



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 08, 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: Reflecting Asian bourses' positive tone, the majority of European equity markets were modestly higher in early trade on Wednesday supported by the strengthening global upswing and receding political risks. Turning to government bond markets, long-dated USTs retained a positive tone helped by persistently subdued inflation pressures and market uncertainty over when or even whether the tax reform bill will be passed into law. In FX markets, the USD's recent uptrend came to a halt earlier today on market uncertainty over the prospects of the US tax reform and the future composition of the FOMC monetary policy committee. Looking at today's macro calendar, US weekly MBA mortgage data and French trade data for September are the only releases of note. The RBNZ convenes tonight and is expected to stay on hold, leaving the OCR unchanged at 1.75%.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Wednesday. Stock markets and government bonds moved broadly lower, while most currencies steadied after yesterday's sell off that came on the back of a firmer US dollar.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

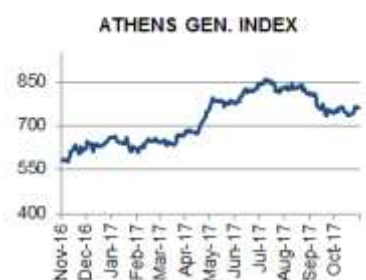
GLOBAL MARKETS

Reflecting Asian bourses' positive tone, the majority of European equity markets were modestly higher in early trade on Wednesday supported by the strengthening global upswing and receding political risks. Turning to government bond markets, long-dated USTs retained a positive tone helped by persistently subdued inflation pressures and the quarterly refunding announcement from the US Treasury last week that it does not intend to proceed with an immediate increase in the auction volumes of coupon-bearing securities. Market uncertainty over when or even whether the tax reform bill will be passed into law, was also a driver behind the improving tone of long-dated USTs. Senate Republicans are expected to unveil their own tax reform draft bill by the end of this week, while the House reportedly intends to vote on its own draft bill next week. The 10-yr UST yield remained in a downward trend for the fifth session in a row hitting a three week low close to 2.30% earlier today, 17.5bps lower from a seven-month peak hit nearly two weeks ago. Meanwhile, selling pressure on short-dated US notes prevailed amid increased short-term Fed rate hike expectations on the back of an ongoing improvement in labor market conditions and positive US growth prospects. Against this background, the US yield curve has turned flatter over the last few weeks with the 2/10-yr yield spread hovering around 67.7bps in European trade at the time of writing, the lowest in a decade and 10bp narrower so far this month.

Along these lines, long-dated German Bund prices were higher in European trade with the 10-yr yield hitting a fresh one-month low slightly below 0.32% earlier today following a recent peak of 4.8% on October 26, a day before the ECB October monetary policy meeting. Taking its cue from a global trend of flattening curves, the 2/10-yr German Bund yield spread was standing close to 108bps in European trade, the narrowest in more than a month.

In FX markets, the USD's recent uptrend came to a halt earlier today on market uncertainty over the prospects of the US tax reform and the future composition of the FOMC monetary policy committee. After failing to break above a 3-month peak of 95.150 hit in late October, the DXY index retreated hovering around 94.850 in European trade, albeit still above a multi-session low of 94.408 marked late last week. Favored by a modestly weaker USD, the GBP/USD tested levels close to 1.3180 earlier today while market talk that the UK and the EU will likely reach an agreement on exit terms by the next EU Council meeting in mid-December so as exit negotiations to proceed on the second phase that includes the future trading relationship and potential transitional arrangements, also had a positive impact on the Sterling. Looking at today's macro calendar, US weekly MBA mortgage data and French trade data for September are the only releases of note. The RBNZ convenes tonight and is expected to stay on hold, leaving the OCR unchanged at 1.75%.

ppetropoulou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

November 8, 2017

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets were mixed earlier on Wednesday. Stock markets and government bonds moved broadly lower, while most currencies steadied after yesterday's sell off that came on the back of a firmer US dollar. Idiosyncratic factors were also at play, with the Romanian leu remaining under pressure, though having pulled back from Tuesday's lows hit in the aftermath of the MPC meeting. Central Bank (NBR) Governor Mugur Isarescu's comments yesterday, signaling that the Central Bank is moving towards allowing higher flexibility on the FX rate weighed on the domestic currency. Against this backdrop, the EUR/RON marked on Tuesday its highest daily rise since the beginning of February, reaching a 5-year peak of 4.6375 in the wake of NBR Governor's comments. However, the leu regained some ground earlier on Wednesday, with the pair trading around levels of 4.6175 in European trade today.

In line with earlier market expectations, NBR narrowed at its MPC meeting yesterday further the standing facilities corridor from ± 125 bps to ± 100 bps in a step towards further policy normalization. Recall that NBR was inclined to initiate the tightening cycle in early October by narrowing the interest rate corridor by 25bps to $\pm 1.25\%$ from $\pm 1.50\%$ instead of the key policy rate (KPR), which currently stands at 1.75%. More importantly, NBR changed its rhetoric on the issue of liquidity management pledging to ensure firm liquidity conditions in the banking system" instead of "adequate liquidity management" previously. In the media briefing thereafter, NBR Governor Isarescu made two important comments. Firstly, he elaborated on the issue of firm liquidity management explaining that the Central Bank will be draining liquidity via auctions so as to maintain market interest rates close to the KPR. On top of that, he also hinted towards allowing the FX rate a somewhat higher flexibility adding that the FX reserves are not 'excessive' anymore. Looking ahead, the Governor dismissed the need for further forward guidance, stating that further KPR hikes would depend on inflation data in the coming months and major Central Banks' policy outlook. From that point of view, the timing of the initiation of the KPR hiking cycle is approaching, most probably within Q1-2018, as underlying inflationary pressures are building up in late months. Inflation accelerated to 1.8% YoY in September entering within the lower band bound of NBR's target interval (2.5% \pm 1%). The adjusted Core CPI (excluding administered and volatile prices, alcohol and tobacco) climbed further to 1.8% YoY in September up from 1.6% YoY in August, the highest level since November 2013. The PPI (Producer Price Index) heated up to 4% YoY in August up from 3% YoY in July vs. only 0.9% YoY last December, driven by higher energy and intermediary goods' prices. The regulated price increase for energy as of July and the increase of excise duty for fuel in September plus the underlying inflationary pressures are going to push the headline even higher by year end. The NBR Board also approved the new Inflation Report which will be released on 9 November. Although the new inflation forecasts were not made public, NBR adjusted upwards its inflation rate forecast on the short term on supply-side factors, while lowering slightly the longer term forecast.

