

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Oct 30: Personal income & spending (Sep)
- Nov 1
  - ADP employment report (Oct)
  - ISM index manufacturing (Oct)
  - FOMC meeting
- Nov 2: Jobless claims (weekly)
- Nov 3
  - Non-farm payrolls (Oct)
  - ISM index non-manufacturing (Oct)
  - Trade Balance (Sep)

##### JAPAN

- Oct 31: BoJ MPC decision

##### EUROZONE

- Oct 30
  - Economic sentiment indicator (Oct)
  - DE: Retail sales (Sep)
- Oct 31
  - GDP (Q3, flash)
  - CPI (Oct, prel.)
  - U/E rate (Sep)
- Nov 2: PMI manufacturing (Oct, final)

##### GREECE

- Oct 30: Economic Sentiment (Oct)
- Oct 31: Retail sales (Aug)
- Nov 1: PMI manufacturing (Oct)

##### SEE

##### BULGARIA

- Oct 31 – Nov 3: Budget balance (Sep)

##### ROMANIA

- Oct 31: ILO U/E rate (Sep)
- Nov 1: International Reserves (Oct)

##### SERBIA

- Oct 31
  - Industrial output (Sep)
  - Trade balance (Sep)
  - Retail sales (Sep)
  - GDP (Q3, p)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Mirroring gains in the majority of Asian bourses earlier today, European equity markets opened higher on Wednesday supported by improved global growth prospects. In FX markets, the USD was little changed on the day ahead of the expected release of the Republic House draft legislation on tax reform later today as well as the US President's Fed chair nominee on Thursday. The FOMC monetary policy outcome, expected to be announced at 2 pm EST today following the conclusion of the two-day monetary policy meeting is unlikely to be a market mover. Looking at today's diary, besides the FOMC policy announcement, focus is on the US manufacturing ISM and the ADP report ahead of Friday's October non-farm payrolls report.

**GREECE:** The Greek Finance Minister Euclid Tsakalotos reportedly stated in an interview yesterday that the over-performance of the primary surplus for 2017 is expected to exceed EUR1.1 billion and that the way it will be distributed has already been broadly agreed with the institutions. He also mentioned the possibility of another exit to the financial markets in the coming weeks, potentially referring to the rumored swap of 20 PSI bonds with maturities from 2023 to 2042 with 4 or 5 new bonds. According to the Hellenic Statistical Authority, the overall volume index in retail trade in August 2017 increased by 0.1% compared to August 2016, while the seasonally adjusted overall volume index in retail trade in August 2017 decreased by 3.3% compared to July 2017.

### SOUTH EASTERN EUROPE

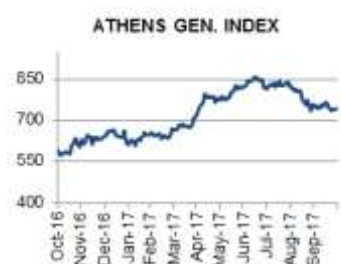
**CESEE MARKETS:** In Serbia, economic activity picked up pace in Q3, following a notable slowdown in H1 2017. According to the Q3 flash estimate that was released yesterday, real GDP growth came in at 2.1%YoY, outpacing a market median forecast of 1.7%YoY.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring gains in the majority of Asian bourses earlier today, European equity markets opened higher on Wednesday supported by improved global growth prospects. Following last week's higher than expected US Q3 GDP growth rate, the Q3 GDP flash estimate for the euro area showed a growth rate of 0.6%QoQ compared to market consensus of 0.5%QoQ with the annual rate rising from 2.3% in Q2 to a six year high of 2.5%. Furthermore, the unemployment rate in the euro area came in at 8.9% in September, the lowest since early 2009 from 9.0% in August and 9.9% in September 2016. In FX markets, the USD was little changed on the day ahead of the expected release of the Republic House draft legislation on tax reform later today as well as the US President's Fed chair nominee on Thursday. The FOMC monetary policy outcome, expected to be announced at 2 pm EST today following the conclusion of the two-day monetary policy meeting is unlikely to be a market mover. The Committee is widely anticipated to stay put on interest rates while the overall tone of the accompanying statement is likely to leave open the way for a 25bps rate hike at the following meeting in December. There will be no post-meeting press conference and updated FOMC forecasts. The DXY index was hovering around 94.580 in European trade at the time of writing, little changed on the day and 0.6% lower from last week's three-month peak. In sovereign bond markets, US Treasury yields were slightly higher in European trade ahead of the US Treasury Department's refunding plans which are expected to reveal an increased size of regular auctions as the Fed started reducing its balance sheet and funding needs are projected to rise on the back of a widening public deficit. Along these lines, German Bund yields were also slightly higher on the day but still well below recent highs. In the EMU periphery, Italy continued to outperform favored by the unexpected S&P sovereign credit rating upgrade to BBB from BBB- and somewhat reduced political jitters following the recent parliamentary approval of the new electoral law. Italy's 10-yr yield fell to a ten-month low of 1.8% earlier today with the spread against its German counterpart narrowing close to 143bps, the lowest so far this year. Looking at today's diary, besides the FOMC policy announcement, focus is on the US manufacturing ISM and the ADP report ahead of Friday's October non-farm payrolls report.

