

Tuesday, November 28, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Nov 27: New home sales (Oct)
- Nov. 28: CB consumer confidence (Nov)
- Nov 29
 - Q3 GDP (2nd estimate)
 - Pending home sales (Oct)
 - Fed's Beige Book
- Nov 30
 - Personal income & spending (Oct)
 - Initial jobless claims (weekly)
- Dec. 1
 - ISM manufacturing (Nov)
 - Auto sales (Nov)

EUROZONE

- Nov 28: M3, loans to the private sector (Oct)
- Nov. 29: Economic sentiment (Nov)
- Nov. 30
 - CPI (prel. Nov)
 - Unemployment rate (Oct)
- Dec. 1: PMI manufacturing (Nov)

GREECE

- Nov 30
 - PPI (Oct)
 - Retail Sales (Sep)

SEE

BULGARIA

- Nov 30:
 - Producer's Price Index (Oct)
 - Budget Balance (Oct)

ROMANIA

- Nov 29: Unemployment Rate (Oct)

SERBIA

- Nov 30:
 - Industrial Production (Oct)
 - Trade Balance (Oct)
 - Retail Sales (Oct)
 - GDP (NSA YoY%, Q3)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The US Senate's Banking Committee will hold today the confirmation hearing for Jerome Powell's nomination to be the next Chair of the Federal Reserve (starting at 10am EST). The text of his prepared testimony that was released late on Monday did not deliver any surprises, supporting the view that the incoming Chair will continue Janet Yellen's gradual and cautious approach to tightening monetary policy. That said, Jerome Powell's hearing is unlikely to exert any significant market impact. Instead, focus is on the Senate Budget Committee which is expected to vote on its own version of tax reform before it is submitted for approval to the full Senate on Thursday. In the absence of major market movers, UST yields were little changed on the day while the majority of EMU periphery sovereign bond yields moved lower for the second consecutive session on easing political jitters in Germany. In FX markets, the DXY index was little changed compared to Monday's settlement and still well below a month-to-date peak of 95.149 recorded on November 7.

GREECE: Deliberations between the institutions' (EC, ECB, ESM and IMF) heads and the Greek government in the context of the 3rd programme review are resuming today with an aim to reaching an agreement on a technical level by Saturday. The main issues on the agenda are energy sector reforms, electronic auctions, family benefits, pensions and changes in the trade union legal framework.

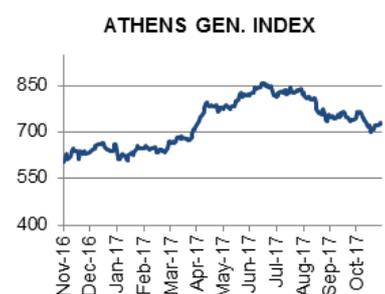
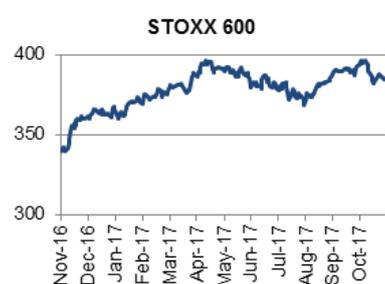
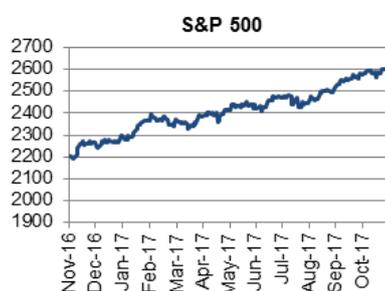
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Tuesday.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The US Senate's Banking Committee will hold today the confirmation hearing for Jerome Powell's nomination to be the next Chair of the Federal Reserve (starting at 10am EST), replacing incumbent Chair Janet Yellen whose term expires in early February 2018. After the hearing, the committee will vote on whether to recommend nomination to the full Senate. 51 in favor votes are needed in the 100-seat Senate for the nomination of a Fed Chair and markets are widely expecting Jerome Powell to have no problem passing the hearing from both the committee and the full Senate. The text of his prepared testimony that was released late on Monday did not deliver any surprises, supporting the view that the incoming Chair will continue Janet Yellen's gradual and cautious approach to tightening monetary policy. That said, Jerome Powell's hearing is unlikely to exert any significant market impact. Instead, focus is on the Senate Budget Committee which is expected to vote today on its own version of tax reform. Assuming successful passage, the tax reform will be submitted for approval thereafter to the full Senate (reportedly on Thursday) before a conference committee between the two chambers (the House and the Senate) agrees on a final version of the tax reform. Approval by the Senate of the draft bill is probably the biggest headwind of the tax reform progress after two Republican members have publicly expressed their opposition to the tax reform bill in its current form, leaving no room for further opponents (Republicans control 52 seats while 50 positive votes are needed in the Senate for the endorsement of a bill). In the absence of major market movers, UST yields were little changed on the day with the 10-yr yield consolidating in the 2.30% area. Meanwhile, the majority of EMU periphery sovereign bond yields moved lower for the second consecutive session leading a fall in bond yields across the euro area on the back of reduced political jitters in Germany. Italy and Portugal were among the main outperformers over the last couple of sessions with the respective 10-yr yield dropping by c. 5bps cumulatively each. In FX markets, the DXY index was little changed compared to Monday's settlement and still well below a month-to-date peak of 95.149 recorded on November 7.

