



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 10, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- Oct 13-15: IMF/World Bank Annual Meetings

US

- Oct 11: FOMC meeting minutes (Sept 19/20)
- Oct 12: Jobless claims (weekly)
- Oct 13
 - CPI (Sep)
 - Retail sales (Sep)
 - UoM Consumer sentiment (Oct)

EUROZONE

- Oct 9-10: Eurogroup/Ecofin meetings

GREECE

- Oct 10
 - HICP (Sep)
 - CPI (Sep)
 - Industrial production (Aug)

SEE

BULGARIA

- Oct 9
 - Industrial production (Aug)
 - Retail sales (Aug)
- Oct 10: Trade balance (Aug)
- Oct 13: CPI (Sep)

ROMANIA

- Oct 9
 - Net Wages (Aug)
 - 3.25% 2024 T-bonds auction
- Oct 10
 - Trade balance (Aug)
 - Industrial sales (Aug)
 - GDP (Q2,f)
 - MPC meeting minutes
- Oct 11: CPI (Sep)
- Oct 12: Industrial output (Aug)

SERBIA

- Oct 9: MPC meeting
- Oct 12: CPI (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GREECE: The Greek FinMin Euclid Tsakalotos is reportedly planning to discuss the IMF's participation in Greece's financial assistance programme on the sidelines of the IMF/World Bank meetings in Washington this week. According to press reports, the Single Social Security Fund (EFKA) intends to pay today more than four thousand outstanding new pensions in an effort to accelerate the pace of state arrears clearance and secure the disbursement of the remaining EUR 0.8 billion sub-tranche.

SOUTH EASTERN EUROPE

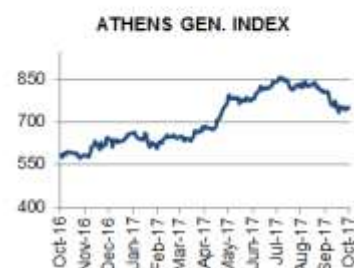
CESEE MARKETS: Turkish assets recouped earlier on Tuesday part of the losses encountered yesterday amid escalating frictions between Turkey and the US. Elsewhere, the National Bank of Serbia cut interest rates further at its MPC meeting yesterday, reducing by 25bps the key policy rate to a new record low of 3.50%.

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Latest world economic & market developments



GREECE

The Greek FinMin Euclid Tsakalotos is reportedly planning to discuss the IMF's participation in Greece's financial assistance programme on the sidelines of the IMF/World Bank meetings in Washington this week. It is reminded that the IMF has approved in-principle a precautionary Stand-By Arrangement of EUR1.6 billion for Greece, which will become effective only after the Fund receives specific and credible assurances from Greece's European partners (EC/ESM/ECB) regarding debt sustainability and provided that Greece's economic programme remains on track. In that case, a second decision by the IMF Executive Board would be needed to make the arrangement effective while the arrangement would expire on August 31, 2018, shortly after the expiration of the ESM programme. In other news, according to press reports, the Single Social Security Fund (EFKA) intends to pay today more than four thousand outstanding new pensions in an effort to accelerate the pace of state arrears clearance and secure the disbursement of the remaining EUR 0.8 billion sub-tranche, which after 31 October will require new approval by ESM Board members.

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Source: Reuters, Bloomberg, Eurobank Research

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Latest economic & market developments in the CESEE region

CESEE MARKETS

Turkish assets recouped earlier on Tuesday part of the losses encountered yesterday amid escalating frictions between Turkey and the US. Relations between the two countries soured after the arrest of a U.S. consulate employee last Wednesday on charges of links to cleric Fethullah Gule. The latter, who is based in the US, is accused by the Turkish government of having orchestrated last year's coup attempt. Both countries announced yesterday a cut back in their visa services. In FX markets, the Turkish lira recovered some ground after plummeting by more than 6% intraday on Monday. The currency stood more than 4% firmer in European trade today compared to a 9-month trough of 3.8533/USD reached at some point yesterday. Separately, the main BIST 100 stock index rallied by more than 1%, reversing a 2.7% daily decline on Monday. Meanwhile, government bonds also recovered ground earlier today, with the corresponding benchmark 2- and 10-year yields falling by 7bps and 14bps respectively compared to the prior session's settlement to stand near 12.07% and 11.09% earlier in European markets, after jumping by 46bps and 41bps on Monday.

