



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, October 11, 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

**GLOBAL MARKETS:** Major equity market indices traded near multi-year highs on Wednesday on growing optimism about the global economic outlook. Meanwhile, relief that Catalonia's leader, Carles Puigdemont, put declaration of independence on hold to allow time for talks, also favored risk-on sentiment. In FX markets, the euro capitalized on easing political tensions over Catalonia, while strong macroeconomic data in the euro area also boosted investors' confidence. Meanwhile, increasing concerns that President Trump's public feud with influential fellow Republican Tennessee Senator Bob Corker could damage his impetus for a tax plan weighed on the US dollar.

**GREECE:** In its World Economic Outlook (WEO) report, October 2017, the IMF revised downwards its projections for Greece's GDP annual growth to 1.8% for 2017 and 2.6% for 2018 (from 2.2% in 2017 and 2.7% in 2018 in its WEO, April 2017 report). The unemployment rate has been revised upwards to 22.3% in 2017 (from 22% in April) and to 20.7% in 2018 (from 20.2% in April). As regards the primary surplus, the IMF foresees it at 1.7% of GDP for 2017 and 2.2% of GDP for 2018, below the ESM programme targets of 1.75% and 3.5% of GDP respectively.

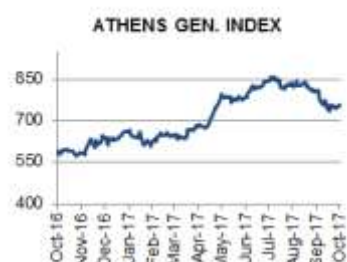
### SOUTH EASTERN EUROPE

**ROMANIA:** Inflation accelerated in September entering within the lower bound of NBR's target 2.5%  $\pm$ 1% interval. On the political front, Prime Minister Mihai Tudose reportedly said on Tuesday that the ruling Social Democratic Party (PSD) will decide on Thursday on whether to endorse a government reshuffle. In other news, Romania raised yesterday €1bn in a re-tap of its 2.375% April 2027 Eurobond.

#### 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



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Major equity market indices traded near multi-year highs on Wednesday on growing optimism about the global economic outlook. The International Monetary Fund upgraded its global economic growth forecasts for 2017 and 2018 by 0.1 pps each to 3.6% and 3.7%, respectively, driven by a pickup in trade, investment, and consumer confidence. Meanwhile, relief that Catalonia's leader, Carles Puigdemont, put declaration of independence on hold to allow time for talks, also favored risk-on sentiment. In his long-awaited speech to the Catalan parliament on Tuesday, Carles Puigdemont did not make an official declaration of independence from Spain and postponed any formal steps to that end. Against this backdrop, Spain's benchmark IBEX 35 Index was trading 1.5% higher in early European trade on Wednesday at around 10,288 points, while the 10-yr government Spanish bond yield fell 5 bps to 1.65% in early trade before consolidating around levels of 1.66% shortly after. As a result, the spread between Spanish and German 10-yr government bond yields narrowed to 118 bps at the time of writing, the lowest level in three weeks. In FX markets, the euro capitalized on easing political tensions over Catalonia, while strong macroeconomic data in Germany (August industrial output and exports) also boosted investors' confidence. As a result, the EUR/USD hit a two-week high of 1.1845 in early European trade, recovering from a seven-week low of 1.1669 on Friday. Meanwhile, increasing concerns that President Trump's public feud with influential fellow Republican Tennessee Senator Bob Corker could damage his impetus for a tax plan weighed on the US dollar, with the DXY dollar index trading around a two-week low of 93.058 earlier today, ahead of the release of the minutes of the September FOMC meeting later in the session.

[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

### GREECE

In its World Economic Outlook (WEO) report, October 2017, the IMF revised downwards its projections for Greece's GDP annual growth to 1.8% for 2017 and 2.6% for 2018 (from 2.2% in 2017 and 2.7% in 2018 in its WEO, April 2017 report). The unemployment rate has been revised upwards to 22.3% in 2017 (from 22% in April) and to 20.7% in 2018 (from 20.2% in April). As regards the primary surplus, the IMF foresees it at 1.7% of GDP for 2017 and 2.2% of GDP for 2018, below the ESM programme targets of 1.75% and 3.5% of GDP respectively. The Greek FinMin Euclid Tsakalotos and Alternate FinMin George Chouliarakis are 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.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