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GREECE

Deliberations between the institutions' (EC, ECB, ESM and IMF) heads and the Greek government in the context of the 3rd programme review are resuming today with an aim to reaching an agreement on a technical level by Saturday. As regards energy issues, after the agreement between the Greek government and DG Competition on the PPC lignite-fired production units that will be put up for sale at the imminent market test, the focus now turns to the natural gas market where DEPA, the incumbent, has majority stakes in the supply companies Attica Natural Gas and Thessaloniki Natural Gas creating conflicts of interest. According to press reports, the Minister of Energy George Stathakis will present to the institutions today a proposal to resolve the issue. Other topics on the agenda of the 3rd review are: legislation to increase the quorum for first-degree unions to vote on a strike to 50 percent, changes in a broad spectrum of benefits, the recalculation of pensions according to the new benefit rules and the acceleration of the processing of pension applications that are still pending. With regard to the electronic auctions, the notaries canceled yesterday the abstention from their duties opening the way for the commencement of the procedure tomorrow, as planned.

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November 28, 2017

Latest economic & market developments in the CESEE region

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.6
Budget Balance/GDP*	-2.8	1.6	-1.3
Current Account/GDP	-0.1	5.4	3.5
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	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
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

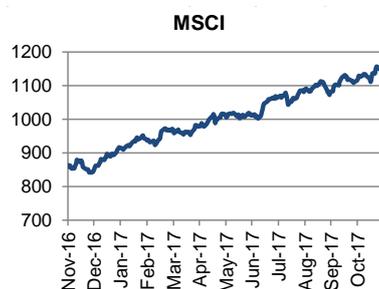
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research, National Authorities

SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
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	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

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

CESEE MARKETS

Emerging market assets traded earlier on Tuesday. The MSCI Emerging Markets index firmed modestly (+0.2%), rising from 1-week lows hit in the prior session. Most bourses in the CESEE region were little changed, with Poland's WIG marking the largest daily decline (-0.5%) and main indices in Romania, Serbia and Bulgaria standing in a marginally positive territory.

In FX markets, the Hungarian forint lost ground but remained near yesterday's highs, supported by increased investor demand for government bonds in view of further monetary easing announced by the Central Bank (MNB) last week. At its last MPC meeting on November 21st, the Central Bank maintained all interest rates unchanged, in line with market expectations but announced plans for further easing of monetary conditions via the use of its unconventional tools, which included the introduction of new unconditional interest rate swap (IRS) facilities with five and ten-year maturities from the beginning of January 2018 and a targeted mortgage bonds purchasing programme with maturities of three years or more aimed at pushing longer-dated government yields lower and supporting fixed-rate loans. The measures initially weighed on the domestic currency but later provided support via increased purchases of government bonds, which resulted in record low yields of medium to longer-term paper last week. Along these lines, the EUR/HUF traded around 311.15 in European markets, remaining not too far from 3-week lows of 310.50 hit on Monday.

