



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 07, 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: Long-dated US Treasury yields moved lower in European trade on Tuesday amid persistently subdued inflation pressures and market uncertainty over whether the long-delayed US tax reform will be eventually enacted. In FX markets, the USD retained a firm tone supported by increased short-term Fed rate hike expectations, with the DXY index standing 0.4% firmer on the day and approaching last week's 3 ½ month intraday peak of 95.150. Looking at today's calendar, focus is on the presentation of OPEC's World Oil Outlook at 14:30 CET while EC President Mario Draghi will speak at the ECB forum on Banking Supervision in Frankfurt at 10:00CET.

GREECE: The President of the Eurogroup Jeroen Dijsselbloem in a press conference after the Eurogroup said that the signals from the progress made towards the conclusion of the third review are positive, but there is still a lot of work to be done, especially with regards to the implementation of reforms.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Tuesday. Looking into the rest of the week in CESEE, Central Bank meetings in Romania and Poland take centre stage. Meanwhile, inflation data releases for October, as well as sovereign debt rating reviews by Moody's on Serbia, Fitch on Hungary and S&P's on Ukraine are also on the forefront this week.

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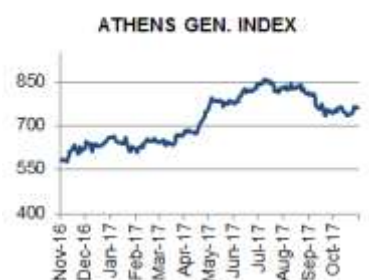
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Latest world economic & market developments

GLOBAL MARKETS

Long-dated US Treasury yields moved lower in European trade on Tuesday amid persistently subdued inflation pressures and market uncertainty over whether the long-delayed US tax reform will be eventually enacted. The 10-yr UST yield was hovering around 2.34% at the time of writing, after testing levels slightly above 2.35% in the prior session and below a multi-month peak of 2.46% marked nearly a week ago. Meanwhile, the 2-yr note was yielding levels close to 1.63% at the time of writing, not far from last week's fresh multi-year peak of 1.64% amid increased expectations for a Fed rate hike in December following a recent string of encouraging US data including the October non-farm payrolls report released on Friday. Against this background, the 2/10-yr yield spread remained in a narrowing trend standing close to 70.5bps at the time of writing, within distance from Monday's multi-year closing low of 70bps and some 7bps narrower so far this month. Meanwhile, German Bund yields remained close to recent lows after Monday's ECB data revealed that monthly reinvestment flows from maturing debt acquired under the asset-purchase programme, estimated at around EUR 40bn, could provide considerable support to euro area bond markets over the coming months. The 10-yr Bund yield was hovering around 0.34% in European trade, within sight from Monday's 0.33% two-month intraday session low. In FX markets, the USD retained a firm tone supported by increased short-term Fed rate hike expectations with the DXY index standing 0.4% firmer on the day and approaching last week's 3 1/2 month intraday peak of 95.150. In other news, market uncertainty over political stability in Saudi Arabia continued to push oil prices higher with Brent crude hitting a fresh two-year high of \$64.65/bar earlier today. Looking at today's calendar, focus is on the presentation of OPEC's World Oil Outlook at 14:30 CET while EC President Mario Draghi will speak at the ECB forum on Banking Supervision in Frankfurt at 10:00CET.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

Greece was not among the main issues of the Eurogroup that took place in Brussels yesterday. However, the European Commissioner for Economic Affairs Pierre Moscovici stressed the importance of successfully concluding the 3rd Review of the 3rd Economic Adjustment Programme, in the best case scenario, before the end of 2017. The successful conclusion will further reinforce investors' confidence on the Greek economy and permit the smooth exit from the programme in August 2018. At the same time the President of the Eurogroup Jeroen Dijsselbloem in a press conference after the Eurogroup said that the signals from the progress made towards the conclusion of the third review are positive, but there is still a lot of work to be done, especially with regards to the implementation of reforms. Decisions on further debt relief are expected as already agreed after the end of the current programme. According to press reports, the President of the European Central Bank Mario Draghi stressed the importance of the implementation of the already agreed NPEs reduction plans from the Greek banks. The abstention of the Greek notaries from the property auctions was not considered as a good sign to that end. The Greek Government assured the Eurogroup that it will take all the necessary measures in order to convince the notaries to participate in the auctions and at the same time to protect them from possible threats caused by the said participation.

