



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, November 06, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Nov 9: Jobless claims (weekly)
- Nov 10: UoM consumer sentiment (Nov)

EUROZONE

- Nov 6: PMI services (Oct, final)
- Nov 6-7: Eurogroup/Ecofin meetings
- Nov 9: EC Autumn Forecasts

GREECE

- Nov 9
 - HICP/CPI (Oct)
 - Industrial production (Sep)
 - U/E rate (Aug)

SEE

BULGARIA

- Nov 8
 - Industrial output (Sep)
 - Retail sales (Sep)
- Nov 9: Trade balance (Sep)

ROMANIA

- Nov 6
 - Retail sales (Sep)
 - 3.25% 2024 T-bonds auction
- Nov 7
 - MPC meeting
 - Net wages (Sep)
- Nov 9
 - Trade balance (Sep)
 - 2.50% 2019 T-bonds auction
- Nov 10
 - Industrial sales (Sep)
 - CPI (Oct)

SERBIA

- Nov 6: 2020 T-bonds auction
- Nov 9: MPC meeting
- Nov 10: Moody's credit rating review

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Asian equity indices traded mixed on Monday retreating from last week's multi-year highs, while oil prices surged to a more than two-year high. In an anti-corruption attempt, Saudi Arabia's King Salman ordered on Saturday night to arrest senior members of the royal family, cabinet ministers, former top officials and investors including the world's 50th richest person Prince Alwaleed bin Talal. In FX markets, the US dollar increased to its highest level in nearly eight months against the yen on Monday, after Friday's US positive economic data enhanced expectations for a December fed funds rate hike and further tightening by the Fed in 2018, mirroring continued monetary policy divergence between the Fed and the Bank of Japan. Ahead of a thin data calendar in the post US payrolls week, focus will probably centre on US President Donald Trump's Asian tour that started in Japan. Moreover, the House of Representatives is expected to vote on a final draft of the tax plan towards the end of the week, while the Senate will also release its own version of the tax plan.

GREECE: The Greek government reportedly plans the swap of 20 PSI bonds with maturities from 2023-2042 worth c. EUR 30 billion with 5 new bonds. Following that, in 2018 it plans 2 or 3 more bond issuances to secure funds in the area of EUR 6 billion by the end of the programme. These funds along with c. EUR 9 billion ESM funds will provide a cash buffer for the post-programme period, which will help keep interest rates at acceptable levels. Meanwhile, the post-programme regime will reportedly be stricter than that of Cyprus or Portugal and will involve gradual debt relief linked to the further implementation of reforms. Furthermore, Greece will be required to not reverse already implemented reforms including fiscal ones as well as those in other areas such as the labour market.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities reversed a 4-week losing streak to end in the black on a weekly basis on Friday. The majority of local-currency government bonds ended little changed, while Eurobonds. Last week Bulgarian treasury bonds were listed on the Bulgarian stock exchange in hopes of increasing liquidity, which is expected to lower bid-ask spreads on these securities.

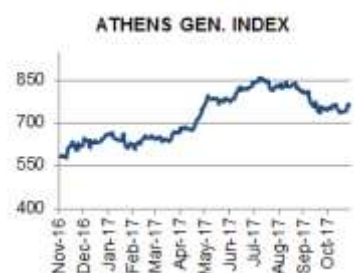
SERBIA: The EUR/RSD broke below a key support level of 118.90 late last week, reaching a new 3-year low of 118.55.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Asian equity indices traded mixed on Monday retreating from last week's multi-year highs, while oil prices surged to a more than two-year high. In an anti-corruption attempt, Saudi Arabia's King Salman ordered on Saturday night to arrest senior members of the royal family, cabinet ministers, former top officials and investors including the world's 50th richest person Prince Alwaleed bin Talal. Against this backdrop, Brent crude oil prices soared to \$62.90/barrel in late Asian trade, the highest level since July 2015. In FX markets, the US dollar increased to its highest level in nearly eight months against the yen on Monday, after Friday's US positive economic data enhanced expectations for a December fed funds rate hike and further tightening by the Fed in 2018, mirroring continued monetary policy divergence between the Fed and the Bank of Japan. Although the headline monthly change in nonfarm payrolls was lower than expected in October (+261k vs. consensus estimates for a rise of 313k), it was accompanied by a cumulative upward revision of 90k to payroll growth in the prior two months, while the unemployment rate fell to a 17-year low of 4.1% from 4.2% in September. Furthermore, the October ISM non-manufacturing index surpassed expectations surging to its highest level since August 2005 (60.1 vs. 58.5 expected), while core capital goods orders for September were revised upward. That said, the USD/JPY rose to 114.735 in Asian trade on Monday, its highest level since mid-March, after breaking technical resistance at levels near 114.50. Ahead of a thin data calendar in the post US payrolls week, focus will probably centre on US President Donald Trump's Asian tour that started in Japan, in an effort to establish a united front with Japan against North Korea amid increased tensions over Pyongyang's nuclear and missile tests. Adding to this, the House of Representatives is expected to vote on a final draft of the tax plan towards the end of the week, while the Senate will also release its own version of the tax plan, which could potentially differ substantially from the one of the House's.