Elsewhere, the Turkish lira underperformed its regional peers, with the USD/TRY bouncing by 0.6% on the day to stand at 3.9295 at the time of writing, not too far from a lifetime peak of 3.9815 hit last week. The currency has come under pressure in view of straining ties with the US recently. The lack of more aggressive monetary tightening by the Central Bank, despite already well above target inflation and the lira's recent depreciation, have exacerbated these pressures. Macroeconomic data released earlier today showed that Turkey's economic confidence index fell to 97.9 points in November, slipping below the 100-threshold, indicating a pessimistic economic outlook, and retreating further from August's 5-year highs.

Looking into the remainder of the week in the CESEE space, the Central Bank of Hungary publishes the updated Financial Stability Report on Wednesday. Additionally, final Q3 GDP data in Poland and Serbia as well as CPI for November in Poland take centre stage on Thursday. On Friday, PMI manufacturing data for November and sovereign credit ratings by S&P and Fitch for Bulgaria are on the spotlight. Government bond auctions in Romania, Ukraine and Hungary also lure market attention over the next few days.

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November 28, 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	2601.42	0.0%	16.2%	EUR/USD	1.1894	0.0%	13.1%	UST - 10yr	2.33	1	-11	GOLD	1293	-0.1%	12.2%
Nikkei 225	22486.24	0.0%	17.6%	GBP/USD	1.3303	-0.1%	7.7%	Bund-10yr	0.34	0	13	BRENT CRUDE	63	-0.7%	11.6%
STOXX 600	385.97	0.3%	6.8%	USD/JPY	111.29	-0.2%	5.1%	JGB - 10yr	0.04	0	-1	LMEX	3260	-0.9%	22.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	0	-55
1-month	2.80	0	-55
3-month	3.07	1	-40
6-month	3.23	1	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	-1	-94
5Y RSD	4.51	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.93	0	-128
USD Nov-24	6.02	-32	-24

CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	-2	-84
10-year	167	-2	-89

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.1	0.06%	3.02%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.81	-0.17%	3.05%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.15	6	159
1-month	2.18	0	142
3-month	2.2	1	130
6-month	2.3	-1	119
12-month	2.36	0	111

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	190
5Y RON	3.71	0	129
10Y RON	4.47	0	100

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.62	#N/A	N/A
USD Jan-24	3.09	-1	-80

CDS

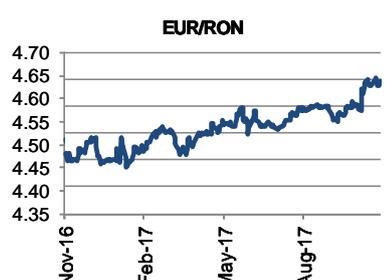
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-12
10-year	153	0	1

STOCKS

	Last	ΔD	ΔYTD
BET	7749.1	0.15%	9.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6462	-0.15%	-2.31%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	0	-10
3-month	-0.18	0	-11
6-month	-0.05	0	-13
12-month	0.33	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.28	-1	-44
5Y BGN	-0.06	0	-56
10Y BGN	0.90	0	-101

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	0	-87
EUR Sep-24	0.01	-1	-167

CDS

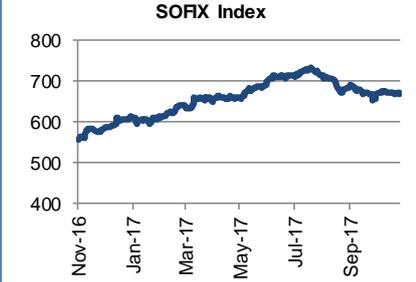
	Last	ΔDbps	ΔYTD bps
5-year	94	-2	-58
10-year	136	-2	-58

STOCKS

	Last	ΔD	ΔYTD
SOFIX	666.8	0.11%	13.70%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6445	-0.04%	13.01%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:15 EST

November 28, 2017

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