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November 7, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets were mixed earlier on Tuesday. Stocks extended Monday's gains, with the MSCI Emerging Markets index firming by 0.6% on the day in European trade, though bourses in the CESEE region showed a mixed performance. Poland's main WIG index outperformed staging a 1.4% daily rally, while Hungary's BUX led the losses with a 0.6% drop. In FX markets, regional currencies were broadly weaker against a stronger US dollar. Idiosyncratic factors were also at play, with the Romanian leu easing ahead of an MPC meeting announcement due later on the day. Similarly, the Turkish lira remained under pressure, with news that the US Embassy in Turkey is partially resuming visa issuance after a recent suspension in the wake of escalated tensions between the two countries, providing little respite.

In the local debt markets, Romania's Ministry of Finance raised yesterday a planned amount of RON 300mn (~€ 65.3mn) in 6.5-years T-bonds. The average accepted yield came in at 3.88%, above 3.36% achieved at a prior auction of the same paper held in mid-September. The issue matures on April 29, 2024 and bears a coupon rate of 3.25%. Reflecting strong demand, investors offered to buy 1.8 times the amount sold. Elsewhere, Serbia's Public Debt Administration sold on Monday RSD 14.70bn (~€ 124mn) in a re-tap of 3-year T-bonds, selling 37.92% of the amount initially offered. The paper was sold at an average price and yield of 103.1106% and 4.29%, respectively. The latter is below a yield of 4.8% achieved in the last auction of this security in late August. The tender's bid-to-cover ratio was at 1.26 yesterday. The securities mature on April 5, 2020 and bear an annual coupon of 4.5%.

Looking into the rest of the week in CESEE, Central Bank meetings in Romania and Poland take centre stage. According to our and market expectations, the National Bank of Romania (NBR) is likely to hold the key policy rate at the current record low level of 1.75%. However, in a further step towards monetary policy normalization the NBR is likely to narrow further the symmetrical corridor of interest rates on standing facilities, resulting in a further increase in the deposit facility rate, in line with recent comments from NBR Governor Isarescu. Recall that in its previous meeting in October, the Central Bank narrowed by 25bps the symmetrical corridor of interest rates on the NBR's standing facilities around the policy rate to ± 1.25 ppts, increasing the deposit facility rate to 0.50% and lowering the NBR's lending facility to 3.00%. Taking into account that this is this year's last MPC meeting - there is none scheduled for December - and that risks to Romania's inflation outlook remain to the upside such action appears highly likely. It is also worth noting that economic activity remains strong with growth expected to come in around 5.5%, while headline consumer inflation reached a 4-year high of 1.77%YoY in September. Additionally, a further pick up in CPI appears highly likely in the coming months in view of booming private consumption, implemented hikes in excise taxes on fuels and the waning dis-inflationary impact stemming from tax cuts endorsed in Q1 2017. Looking further ahead, the Central Bank is likely to start hiking the key policy rate from early next year, as CPI's moves further within the Central Bank 2.5 +/-1% target. During today's meeting, the MPC will also examine the updated quarterly Inflation Report, which is scheduled to be released on Thursday. In Poland, the MPC is anticipated to stay put on its monetary policy on November 8 and maintain the key policy rate at a historic low of 1.50%. Meanwhile, inflation data releases for October are also on the forefront this week. Ukraine's CPI data is scheduled to be released on Wednesday, while Hungary's is planned for Thursday and Romania is due on Friday. Also on Friday, Moody's is scheduled to review its credit rating on Serbia, while Fitch is planned to rate Hungary's sovereign debt and S&P Ukraine's.

