

Thursday, November 12, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 12: Jobless Claims
- November 13
 - Retail sales (Oct)
 - UoM sent.(Nov, p)

EUROZONE

- November 9: OECD Economic Outlook
- November 11: ECB President Draghi speaks

GREECE

- November 9: Eurogroup
- November 11: EC/ECB/IMF/ESM mission heads reportedly expected to arrive in Athens

CYPRUS

- November 10: HICP (Oct)
- November 13: Conclusion of 8th programme review
- November 14: GDP (Q3, p)

SEE

BULGARIA

- November 9
 - Trade balance (Sep)
 - Ind. production (Sep)
 - Retail sales (Sep)
 - T-bonds auction
- November 12: CPI (Oct)
- November 13
 - GDP (Q3, p)
 - U/E rate (Oct)

ROMANIA

- November 9
 - Trade balance (Sep)
 - T-bonds auction
- November 10: Industrial production (Sep)
- November 11: CPI (Oct)
- November 13
 - GDP (Q3, A)
 - CAD (Sep)
- November 3: Retail sales (Sep)

SERBIA

- November 12
 - HICP (Oct)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of European bourses were little changed in early trade on Thursday as market participants seem to adopt a cautious stance ahead of ECB President Mario Draghi's speech before the European Parliament later today. In FX markets, the AUD was among the main outperformers supported by firmer-than-expected employment data.

GREECE: Speaking to reporters yesterday, Minister of Economy, Development and Tourism Giorgos Stathakis appeared optimistic that all outstanding prior actions for the release of the next ESM loan installment (€2bn) will have been settled by Saturday (November 14). In other news, Eurobank announced earlier today the launch of its book building process and subscription commitments of about €353mn from institutional investors with the option to increase their subscription up to a total amount of €584mn.

SOUTH EASTERN EUROPE

ROMANIA: Deflationary pressures somewhat eased on an annual basis in October. In more detail, CPI came in at +0.3%MoM/-1.6%YoY, vs. +0.3%MoM/-1.7%YoY in September compared to -0.5%MoM/-1.9%YoY in August, in line with market expectations.

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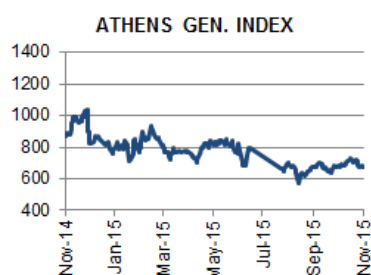
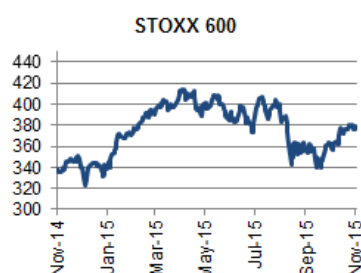
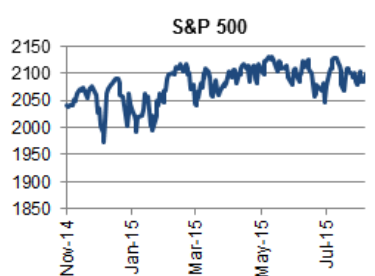
Latest world economic & market developments

GLOBAL MARKETS

The majority of European bourses were little changed in early trade on Thursday as market participants seem to adopt a cautious stance ahead of ECB President Mario Draghi's speech before the European Parliament later today. Market anxiety ahead of scheduled speeches from a number of FOMC officials, also has an impact. In FX markets, the AUD was among the main outperformers supported by firmer-than-expected employment data. Yet, in view of persisting concerns about the growth outlook of China, one of Australia's main trading partners, there is little to suggest that the AUD has embarked on a sustained upward trend short-term. Elsewhere, the USD moved lower as appetite for profit taking emerged following its recent hefty gains in the wake of last week's firmer-than-expected US non-farm payrolls data. With diverging Fed and ECB monetary policy outlooks continuing to play a key role in FX markets, the EUR/USD was hovering around 1.0715/50 in European trade at the time of writing, not far from a multi-month low of 1.0673 hit late last week. Political jitters in Portugal also continued to weigh on the EUR. Technically, a sustained break below recent lows could potentially open the way for further weakness towards the 1.0500 area.