October 11, 2017

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

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

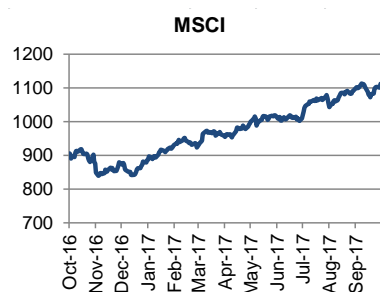
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

Inflation accelerated in September entering within the lower bound of NBR's target interval (2.5% ±1%). In more detail, CPI stepped up to 0.5% MoM/+1.8% YoY in September from -0.2% MoM/+1.2% YoY in August overshooting market expectations of 0.3% MoM/+1.6% YoY. The increase reflects the monthly spike of the volatile food component as a result of the increased prices for vegetables (+2.6% MoM) and eggs (+4.2% MoM) but also the fuel prices acceleration mirroring the reintroduction of excise tax as of September and the pass through of higher international energy prices. As a result, food prices accelerated to +0.5% MoM/+2.7% YoY in September up from -0.9% MoM/+1.6% YoY in August. Meanwhile, non-food prices were up by +0.5% MoM/+1.9% YoY in September from +0.1% MoM/+1.6% YoY in August. On top, services' prices increased on a monthly basis by +0.3% MoM/-0.2% YoY in September compared to +0.2% MoM/-0.5% YoY in August driven by higher prices for urban transportation, rents and sewage services.

Overall, underlying inflationary pressures are building up in late months. 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 at 1.9% YoY (according to the revised NBR forecast) by year end. In any case, given the projected inflation trajectory and the elevated fiscal risks, NBR was inclined to initiate the tightening cycle in the last MPC meeting - in line with market expectations - by narrowing the interest rate corridor by 25 bps instead of the KPR, which currently stands at 1.75%.

More specifically, the MPC decided to narrow the symmetrical corridor of interest rates on the NBR's standing facilities around the KPR to +/-1.25% from +/-1.50%. As a result, the interest rate for the permanent deposit facility was increased to 0.5% (from 0.25%) and the interest rate for the permanent credit facility was lowered to 3.0% (from 3.25%). During the post-meeting press conference, Governor Isarescu signaled that another narrowing of the standing facilities corridor to +/-1.0% would be delivered in the following months.

On the political front, Prime Minister Mihai Tudose reportedly said on Tuesday that the ruling Social Democratic Party (PSD) will decide on Thursday on whether to endorse a government reshuffle. According to media reports, the Premier is considering asking several ministers to resign citing inefficiency, with three currently under investigation by anti-corruption prosecutors. Among those currently under investigation is Deputy Prime Minister Sevil Shhaideh for suspected abuse of office in a land transfer probe, who is considered to be a close ally to party leader Liviu Dragnea. Recall that, the latter could not take over the post of the Prime Minister following his party's victory in last years' election as President Iohannis refused to appoint him due to his conviction for vote-rigging in the 2012 presidential impeachment referendum that resulted in a two-year suspended sentence. However, he has retained the post of PSD leader and earlier this year backed the topple of previous Prime Minister Sorin Grindeanu.

In other news, Romania raised yesterday €1bn in a re-tap of its 2.375% April 2027 Eurobond. The paper was sold at 128bps over mid-swaps, slightly below guidance of +130-135bps and an initial price target of +140bps. The €1 bn placement comes on top of the previous €1.75 bn issue in last April.

October 11, 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	2550.64	0.2%	13.9%	EUR/USD	1.1809	0.0%	12.3%	UST - 10yr	2.34	-2	-10	GOLD	1290	0.1%	11.9%
Nikkei 225	20881.27	0.3%	9.2%	GBP/USD	1.3184	-0.1%	6.7%	Bund-10yr	0.45	1	25	BRENT CRUDE	57	0.6%	0.2%
STOXX 600	389.98	0.0%	7.9%	USD/JPY	112.22	0.2%	4.3%	JGB - 10yr	0.07	1	2	LMEX	3239	0.9%	21.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.49	-4	-51
1-week	2.60	-6	-57
1-month	2.83	-5	-52
3-month	3.07	-6	-40
6-month	3.29	-5	-37

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.42	-1	-62
5Y RSD	4.74	0	-62
7Y RSD	5.05	0	-58

