



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 01, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Oct 31
 - Personal income/spending (Sep)
 - Core PCE deflator (Sep)
 - Chicago PMI (Oct)
- Nov 1
 - ISM manufacturing (Oct)
 - Auto sales (Oct)
- Nov 2
 - ADP employment (Oct)
 - FOMC interest rate decision
- Nov 3
 - Jobless claims (weekly)
 - ISM non-manuf. (Oct)
- Nov 4
 - Non-farm payrolls (Oct)
 - Trade balance (Sep)
 - U/E rate (Oct)
 - Average hourly rate (Oct)

EUROZONE

- Oct 31: GDP (Q3, flash)
- Nov 2: PMI manufacturing (Oct, f)
- Nov 2-10: EC autumn forecasts

GREECE

- Oct 31: Retail sales (Aug)
- Nov 1: PMI manufacturing (Oct)

CYPRUS

- Nov 3: CPI (Oct)

SEE

BULGARIA

- Oct 31-Nov 3: Budget valance (Sep)
- Nov 6: Presidential elections

ROMANIA

- Nov 1: International reserves (Oct)
- Nov 2: PPI (Sep)
- Nov 3: ILO U/E rate (Sep)
- Nov 4: MPC meeting

SERBIA

- Oct 31
 - Trade balance (Sep)
 - Retail sales (Sep)
 - Industrial output (Sep)
 - GDP (Q3, p)
- Nov 4: EUR 1% 2018 T-bond auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their lead from the positive tone in Asia earlier today, major European bourses opened higher on Tuesday supported by stronger than expected data from China and modestly higher oil prices. Increased risk appetite and positive US data dented the safe-haven appeal of US Treasuries with the 2/10-yr yield spread widening to the highest level since mid-May. In FX markets, the AUD was among the main outperformers supported by China's positive data and the lack of an explicit easing bias in the RBA statement released earlier today after the conclusion of the monetary policy meeting.

GREECE: Talks from a distance in the context of the 2nd programme review are ongoing between Greek officials and the institutions, with the Budget 2017 holding centre stage as it has to be tabled to Parliament by November 21st. The Q3 report of the Parliamentary Budget Office released yesterday, foresees 2016 GDP growth -0.3% due to subdued exports in H1 2016, anaemic private consumption and private investments which are, however, partly counterbalanced by increased public investments. Economic sentiment in October 2016 rose to its highest level of the past twelve months driven by stronger industry, services and consumer confidence whereas retail trade and construction confidence fell. Markit Greece Manufacturing PMI in October 2016 fell to a five – month low.

SOUTH EASTERN EUROPE

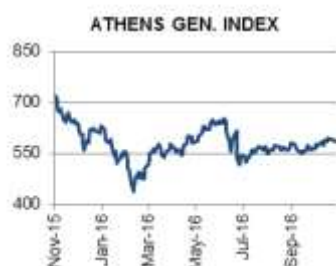
SERBIA: According to the flash estimate GDP expanded by +2.5% YoY in Q3-2016.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the positive tone in Asia earlier today, major European bourses opened higher on Tuesday supported by stronger than expected data from China. China's October manufacturing PMI came in at 51.2, the highest since August 2014 confounding expectations for an unchanged figure at the prior month's level of 50.4 with most of the key subcomponents marking year-to-date highs. Modestly higher oil prices, also favored global equity markets. OPEC officials reportedly approved a long-awaited document outlining the group's long-term strategy, a development that was perceived by investors as a sign that OPEC members are making progress in ironing out their differences over a potential production cut. Increased risk appetite and positive US data dented the safe-haven appeal of US Treasuries with the 2/10-yr yield spread moving above 100bps for the first time since mid-May. US consumer spending rose by a higher than expected 0.5%MoM in September after dropping by 0.1%MoM in August with core PCE advancing 1.2%YoY, the biggest gain since November 2014 after gaining 1.0%YoY in the prior month. Along these lines, the 2/10-yr Bund yield spread widened to levels around 104bps in European trade, the widest since late April in spite of yesterday's euro area data suggesting little scope for a notable rebound in inflation near-term. Euro area headline inflation rose 0.5%MoM in October from 0.4%MoM in the prior month, in line with market consensus, on the back of higher energy prices. However, core inflation was unchanged at 0.8%MoM for the third month in a row. In FX markets, the AUD was among the main outperformers supported by positive data from China and the lack of an explicit easing bias in the RBA statement released earlier today after the conclusion of the monetary policy meeting where, as expected, the Central Bank held interest rates unchanged for a third consecutive month. Meanwhile, the USD lost some ground against most of its major currency peers amid persisting US election jitters. The DXY was hovering around 98.245 at the time of writing, 0.2% lower on a daily basis.