GREECE

Speaking to reporters yesterday, Minister of Economy, Development and Tourism Giorgos Stathakis appeared optimistic that all outstanding prior actions for the release of the next ESM loan installment (€2bn) will have been settled by Saturday (November 14). As a reminder, the November 9th Eurogroup mandated the Euro Working Group (EWG) to reconvene early next week to evaluate the progress that will have been made by the Greek side in implementing all relevant outstanding milestones as well as some issues related to the governance of banks. Subject to a positive EWG assessment, an ESM Board of Governors meeting will be held afterwards to give the green light for the release of the next ESM loan installment that is pending since mid-October along with the first loan tranche (€10bn) earmarked under the existing programme for bank recapitalization needs. According to recent press reports, the EWG is expected to reconvene either on Sunday or Monday at the latest and an ESM meeting will be held in the following session. In other news, Eurobank announced earlier today the launch of its book building process and subscription commitments of about €353mn from institutional investors with the option to increase their subscription up to a total amount of €584mn. This is in relation to the bank's proposed share capital increase to raise up to €2,122mn so as to fully meet its capital requirements that were projected from the Stress Test under the adverse scenario of the ECB's Comprehensive Assessment. The European Bank for Reconstruction and Development will invest up to €80mn.



Source: Reuters, Bloomberg, Eurobank Research

November 12, 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

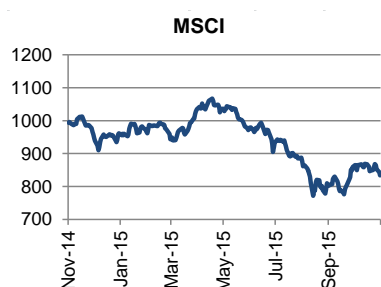
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Credit Ratings			
L-T ccy	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

ROMANIA

Deflationary pressures somewhat eased on an annual basis in October. In more detail, CPI came in at +0.3%MoM/-1.6%YoY, vs. +0.3%MoM/-1.7%YoY in September compared to -0.5%MoM/-1.9%YoY in August, in line with market expectations.

October's inflation print was underpinned by the higher-than-anticipated (on a monthly basis) rise in food prices (+0.5%MoM/-6.5%YoY), which accounted for two thirds of the total monthly rise in consumer prices. Higher prices for fruits and vegetables was the main culprit behind the spike in the food CPI subcomponent, as retailers took advantage of the lower supply in the summer months to push for higher mark-ups. Yet, the implementation of the front-loaded food VAT rate cut -from 24% to 9% effective from June 1st - has pushed annual food price dynamics and subsequently headline inflation into negative territory, given the high share of food products in the consumption basket (32%).

On the other hand, non-food items advanced by +0.13%MoM/+0.75%YoY in October up from -0.15%MoM/+0.5%YoY in September as a result of the implementation of an excise hike on tobacco products. Accordingly, services inched up by +0.3%MoM/+2.1%YoY compared to +0.1%MoM/+2.0%YoY in September in an illustration of demand side pressures building up in the non-tradables sector.

Overall, the latest inflation numbers support the view that inflation is most likely to stay below the central bank target range (2.5%±1%) until at least the first half of 2016. Only recently, the NBR downgraded its 2015-end inflation forecast to -0.7%YoY, vs. -0.3%YoY penciled in at the August inflation report, but at the same time upgraded its 2016-end forecast to +1.0%YoY compared to +0.7%YoY previously.