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

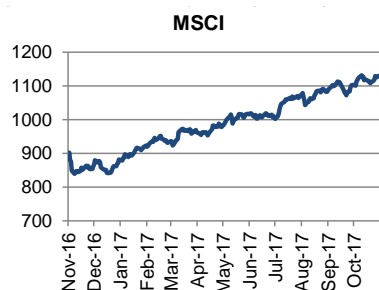
ROMANIA: Indicators	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP*	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

November 7, 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	2591.13	0.1%	15.7%	EUR/USD	1.1583	-0.2%	10.1%	UST - 10yr	2.33	1	-12	GOLD	1278	-0.3%	10.9%
Nikkei 225	22937.60	1.7%	20.0%	GBP/USD	1.3156	-0.1%	6.5%	Bund-10yr	0.34	1	14	BRENT CRUDE	64	0.2%	13.3%
STOXX 600	397.53	0.2%	10.0%	USD/JPY	114.2	-0.4%	2.5%	JGB - 10yr	0.03	1	-1	LMEX	3306	0.6%	24.3%

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	4.11	-1	-97
5Y RSD	4.51	0	-85
7Y RSD	4.90	-2	-73

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-0.50	-8	-282
USD Nov-24	6.34	3	-7

CDS

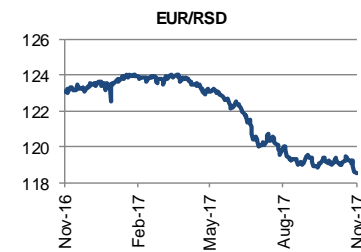
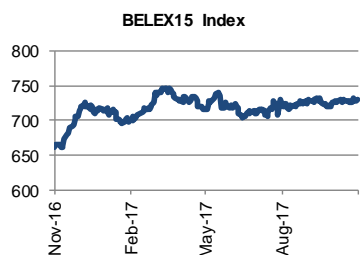
	Last	ΔDbps	ΔYTD bps
5-year	132	0	-75
10-year	181	1	-75

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.7	0.10%	1.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.55	-0.02%	4.15%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.31	0	75
1-month	1.76	0	100
3-month	1.86	0	96
6-month	2.01	0	90
12-month	2.11	0	86

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.62	0	110
5Y RON	3.16	0	74
10Y RON	4.30	0	82

RO Eurobonds

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

CDS

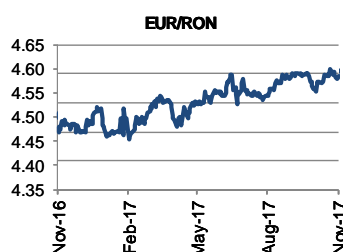
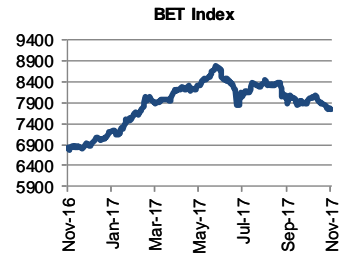
	Last	ΔDbps	ΔYTD bps
5-year	97	0	-12
10-year	152	0	0

STOCKS

	Last	ΔD	ΔYTD
BET	7745.8	-0.49%	9.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5969	-0.15%	-1.26%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.23	0	-7
3-month	-0.14	-2	-7
6-month	-0.04	0	-12
12-month	0.33	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.27	1	-43
5Y BGN	-0.02	1	-53
10Y BGN	0.99	0	-92

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.05	39	-92
EUR Sep-24	0.69	3	-99

CDS

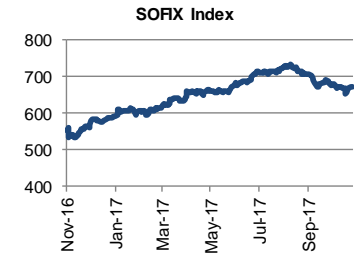
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	153	0	-41

STOCKS

	Last	ΔD	ΔYTD
SOFIX	671.5	-0.19%	14.51%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6886	-0.22%	10.06%



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

Data updated as of 10:20 EST

November 7, 2017

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