



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, October 02, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Oct 2
 - ISM-manufacturing (Sep)
 - Construction spending (Aug)
- Oct 4
 - ADP employment report (Sep)
 - ISM-non manufacturing (Sep)
 - Fed Chair Yellen speaks
- Oct 5
 - Trade balance (Aug)
 - Jobless claims (weekly)
- Oct 6: Non-farm payrolls (Sep)

EUROZONE

- Oct 2: U/E rate (Aug)
- Oct 3: PPI (Aug)
- Oct 4: Retail sales (Aug)
- Oct 5: ECB account of the September MPC meeting
- Oct 6: DE: Industrial orders (Aug)

GREECE

- Oct 2: Markit manufacturing PMI (Sep)
- Oct 5: U/E rate (Jul)

SEE

ROMANIA

- Oct 2
 - ILO U/E rate (Aug)
 - International reserves (Sep)
- Oct 3: MPC meeting
- Oct 4: Retail sales (Aug)
- Oct 6: S&P credit rating review

SERBIA

- Oct 6: PPI (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: According to the Catalan government, in Sunday's referendum that was marred by clashes between police and voters, around two million Catalans representing 42.3% of eligible voters cast a vote with 90% voting in favour of a declaration of independence. According to some press reports, the head of the Catalan regional government left the door open to a potential declaration of independence once the local parliament approves the vote. In FX markets, Catalonia uncertainty weighed on the EUR while the USD was firmer across the board on newswires suggesting that Donald Trump is expected to make a decision regarding the next Fed Chair in the next two to three weeks and has met with former Fed Governor Kevin Warsh who is widely regarded as erring towards more hawkishness. Looking at this week's calendar, key releases include Friday's US non-farm payrolls for August, which are expected to be distorted by the impact of hurricanes Irma and Maria.

GREECE: The preliminary draft budget is expected to be tabled to Parliament today and according to press reports, GDP growth projections for 2017 and 2018 will be kept at the same level with the Medium Term Fiscal Strategy (MTFS) voted in May 2017, namely at +1.8% and +2.4% respectively. The Governor of the Bank of Greece Yiannis Stournaras, argued in an interview that the conduct of the stress tests for Greek banks earlier in 2018 than initially planned is positive as it will allow for the results to be released before the end of the economic adjustment programme in August 2018 and appeared confident about the state of Greek banks.

SOUTH EASTERN EUROPE

BULGARIA: Bucking the negative trend in emerging market assets, the local equity market firmed last week, with the main SOFIX index registering an advance of 1.4%. Separately, the Bulgarian sovereign debt yield curve experienced a volatile week, while Eurobond markets ended little changed.

SERBIA: Appreciation pressures on the dinar resurfaced anew last week after the EUR/RSD failed to move above levels around 119.60.

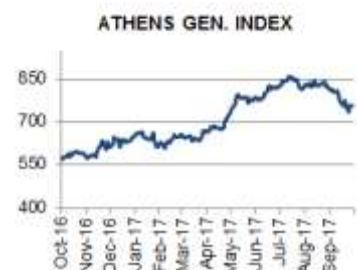
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October 2, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to the Catalan government, in Sunday's referendum that was marred by clashes between police and voters, around two million Catalans representing 42.3% of eligible voters cast a vote with 90% voting in favour of a declaration of independence. According to some press reports, the head of the Catalan regional government left the door open to a potential declaration of independence once the local parliament approves the vote. However, should this be the case, the central government, which vehemently opposes any Catalan self-determination referendum and, at its request, Spain's Institutional Court has declared the referendum illegal, is likely to intervene by invoking Article 155 of the Constitution to remove the local government, a development that would undoubtedly lead to a further escalation of the conflict between the regional and the Spanish government. Meanwhile, no international institution or country will likely recognise the outcome of the unconstitutional referendum. That said, the most likely post-referendum event will likely be new regional elections to be called with the latest polls suggesting a strong lead of the left, pro-independence Republican Left of Catalonia (ERC) party. In FX markets, Catalonia uncertainty weighed on the EUR, which marked a session low of 1.1740 against the USD earlier today. Newswires suggesting that US President Donald Trump is expected to make a decision regarding the next Fed Chair in the next two to three weeks and has met with former Fed Governor Kevin Warsh who is widely regarded as erring towards more hawkishness, was also behind the USD's broad-based strengthening. Meanwhile, major equity markets were modestly firmer in European trade supported by surprisingly positive data from both China and Japan. Elsewhere, US Treasury yields were higher despite softer than expected US core PCE deflator with the 10-yr UST/Bund yield spread widening to 189bps, the widest since mid-July. Key releases this week include Friday's US non-farm payrolls for August, which are expected to be distorted by the impact of hurricanes Irma and Maria.