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GREECE

Greece reportedly plans to tap the financial markets several times until the end of the programme in August 2018. The first exit to the markets will involve the swap of 20 PSI bonds with maturities from 2023-2042 worth c. EUR 30 billion with 5 new bonds. Following that, in 2018 the Greek government reportedly plans 2 or 3 more bond issuances to secure funds in the area of EUR 6 billion by the end of the programme. These funds along with c. EUR 9 billion ESM funds will provide a cash buffer for the post-programme period, which will help keep interest rates at acceptable levels. According to press, Alternate Minister of Finance George Chouliarakis stated that if the whole of the cash buffer of EUR 15 billion is not used during the two post-programme years, then these funds can create a Stability Fund to help Greece address future crises without having to resort to another programme. Meanwhile, the post-programme regime will reportedly be stricter than that of Cyprus or Portugal and will involve gradual debt relief linked to the further implementation of reforms. Furthermore, Greece will be required to not reverse already implemented reforms including fiscal ones as well as those in other areas such as the labour market. In other news, according to press, around 220 companies with debts of approximately EUR 300 million have so far qualified for the out-of-court workout mechanism, which was launched in August 2017. According to bank sources, the total amount of loans that could be settled through this procedure could reach EUR 4 billion, therefore, the effectiveness of the mechanism is so far deemed rather poor. The same sources also argue that a large number of debtors resort to the out-of-court mechanism as a means to delay legal measures against them, knowing in advance that they do not qualify.

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

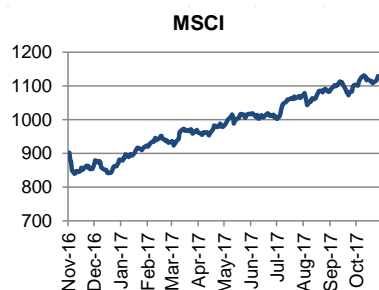
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Bulgarian equities were able to reverse a 4-week losing streak to end in the black on a weekly basis on Friday. In more detail, the blue chip SOFIX index gained 1.38% compared to its close a week earlier finishing at 674.95 points. The trading volume also increased, edging up to BGN 4.5mn for the week, the highest level since mid-September. Local currency government bonds ended little changed, with the exception of paper of 7-year tenor as the corresponding yield gained 10bps compared to prior week's settlement. Last week marked a historic event for capital markets in Bulgaria, as Bulgarian treasury bonds were listed on the Bulgarian stock exchange in hopes of increasing liquidity, which is expected to lower bid-ask spreads on these securities. Meanwhile, Eurobonds rallied with the yields of 2024 and 2035 paper registering respective drops of 10 bps and 22 bps.

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SERBIA

The EUR/RSD broke below a key support level of 118.90 late last week, reaching a new 3-year low of 118.55. Central Bank intervention on Thursday aimed at mitigating the dinar's renewed appreciation momentum appeared to be largely shrugged off, with the EUR/RSD reaching its lowest level since 2014 on Friday. The pair's technical picture suggests that new immediate support currently stands at 118.50, ahead of the next support level of 118.00.