Elsewhere, the Serbian dinar weakened modestly, to trade around levels of 119.2715/€ earlier today, after the Central Bank's (NBS) decision yesterday to further reduce interest rates. Catching, once more, markets by surprise, the NBS Executive Board cut the key policy rate by 25bps to a new lifetime low of 3.50%. This marks the second consecutive reduction after the resumption of rate easing cycle in September. Prior to that, the Central Bank had kept interest rates stable since July 2016, when it had last rendered a 25bps cut. The market's median forecast was for stable interest rates yesterday. Behind its decision, the Central Bank cited benign inflation pressures, with y-o-y inflation having remained within the 3.0%±1.5 pp target tolerance band and having declined to 2.5% in August. Additionally, it noted that core inflation pressures remain relatively subdued, with CPI excluding food, energy, alcohol and cigarettes having slid to 1.5%YoY in August, while inflation expectations also fell indicating persistently low inflationary pressures. At the same time, the inflationary impact of the summer drought on food prices proved to have been weaker than earlier anticipated. The Central Bank also noted ongoing fiscal consolidation and the country's lower risk premia as well as the disinflationary impact from the dinar's recent strength on import prices. It also reiterated that it expects inflation to remain within the target tolerance band in the period ahead, envisioning a further slowdown as of early 2018 on the back of favorable base effects. NBS repeated that the conduct of monetary policy requires caution amid ongoing uncertainty regarding movements in the international commodity prices and financial markets and cited risks surrounding the impact of diverging monetary policies pursued by major central banks on capital flows to emerging economies. The next MPC meeting is scheduled to take place on November 9. We had expected another rate cut before year-end after September's meeting on the back of weaker than expected GDP growth readings in H1 2017, a firmer dinar and subdued inflation pressures. Given that it was delivered yesterday, our baseline scenario currently is for stable interest rates for the remainder of the year as private consumption is on a recovery mode and external risks linger.

In other news, S&P affirmed last Friday Romania's sovereign rating at BBB-/A-3 with stable outlook, but casted a note of caution that consumption-led growth is likely to augment fiscal and current account deficits.

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

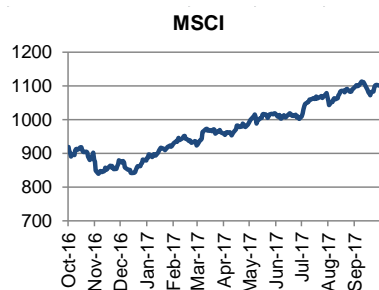
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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



L-T ccy	Credit Ratings		
	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

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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	2544.73	-0.2%	13.7%	EUR/USD	1.1779	0.3%	12.0%	UST - 10yr	2.35	-1	-9	GOLD	1289	0.4%	11.9%
Nikkei 225	20823.51	0.6%	8.9%	GBP/USD	1.3182	0.3%	6.7%	Bund-10yr	0.44	-1	23	BRENT CRUDE	56	0.8%	-1.0%
STOXX 600	390.00	-0.1%	7.9%	USD/JPY	112.4	0.2%	4.1%	JGB - 10yr	0.06	0	1	LMEX	3211	0.4%	20.7%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.53	-17	-47	O/N	1.87	-1	131	LEONIA	0.01	0	1
1-week	2.66	-16	-51	1-month	1.79	-3	103	1-month	-0.21	0	-5
1-month	2.88	-15	-47	3-month	1.78	-1	88	3-month	-0.17	-4	-10
3-month	3.13	-14	-34	6-month	1.91	0	80	6-month	-0.04	0	-12
6-month	3.34	-14	-32	12-month	1.94	0	69	12-month	0.27	0	-13
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.49	#N/A	N/A	3Y RON	1.99	-2	37	3Y BGN	-0.21	0	-36
5Y RSD	4.92	0	-44	5Y RON	2.63	-1	11	5Y BGN	0.01	0	-50
7Y RSD	5.19	0	-44	10Y RON	3.90	-1	25	10Y BGN	1.03	0	-88
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.68	#N/A	N/A	EUR Oct-25	1.61	0	-52	EUR Mar-22	0.14	6	-73
USD Nov-24	6.37	0	-5	USD Jan-24	3.02	-1	-87	EUR Sep-24	0.86	-24	-82
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	142	2	-65	5-year	98	1	-11	5-year	96	2	-56
10-year	192	2	-63	10-year	144	1	-8	10-year	143	2	-50
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	727.5	0.06%	1.42%	BET	8025.5	0.24%	13.27%	SOFIX	674.2	-0.76%	14.97%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.36	-0.12%	3.44%	EUR/RON	4.5727	-0.09%	-0.74%	USD/BGN	1.6605	0.33%	11.92%

BELEX15 Index		BET Index		SOFIX Index	
800	750	9400	8900	800	700
700	650	8400	7900	600	500
650	600	7400	6900	400	
600		6400	5900		
550					
Oct-16	Jan-17	Oct-16	Dec-16	Oct-16	Dec-16
Jan-17	Apr-17	Feb-17	Feb-17	Feb-17	Apr-17
Apr-17	Jul-17	Apr-17	Apr-17	Apr-17	Jun-17
Jul-17	Oct-17	Jun-17	Jun-17	Jun-17	Aug-17
		Aug-17	Aug-17	Aug-17	Oct-17
		Oct-17	Oct-17		

EUR/RSD		EUR/RON		USD/BGN	
126	124	4.65	4.60	1.90	1.85
122	120	4.55	4.50	1.80	1.75
120	118	4.45	4.40	1.70	1.65
118		4.35	4.35	1.60	
Oct-16	Jan-17	Oct-16	Jan-17	Oct-16	Jan-17
Jan-17	Apr-17	Jan-17	Apr-17	Jan-17	Apr-17
Apr-17	Jul-17	Apr-17	Jul-17	Apr-17	Jul-17
Jul-17	Oct-17	Jul-17	Oct-17	Jul-17	Oct-17
		Oct-17	Oct-17	Oct-17	Oct-17

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

Data updated as of 12:20 EEST

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