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GREECE

The preliminary draft budget is expected to be tabled to Parliament today. According to press reports, the preliminary draft budget keeps GDP growth projections for 2017 and 2018 at the same level with the Medium Term Fiscal Strategy (MTFS) voted in May 2017, namely at +1.8% and +2.4% respectively. As regards the GDP components, for 2017 private consumption annual growth is projected at +1.1% (vs +1.3% in the MTFS), public consumption at +1.0% (vs +0.1% in the MTFS), gross fixed capital formation at +4.3% (vs +5.9% in the MTFS), exports at +6.7% (vs +3.3% in the MTFS) and imports at +5.6% (vs +2.8% in the MTFS). The unemployment rate for 2017 is projected at 20.2% against 21.0% in the MTFS. In other news, the Governor of the Bank of Greece Yiannis Stournaras, argued in an interview that the conduct of stress tests earlier in 2018 than initially planned is positive as it will allow for the results to be released before the end of the economic adjustment programme in August 2018. He also appeared confident about the state of Greek banks for the following reasons: 1) their capital adequacy ratio is at 17% and the coverage ratio is close to 50%, both above the respective European averages, 2) Greek banks' pre-provision operating profit has improved significantly, 3) recent changes in the institutional framework allow banks to deal with NPLs more effectively, and 4) domestic liquidity conditions have improved significantly since the latest stress tests (November 2015) with deposits having increased by around EUR11 billion and ELA funding having decreased by c. EUR60 billion.

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October 2, 2017

BULGARIA: Indicators	2015	2016	2017f
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.9
Budget Balance/GDP*	-2.8	1.6	-1.4
Current Account/GDP	-0.1	4.2	2.0
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	3.0
HICP (pa, yoy %)	-1.5	-1.2	1.2
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

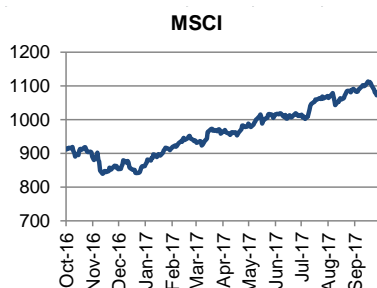
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
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	3.0
CPI (pa, yoy %)	1.4	1.1	3.3
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	122.0
	2016	current	2017
Policy Rate (eop)	4.00	3.75	3.75

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

BULGARIA

Bucking the negative trend in emerging market assets, the local equity market firmed last week, with the main SOFIX index registering an advance of 1.4%, despite breaking its 7-session gaining streak to close lower on Friday. Meanwhile, the Bulgarian sovereign debt yield curve experienced a volatile week, with the 7- and 9-year yields falling by ca. 42 and 33 basis points respectively. The 8- and 10-year yields also declined significantly, marking respective drops to the tune of 18.5 and 24 basis points. On the other hand, the Eurobond markets ended little changed last week, with the largest movement – of 3bps - identified in the 2024 tenor.

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SERBIA

Appreciation pressures on the dinar resurfaced anew last week after the EUR/RSD failed to move above levels around 119.60. The cross fell to 119.00/20 on Friday, where the Central Bank intervened anew in the FX markets to halt the domestic currency's appreciation momentum. Despite the pair's recent decline, we continue to believe that the outlook for EUR/RSD is not notably bearish. In support of the aforementioned, the Central Bank still shows readiness to put the lid on further dinar strength. Moreover, year-end EUR demand from exporters is about to kick-in. At the same time, further Central Bank monetary easing cannot be ruled out, which is negative for the dinar.