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.62	-5	-71
USD Nov-24	6.37	0	-4

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	140	-2	-68
10-year	190	-3	-65

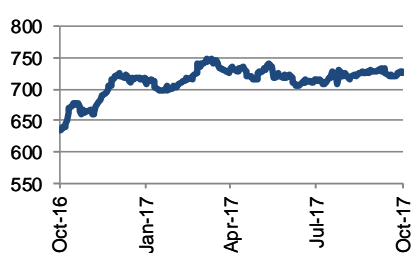
#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.1	-0.16%	1.21%

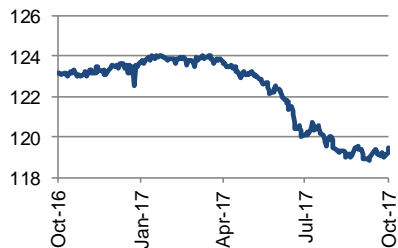
#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.46	-0.14%	3.35%

BELEX15 Index



EUR/RSD



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.77	-10	121
1-month	1.76	-3	100
3-month	1.78	0	88
6-month	1.92	1	81
12-month	1.96	2	71

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.06	5	44
5Y RON	2.69	6	17
10Y RON	3.90	1	25

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	0	-52
USD Jan-24	3.03	1	-86

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	98	0	-11
10-year	143	-1	-9

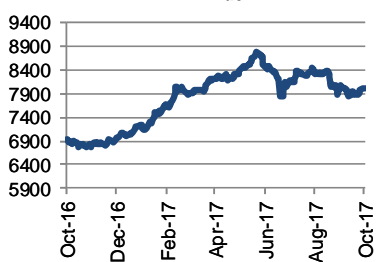
#### STOCKS

	Last	ΔD	ΔYTD
BET	7995.5	-0.34%	12.85%

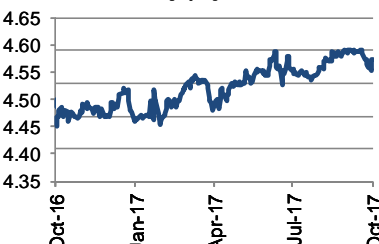
#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5858	0.01%	-1.02%

BET Index



EUR/RON



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.15	2	-8
6-month	-0.04	0	-12
12-month	0.27	0	-13

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.21	-2	-36
5Y BGN	0.02	1	-49
10Y BGN	1.06	0	-85

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.17	-10	-70
EUR Sep-24	0.82	26	-86

#### CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	0	-56
10-year	141	-2	-53

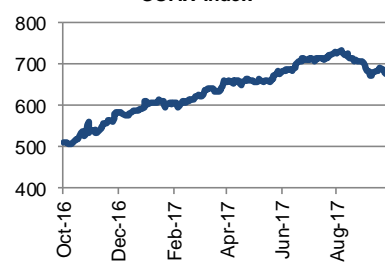
#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	672.5	-0.55%	14.68%

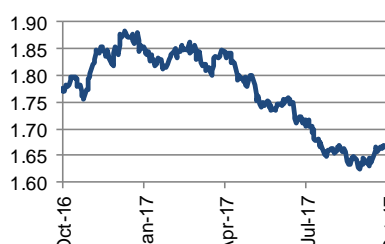
#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6561	0.02%	12.22%

SOFIX Index



USD/BGN



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:40 EEST



October 11, 2017

## Contributors

**Paraskevi Petropoulou**

Economic Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)
**Galatia Phoka**

Research Economist, Eurobank Ergasias

+30 210 3718922

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)
**Ioannis Gkionis (Special Contributor)**

Research Economist, Eurobank Ergasias

+30 210 3337305

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)
**Anna Dimitriadou**

Economic Analyst, Eurobank Ergasias

+30 210 3718793

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)
**Olga Kosma (Special Contributor)**

Research Economist, Eurobank Ergasias

+30 210 3371227

[okosma@eurobank.gr](mailto:okosma@eurobank.gr)
**Theodoros Stamatou (Special Contributor)**

Senior Economist, Eurobank Ergasias

+30 210 3371228

[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)
**Zoran Korac**

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

### Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Mariana Papoutsaki**
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**
[tstamatou@eurobank.gr](mailto:tstamatou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**
[etsiampaou@eurobank.gr](mailto: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](mailto: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](https://twitter.com/Eurobank_Group)