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GREECE

Talks from a distance in the context of the 2nd programme review are ongoing between Greek officials and the institutions, with the Budget 2017 holding centre stage as it has to be tabled to Parliament by November 21st. A foretaste on the progress of the 2nd review may be given at the November 7th Eurogroup with the Greek government reportedly standing firm on its intention to have the review successfully completed by the December 5th Eurogroup, which implies that the 28th November Euroworking Group must make a positive progress assessment. Meanwhile, the Q3 report of the Parliamentary Budget Office released yesterday, foresees 2016 GDP growth -0.3% due to subdued exports in H1 2016, anaemic private consumption and private investments which are, however, partly counterbalanced by increased public investments. Among others, the report points to the aggravation of private sector debt towards banks, tax authorities, social security funds, SOEs, etc. which may have a destabilizing effect, whereas the loss of competitiveness of Greece in world rankings for 2015 makes the implementation of a number of key reforms all the more imperative. On the economic data front, according to Eurostat's business and consumer survey results, economic sentiment in October 2016 rose to its highest level of the past twelve months driven by stronger industry, services and consumer confidence whereas retail trade and construction confidence fell. Markit Greece Manufacturing PMI in October 2016 fell to a five-month low of 48.6 indicating further contraction of Greece's manufacturing sector, attributable according to the Markit report to falls in incoming new orders.

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November 1, 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

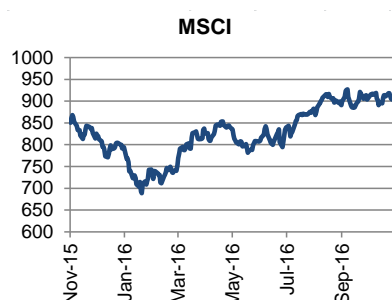
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	0.7	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

SERBIA

According to the flash estimate GDP expanded by +2.5% YoY in Q3-2016, above the Bloomberg survey median (+2.2% YoY). The stronger than expected growth reading compares to +2.0% YoY in Q2-2016 and +3.8% YoY in Q1-2016, bringing the first nine months performance at +2.6% YoY. In addition, industrial production expanded by +5.3% YoY in September, up from +5.1% YoY in the prior month. After bottoming out in Q3-2014, economic activity gradually started to accelerate, with domestic GDP exhibiting six consecutive quarters of positive growth between Q2-2015 and Q3-2016. Although the components of growth are not yet known, private investment and net exports are expected to have been the main drivers in Q3. Gross fixed capital formation expanded by 6.5% YoY in 1H-2016 (+4.9% YoY in Q2-2016 vs. +8.4% YoY in Q1-2016), broadly in line with the year-on-year performance experienced in the same period a year earlier. Separately, export growth accelerated to 10.8% YoY in 1H-2016, from 9.2% YoY in 1H-2015. At the same time, private consumption is expected to have registered a small, nevertheless still positive contribution in Q3, driven by positive real wage growth, further improvement in labor market conditions (15.2% in Q2-2016 compared to 17.3% in Q2-2015 and a peak of 25.5% reached in April 2012) plus recovering credit dynamics (+5.2% YoY in July 2016 in constant FX prices).

In our recent trip note to Belgrade, we have made an extensive analysis on the progress of the Serbian economy. After several years of straggling with recession and stagnation, the Serbian economy has embarked on a virtuous cycle. Serbia ranks among those few economies in the region that have accomplished to reverse the declining trend in the investment expenditure to GDP ratio. This is an important development supporting optimism for the sustainability of Serbia's medium-term growth performance. The said ratio is projected to increase to 18.3% of GDP in 2016, from levels around 17.5% in the prior two years and a pre-crisis high of 30.3% reached in 2008. The main driver behind this improving performance is increased inward foreign direct investment (FDI). Net FDI inflows have been incentivized by recent improvements in the domestic business environment as well as generous subsidies scheme offered to foreign investors.