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October 2, 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	2519.36	0.4%	12.5%	EUR/USD	1.1741	-0.6%	11.6%	UST - 10yr	2.37	3	-8	GOLD	1272	-0.7%	10.4%
Nikkei 225	20400.78	0.2%	6.7%	GBP/USD	1.3328	-0.6%	7.9%	Bund-10yr	0.49	2	28	BRENT CRUDE	56	-0.9%	-0.9%
STOXX 600	389.24	0.3%	7.7%	USD/JPY	113.01	-0.4%	3.5%	JGB - 10yr	0.08	1	3	LMEX	3125	-0.5%	17.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.71	0	-29
1-week	2.83	0	-34
1-month	3.05	0	-30
3-month	3.30	0	-17
6-month	3.51	0	-15

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.50	#N/A N/A	-53
5Y RSD	5.01	0	-35
7Y RSD	5.21	0	-42

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.53	-3	-80
USD Nov-24	6.38	0	-3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	140	0	-68
10-year	191	0	-65

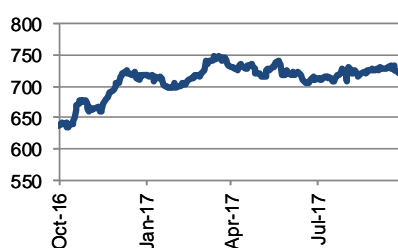
STOCKS

	Last	ΔD	ΔYTD
BELEX15	720.8	-0.33%	0.47%

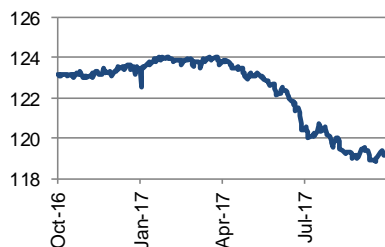
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.18	0.01%	3.59%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.73	0	117
1-month	1.57	0	81
3-month	1.58	0	68
6-month	1.69	0	58
12-month	1.73	0	48

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.78	4	16
5Y RON	2.45	1	-7
10Y RON	3.75	-1	10

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.72	0	-42
USD Jan-24	3.04	0	-85

CDS

	Last	ΔDbps	ΔYTD bps
5-year	101	-2	-9
10-year	147	-2	-6

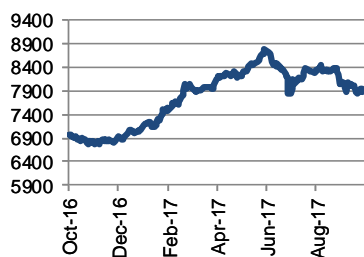
STOCKS

	Last	ΔD	ΔYTD
BET	7921.2	0.55%	11.80%

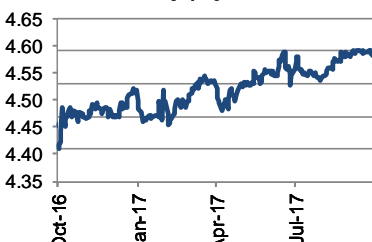
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5922	0.11%	-1.16%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.16	0	1
3-month	-0.08	2	-1
6-month	0.01	-1	-7
12-month	0.37	0	-4

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.15	3	-31
5Y BGN	0.01	1	-49
10Y BGN	1.09	0	-82

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	-4	-70
EUR Sep-24	0.89	-17	-79

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	139	-9	-55

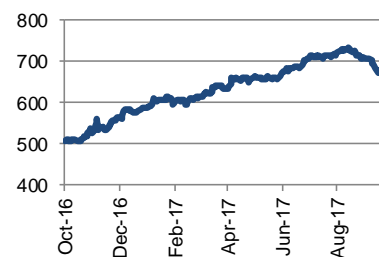
STOCKS

	Last	ΔD	ΔYTD
SOFIX	690.0	0.28%	17.67%

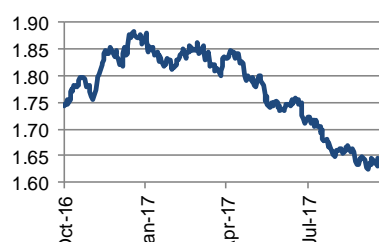
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6658	-0.61%	11.56%

SOFIX Index



USD/BGN



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

Data updated as of 10:15 EEST

October 2, 2017

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