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

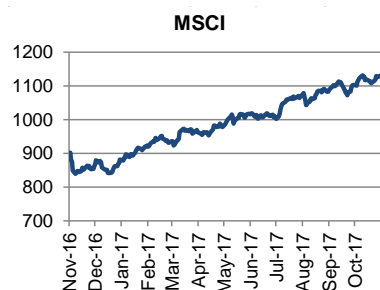
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

Looking into the remainder of the day, the Central Bank of Poland is anticipated to stay put on its monetary policy at its MPC meeting due to be concluded later on the day. Hungary's Central Bank releases the minutes of its last monetary policy council meeting, while Ukraine's CPI data is also scheduled to be published today.

igkionis@eurobank.gr
gphoka@eurobank.gr

November 8, 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	2593.52	0.1%	15.8%	EUR/USD	1.1585	-0.2%	10.1%	UST - 10yr	2.31	0	-13	GOLD	1275	-0.5%	10.7%
Nikkei 225	22937.60	1.7%	20.0%	GBP/USD	1.3126	-0.3%	6.2%	Bund-10yr	0.34	0	13	BRENT CRUDE	64	-0.7%	12.3%
STOXX 600	395.91	-0.2%	9.5%	USD/JPY	114.12	-0.4%	2.5%	JGB - 10yr	0.03	1	-1	LME X	3306	0.6%	24.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	-1	-50
1-week	2.61	-1	-56
1-month	2.81	-1	-54
3-month	3.06	-1	-41
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	4.90	-2	-73

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-0.45	-4	-279
USD Nov-24	6.34	3	-7

CDS

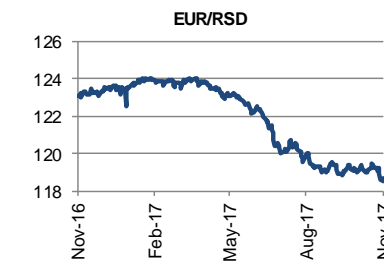
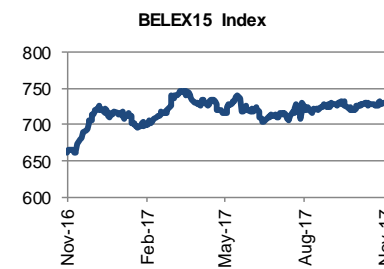
	Last	ΔDbps	ΔYTD bps
5-year	132	0	-75
10-year	181	1	-75

STOCKS

	Last	ΔD	ΔYTD
BELEX15	729.7	0.00%	1.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.66	-0.12%	4.04%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.26	-5	70
1-month	1.76	0	100
3-month	1.86	0	96
6-month	2.01	0	90
12-month	2.12	1	87

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

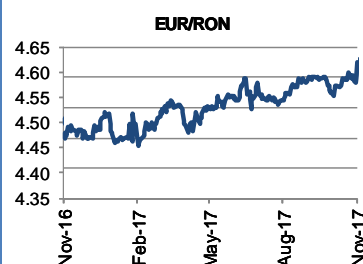
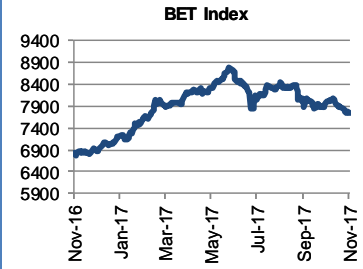
	Last	ΔDbps	ΔYTD bps
5-year	97	0	-12
10-year	152	0	0

STOCKS

	Last	ΔD	ΔYTD
BET	7754.5	-0.38%	9.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6263	-0.78%	-1.89%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	1	-6
3-month	-0.14	0	-7
6-month	-0.05	0	-12
12-month	0.33	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.28	0	-44
5Y BGN	-0.04	-1	-54
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

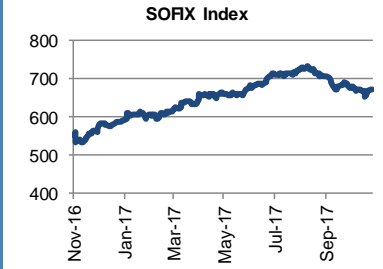
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	153	0	-41

STOCKS

	Last	ΔD	ΔYTD
SOFIX	674.3	0.23%	14.99%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6885	-0.21%	10.06%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:40 EST of previous session

November 8, 2017

Contributors

Paraskevi Petropoulou

Economic Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr
Galatia Phoka

Research Economist, Eurobank Ergasias

+30 210 3718922

gphoka@eurobank.gr
Ioannis Gkionis (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3337305

igkionis@eurobank.gr
Anna Dimitriadou

Economic Analyst, Eurobank Ergasias

+30 210 3718793

andimitriadou@eurobank.gr
Olga Kosma (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3371227

okosma@eurobank.gr
Theodoros Stamatou (Special Contributor)

Senior Economist, Eurobank Ergasias

+30 210 3371228

tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg
Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207
Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: https://twitter.com/Eurobank_Group