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November 1, 2016

GLOBAL MARKETS

Stock markets	FOREX			Government Bonds			Commodities								
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	(yields)	Last	ΔD	ΔYTD						
S&P 500	2126.15	0.0%	4.0%	EUR/USD	1.099	0.1%	1.2%	UST - 10yr	1.86	3	-41	GOLD	1280	0.2%	20.6%
Nikkei 225	17442.40	0.1%	-8.4%	GBP/USD	1.2267	0.2%	-16.8%	Bund-10yr	0.19	2	-44	BRENT CRUDE	49	1.1%	31.8%
STOXX 600	340.38	0.4%	-7.0%	USD/JPY	105.06	-0.2%	14.3%	JGB - 10yr	-0.05	0	-31	LMEX	2502	0.6%	13.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	3	1
1-week	3.18	2	-1
1-month	3.31	0	-20
3-month	3.52	-2	-31
6-month	3.67	-4	-36

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.55	0	-104
5Y RSD	4.33	0	-79
7Y RSD	5.61	0	-209

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.33	-3	-83
USD Nov-24	6.48	0	7

CDS

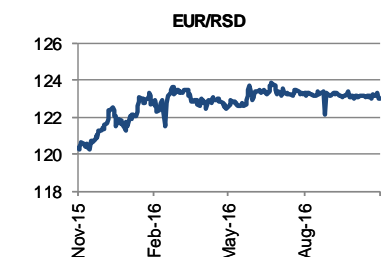
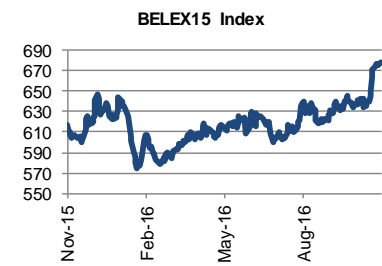
	Last	ΔDbps	ΔYTD bps
5-year	198	-1	-76
10-year	245	1	-94

STOCKS

	Last	ΔD	ΔYTD
BELEX15	677.6	0.16%	5.20%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.03	0.04%	-1.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	10
1-month	0.66	0	-3
3-month	0.73	0	-29
6-month	0.95	0	-39
12-month	1.09	0	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.37	1	-56
5Y RON	2.17	-1	-63
10Y RON	3.07	1	-71

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.87	0	-69
USD Jan-24	2.99	0	-79

CDS

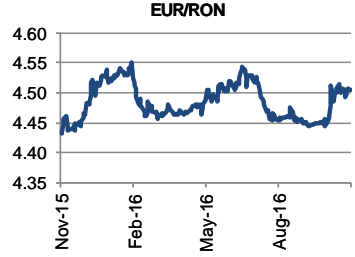
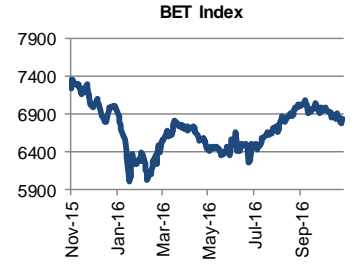
	Last	ΔDbps	ΔYTD bps
5-year	105	-2	-28
10-year	149	-3	-23

STOCKS

	Last	ΔD	ΔYTD
BET	6833.5	0.33%	-2.44%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5036	0.02%	0.23%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.18	2	-19
1-month	-0.15	0	-30
3-month	-0.06	-1	-32
6-month	0.10	0	-43
12-month	0.41	0	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	0	-40
5Y BGN	0.48	-5	-79
10Y BGN	1.87	0	-79

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.40	0	-47
EUR Sep-24	1.48	-21	-94

CDS

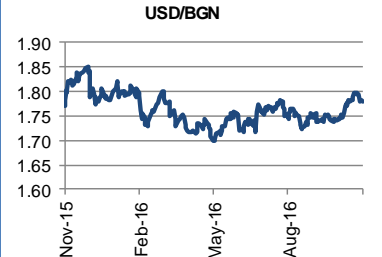
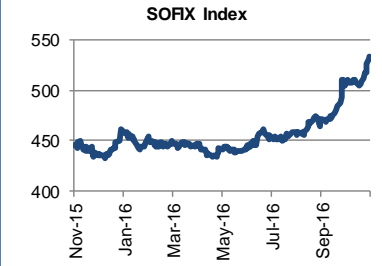
	Last	ΔDbps	ΔYTD bps
5-year	137	2	-34
10-year	181	6	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	532.7	0.17%	15.58%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7797	0.10%	1.16%



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

Data updated as of 10:40 EET

November 1, 2016

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