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November 12, 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	2081.72	0.2%	1.1%	EUR/USD	1.0742	0.2%	-11.2%	UST - 10yr	2.33	-1	16	GOLD	1088	-0.1%	-8.2%
Nikkei 225	19691.39	0.1%	12.8%	GBP/USD	1.5192	0.5%	-2.5%	Bund-10yr	0.61	-1	7	BRENT CRUDE	47	-0.3%	-17.5%
STOXX 600	379.99	1.0%	10.9%	USD/JPY	123.01	0.1%	-2.7%	JGB - 10yr	0.32	0	-1	LMEX	2257	-0.7%	-22.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	1	-683
1-week	3.24	0	-677
1-month	3.55	0	-650
3-month	3.90	1	-595
6-month	4.09	0	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.24	#N/A N/A	-480
5Y RSD	6.58	-1	-360
7Y RSD	6.88	2	-520

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.12	3	-114
USD Nov-24	6.44	0	-15

CDS

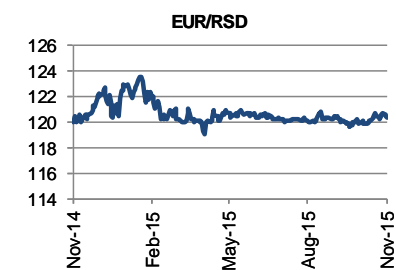
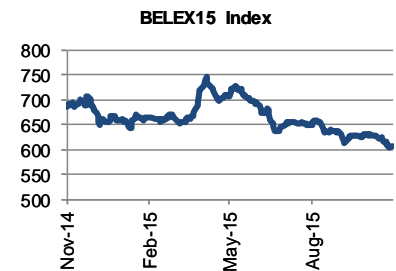
	Last	ΔDbps	ΔYTD bps
5-year	286	3	-4
10-year	350	3	-6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	606.9	0.13%	-9.01%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.56	0.00%	0.65%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-6	-2
1-month	0.88	-3	-3
3-month	1.11	-2	-59
6-month	1.4	-1	-61
12-month	1.56	-1	-46

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.52	-2	-79
5Y RON	2.07	-4	-64
10Y RON	3.54	-5	-12

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.21	0	-52
USD Aug-23	3.79	3	17

CDS

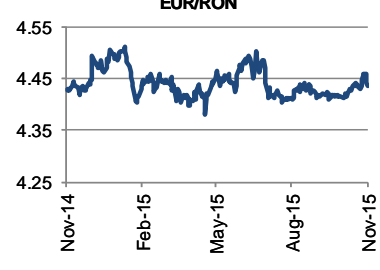
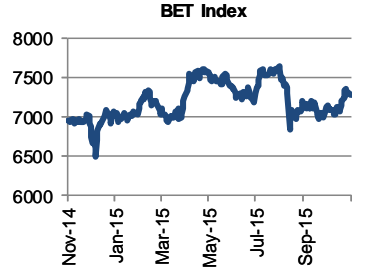
	Last	ΔDbps	ΔYTD bps
5-year	135	-2	-8
10-year	177	-3	-10

STOCKS

	Last	ΔD	ΔYTD
BET	7295.8	0.08%	3.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4356	0.20%	1.08%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	-1
1-month	0.18	0	-4
3-month	0.31	0	-13
6-month	0.57	0	-22
12-month	1.13	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	-1	-84
5Y BGN	0.55	-1	-89
10Y BGN	2.11	0	-64

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.36	0	-80
EUR Sep-24	2.50	18	-37

CDS

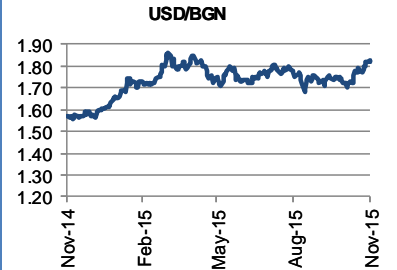
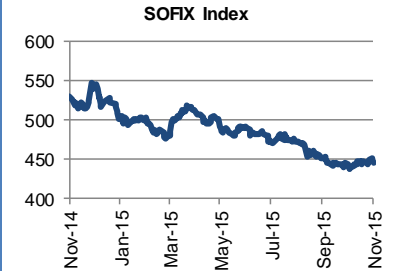
	Last	ΔDbps	ΔYTD bps
5-year	170	-8	-21
10-year	217	-8	-23

STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.1	-0.98%	-14.75%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8208	0.17%	-11.22%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:25 EET of previous session

November 12, 2015

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