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November 6, 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	2587.84	0.3%	15.6%	EUR/USD	1.1608	0.0%	10.3%	UST - 10yr	2.32	-1	-12	GOLD	1270	0.0%	10.2%
Nikkei 225	22548.35	0.0%	18.0%	GBP/USD	1.3097	0.2%	6.0%	Bund-10yr	0.34	-2	14	BRENT CRUDE	63	0.7%	10.0%
STOXX 600	396.04	0.0%	9.6%	USD/JPY	114.26	-0.2%	2.4%	JGB - 10yr	0.02	-3	-2	LMEX	3287	-0.2%	23.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.62	0	-55
1-month	2.82	0	-53
3-month	3.07	0	-40
6-month	3.26	0	-40

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.12	0	-96
5Y RSD	4.51	0	-84
7Y RSD	4.94	0	-69

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-0.46	-29	-279
USD Nov-24	6.34	3	-7

CDS

	Last	ΔDbps	ΔYTD bps
5-year	132	2	-76
10-year	179	1	-76

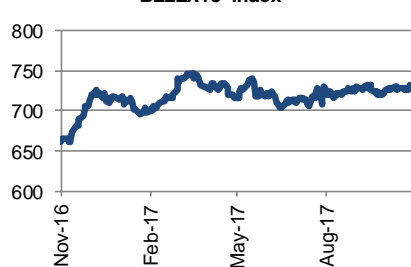
STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.9	0.17%	1.61%

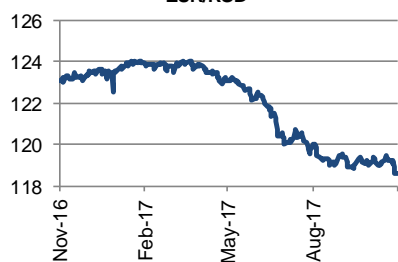
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.61	0.05%	4.09%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.33	0	77
1-month	1.78	0	102
3-month	1.87	0	97
6-month	2.03	0	92
12-month	2.13	0	88

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.62	0	110
5Y RON	3.16	0	75
10Y RON	4.30	0	83

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	#N/A	N/A
USD Jan-24	3.03	0	-86

CDS

	Last	ΔDbps	ΔYTD bps
5-year	97	0	-13
10-year	152	0	0

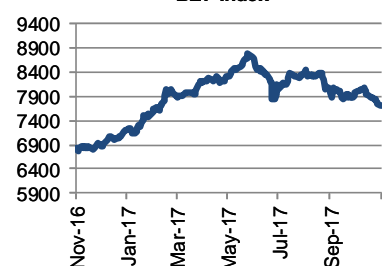
STOCKS

	Last	ΔD	ΔYTD
BET	7722.0	-0.34%	8.99%

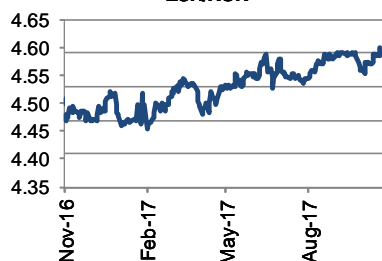
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5943	-0.01%	-1.20%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.23	0	-7
3-month	-0.12	2	-5
6-month	-0.04	0	-12
12-month	0.33	0	-7

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.26	2	-41
5Y BGN	-0.04	0	-55
10Y BGN	0.93	0	-98

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.04	7	-83
EUR Sep-24	0.69	0	-99

CDS

	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	153	0	-41

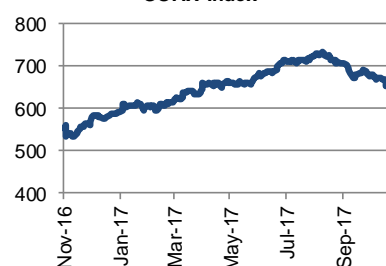
STOCKS

	Last	ΔD	ΔYTD
SOFIX	675.1	-0.02%	15.13%

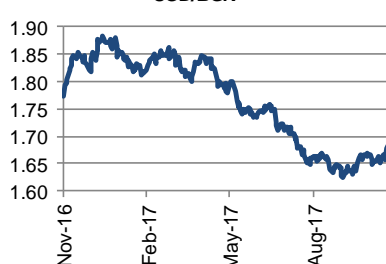
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6849	0.00%	10.30%

SOFIX Index



USD/BGN



November 6, 2017

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