



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 12, 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: Taking their lead from Wall Street overnight, where US equities reached new record highs, major Asian shares hit multi-year peaks on Thursday. Reacting to the FOMC meeting minutes release, the US dollar remained under pressure. Easing political concerns over Catalonia that stopped short earlier in the week of formally declaring independence from Spain and increasing signs of robust economic activity in the euro area recently have been positive factors that favored the common currency. In the bonds markets, Italian 10-yr government yields fell at a three-week low of ca. 2.13% earlier today after the Italian government won on Wednesday two confidence votes on the proposed electoral law. Today's calendar for the US include PPI for September and weekly jobless claims, while, in the euro area, industrial production for August is due later in the day.

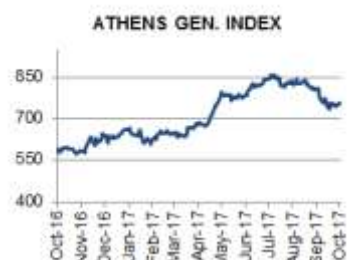
SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of emerging market assets firmed earlier on Thursday as global risk appetite improved. In other news, the IMF revised its forecasts for the fiscal metrics of Cyprus in the latest publication of Fiscal Monitor released yesterday.

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Latest world economic & market developments



GLOBAL MARKETS

Taking their lead from Wall Street overnight, where US equities reached new record highs, major Asian shares hit multi-year peaks on Thursday. Indicatively, the Japanese Nikkei 225 Index closed at its highest level of 20,954.72 points since November 1996. There was very little reaction to the minutes of the September FOMC meeting released y-day, as there was nothing new of great importance. In particular, "many participants thought that another increase in the target range later this year was likely to be warranted if the medium-term outlook remained broadly unchanged", but several members noted that additional tightening was dependent on upcoming inflation data. Meanwhile, many participants were more concerned that the low inflation this year might reflect not only transitory factors. Reacting to the above, the DXY dollar index edged lower to a two-week low of 92.797 in early European trade, while the EUR/USD traded near a two-week high of 1.1880 helped by the general US dollar weakness. Easing political concerns over Catalonia that stopped short earlier in the week of formally declaring independence from Spain and increasing signs of robust economic activity in the euro area recently have been positive factors that favored the common currency. In the bonds markets, Italian 10-yr government yields fell at a three-week low of ca. 2.13% earlier today after the Italian government won on Wednesday two confidence votes on the proposed electoral law, which is now backed by three of Italy's four largest parties ahead of an election that is due by May 2018. As a result, the spread between Italian and German government bond yields narrowed to around 168 basis points in early European trade, its tightest in almost three weeks. Today's calendar for the US include PPI for September and weekly jobless claims, while, in the euro area, industrial production for August is due later in the day.

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Source: Reuters, Bloomberg, Eurobank Research

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Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market assets firmed earlier on Thursday as global risk appetite improved. Trailing the rally in major stock markets globally, the MSCI Emerging Markets index firmed by 0.5% earlier today, reaching new 6-year highs intraday. In the CESEE space, Hungary's main BUX index advanced to new record highs in early European trade, while Poland's reached a decade peak and Turkey's BIST100 marked the highest daily rise (+1.4%), recovering from 4-month lows hit earlier in the week amid increased political tensions between the US and Turkey. In FX markets, most currencies retained a firm tone as the US dollar remained under pressure. In the local debt markets, government bonds extended their recent gains earlier on Thursday. Polish and Hungarian 10-year yields fell by ca. 3bps each compared to the prior session's settlement ahead of a government bond auction in Hungary.