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### GREECE

The Greek Finance Minister Euclid Tsakalotos reportedly stated in an interview yesterday that the over-performance of the primary surplus for 2017 is expected to exceed EUR1.1 billion and that the way it will be distributed has already been broadly agreed with the institutions. According to press, a large part of it will be granted to the beneficiaries of the Guaranteed Minimum Income while another part of it may be given to the Public Power Corporation in order to cover the cost of services of general interest and prevent an increase in the company's tariffs. The Greek FinMin also mentioned the possibility of another exit to the financial markets in the coming weeks, potentially referring to the rumored swap of 20 PSI bonds with maturities from 2023 to 2042 with 4 or 5 new bonds. In other news, according to the Hellenic Statistical Authority, the overall volume index in retail trade in August 2017 increased by 0.1% compared to August 2016, while the seasonally adjusted overall volume index in retail trade in August 2017 decreased by 3.3% compared to July 2017.

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November 1, 2017

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

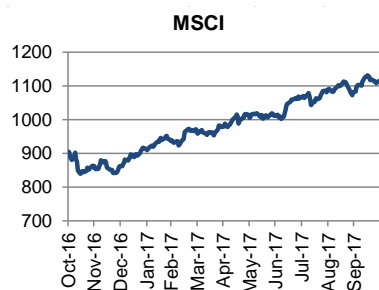
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

In Serbia, economic activity picked up pace in Q3, following a notable slowdown in H1 2017. According to the Q3 flash estimate that was released yesterday, real GDP growth came in at 2.1%YoY, outpacing a market median forecast of 1.7%YoY. This is the highest annual reading since the start of the year and follows a deceleration to 1.2%YoY in H1 2017 from 2.9%YoY over the same period a year earlier and 2.6% in H2 2016 as adverse weather conditions weighed heavily on economic activity. The breakdown of the report and the calculation of quarterly change for Q3 will be released on November 30<sup>th</sup>. Nonetheless, the detailed data is likely to confirm that growth was primarily driven by recovering private consumption and investments. In spite of the aforementioned acceleration in Q3, economic activity for the whole of the year is likely to come in near 2.0%, well below of earlier official estimates for growth of 3.0%. That said, a 3.0% reading for 2018 is likely as economic activity will probably continue to be supported by improving aggregate demand and recovering energy production, while this year's headwinds seem to mostly stem from one-off factors. Our forecasts are a tad below those of the IMF. The Fund revised lower in September its 2017 growth projections for Serbia, penciling in a 2.3% increase compared to 3.0% previously, while maintaining its forecast for 2018 unchanged at 3.5%.

Looking into the remainder of the week, focus is mostly on global developments. The FOMC meeting decision is due later today. The imminent announcement by the US President about the new Fed Chair and labour market data releases from the US take centre stage on Thursday and Friday. In the CESEE space, October PMI manufacturing data for the region are also in focus tomorrow, as are government bond auctions in Hungary. Inflation data and an S&P sovereign rating review for Turkey lure market attention on Friday. On the former, headline CPI is anticipated to come in at 11.50%YoY in October, according to a market consensus, nearly in line with the prior month's reading of 11.20%YoY and remain well above the Central Bank of Turkey's (CBT) medium-term target of 5.00%. Core CPI is also expected to remain at double digits, with the market's median forecast envisioning a further rise to a new 13-year high of 11.20%YoY from 10.98%YoY in September. Speaking at a news conference for the presentation of the CBT's quarterly Inflation Report earlier today, Governor Murat Cetinkaya deemed the current monetary policy tightening as sufficient to bring inflation lower adding that the impact will be more visible from early next year. The CBT Governor also noted that the lira's volatility and the recent increase oil prices may push inflation higher in the short-term, also acknowledging that inflation risks are still to the upside. However, he highlighted that the Central Bank will implement the necessary policy mix in order to align inflation with the 5% target adding that monetary policy will remain tight in order to achieve targets. According to its updated CPI forecasts, the Central Bank revised higher is 2017- end forecast to 9.8% from 8.7% previously, also raising the midpoint projection for end-2018 to 7.0% from 6.4% before.

