48%	EUR/RON	4.4446	-0.10%	0.88%	USD/BGN	1.8341	0.20%	-11.86%		

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

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

Data updated as of 17:00 EET of previous session

November 19, 2015

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