In other news, the IMF revised its forecasts for the fiscal metrics of Cyprus in the latest publication of Fiscal Monitor released yesterday. More specifically, the Fund revised upwards both its forecasts of the primary and the overall general government balance in 2017-2022. The primary surplus is now expected to reach 3.3% of GDP in 2017 up from 2.2% in the previous forecast in April. Further on, the primary surplus is now expected to decline to 2.7% of GDP in 2018 compared to 2.2% in the previous forecast and remain at 3% until 2022 against 2.6% previously estimated. As a result, public debt dynamics improve in the updated forecast. Public debt is now forecasted to decline below the 100% threshold one year earlier (in 2019 instead of 2020) than envisaged in the previous forecast. In more detail, public debt to GDP is estimated at 105.5% of GDP in 2017 and to 102% of GDP in 2018. Thereafter it is expected to decrease to 96.4% in 2019, to 92% in 2020, to 88.3% in 2021 and to 2022 in 83.7%.

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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

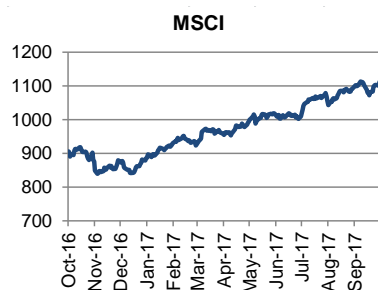
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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	3.50	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

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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	2549.28	-0.1%	13.9%	EUR/USD	1.1847	0.3%	12.6%	UST - 10yr	2.33	-3	-11	GOLD	1290	0.1%	11.9%
Nikkei 225	20881.27	0.3%	9.2%	GBP/USD	1.3194	-0.1%	6.8%	Bund-10yr	0.46	2	25	BRENT CRUDE	56	-0.2%	-0.6%
STOXX 600	389.96	-0.1%	7.9%	USD/JPY	112.21	0.2%	4.3%	JGB - 10yr	0.07	1	2	LMEX	3239	0.9%	21.8%

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	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	2.49	-4	-51	O/N	1.77	-10	121	1-month	0.01	0	1	1-month	-0.22	0	-5
1-week	2.60	-6	-57	1-month	1.76	-3	100	3-month	-0.15	2	-8	3-month	-0.04	0	-12
1-month	2.83	-5	-52	3-month	1.78	0	88	6-month	-0.15	2	-8	6-month	-0.04	0	-12
3-month	3.07	-6	-40	6-month	1.92	1	81	12-month	0.27	0	-13	12-month	0.27	0	-13
6-month	3.29	-5	-37	12-month	1.96	2	71	BG Local Bonds							
RS Local Bonds				RO Local Bonds				(yields)							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	3Y BGN	-0.21	-1	-36	3Y BGN	0.02	1	-49
3Y RSD	4.42	-1	-62	3Y RON	2.09	8	47	5Y BGN	1.06	0	-85	5Y BGN	1.06	0	-85
5Y RSD	4.74	0	-62	5Y RON	2.71	9	19	10Y BGN	1.06	0	-85	10Y BGN	1.06	0	-85
7Y RSD	5.05	0	-58	10Y RON	3.90	1	25	BG Eurobonds							
RS Eurobonds				RO Eurobonds				EUR Mar-22							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	EUR Mar-22	0.17	-10	-70	EUR Sep-24	0.82	26	-86
USD Nov-17	1.63	-4	-69	EUR Oct-25	1.61	0	-52	EUR Sep-24	0.82	26	-86	CDS			
USD Nov-24	6.37	0	-4	USD Jan-24	3.03	1	-86	5-year	96	0	-56	5-year	96	0	-56
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	10-year	141	-2	-53	10-year	141	-2	-53
5-year	140	-2	-68	5-year	98	0	-11	STOCKS							
10-year	190	-3	-65	10-year	143	-1	-9	BET							
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	SOFIX	Last	ΔD	ΔYTD	FOREX			
BELEX15	727.0	-0.04%	1.34%	BET	7995.2	-0.34%	12.85%	SOFIX	672.8	-0.51%	14.73%	EUR/RSD			
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	USD/BGN	Last	ΔD	ΔYTD	BELEX15 Index			
EUR/RSD	119.46	-0.14%	3.35%	EUR/RON	4.5873	-0.02%	-1.05%	USD/BGN	1.6509	0.34%	12.57%	BET Index			
EUR/RSD				EUR/RON				USD/BGN							

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:20 EEST of previous session

October 12, 2017

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