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November 1, 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	2575.26	0.1%	15.0%	EUR/USD	1.1635	-0.1%	10.6%	UST - 10yr	2.39	1	-5	GOLD	1280	0.7%	11.0%
Nikkei 225	22420.08	1.9%	17.3%	GBP/USD	1.3298	0.1%	7.6%	Bund-10yr	0.37	1	16	BRENT CRUDE	62	1.2%	8.5%
STOXX 600	397.83	0.7%	10.1%	USD/JPY	114	-0.3%	2.6%	JGB - 10yr	0.06	-1	2	LMEX	3262	0.3%	22.6%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.49	0	-51
1-week	2.61	0	-56
1-month	2.81	0	-54
3-month	3.06	0	-41
6-month	3.25	0	-41

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.02	#N/A	N/A
5Y RSD	4.52	0	-83
7Y RSD	4.94	0	-69

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	0.63	-31	-169
USD Nov-24	6.35	2	-6

## CDS

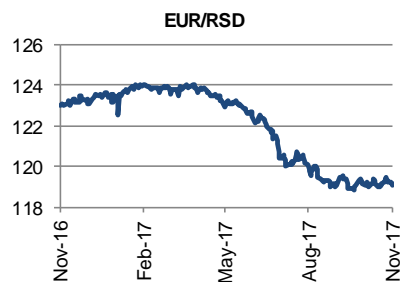
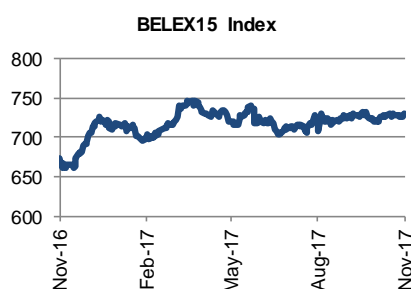
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-78
10-year	179	2	-77

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.6	-0.02%	1.84%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.12	0.06%	3.64%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.71	-11	115
1-month	1.82	-4	106
3-month	1.89	2	99
6-month	2.03	1	92
12-month	2.13	1	88

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.62	0	110
5Y RON	3.13	0	71
10Y RON	4.30	0	82

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-47
USD Jan-24	3.09	0	-81

## CDS

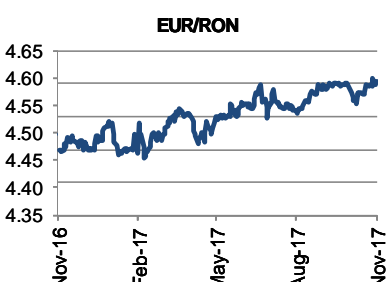
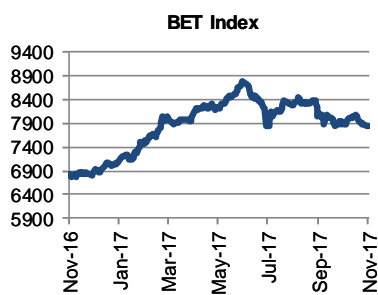
	Last	ΔDbps	ΔYTD bps
5-year	99	-1	-11
10-year	155	0	3

## STOCKS

	Last	ΔD	ΔYTD
BET	7854.7	0.15%	10.86%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6024	0.03%	-1.38%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.23	-1	-7
3-month	-0.14	0	-7
6-month	-0.04	0	-12
12-month	0.33	0	-7

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.27	0	-43
5Y BGN	-0.04	0	-54
10Y BGN	0.97	0	-94

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	5	-82
EUR Sep-24	0.70	0	-98

## CDS

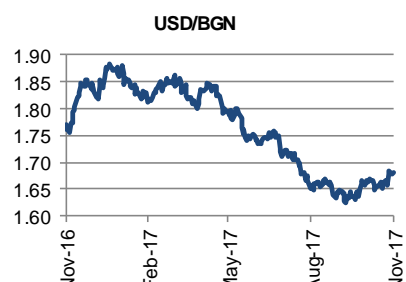
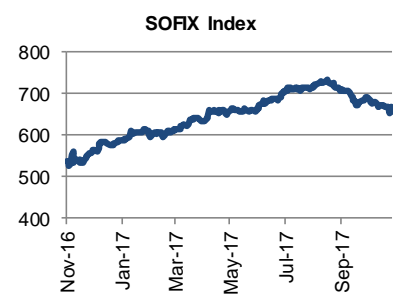
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	155	0	-39

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	671.9	0.07%	14.57%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.681	-0.10%	10.55%



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

Data updated as of 12:20 EST

November 1, 2017

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