



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, October 13, 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: Market focus today is on US inflation data for September. Consensus is for a 0.6%mom rise in the headline, the highest since mid-2009 following an increase of 0.4%mom in the prior month mainly due to the hurricane-related rise in gasoline prices. Core inflation is expected to rise by just 0.2%mom as price pressures outside the energy sector are likely to remain moderate. Meanwhile, the GBP gained some ground standing 0.4% firmer on the day against the USD on speculation that, even though no major progress has been made in Brexit talks so far, the EU Council could open talks on future UK/EU future relationship at the December meeting if a settlement is reached by then on divorce terms.

GREECE: Despite the IMF's recent, slightly worse 2017 and 2018 forecasts for the Greek economy, the Fund's Managing Director Christine Lagarde, reportedly stated in an interview yesterday that no additional measures shall be requested from Greece in the coming months, other than those already agreed. The Greek Finance Minister Euclid Tsakalotos claimed that Greece can collaborate with the IMF whether it's in or out of the programme, but not when its role is unclear and is, therefore, intending to request that the Fund clear out its position towards Greece. Eurosystem funding for Greek banks continued to decrease in September 2017 amounting to EUR41.7 billion, against EUR45.3 billion in August 2017.

SOUTH EASTERN EUROPE

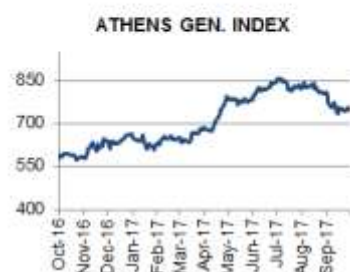
SERBIA: Headline CPI rose by 0.1% on a monthly basis in September, bringing the annual rate of increase to 3.2%YoY vs. 2.5%YoY in August.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Market focus today is on US inflation data for September. Consensus is for a 0.6% mom rise in the headline, the highest since mid-2009 following an increase of 0.4% mom in the prior month mainly due to the hurricane-related rise in gasoline prices. Core inflation is expected to rise by just 0.2% mom as price pressures outside the energy sector are likely to remain moderate. A higher than expected increase, especially in the core rate, is likely to reinforce inflation expectations pushing US Treasury yields higher with the 10-yr yield moving towards the 2.40% recent peak (Oct. 6) from levels around 2.32% in European trade at the time of writing. In contrast, should inflation data surprise to the downside, a decline in the 10-yr UST yield towards 2.30% (Oct. 4 low) could be the most likely scenario. German Bund yields will likely follow suit albeit to a lesser extent as investors will probably be reluctant to establish fresh sizable positions ahead of the October 26th ECB monetary policy meeting. US inflation data will also be important for the FX markets as an upside surprise has the potential to push the USD higher. However, unless the report delivers significant upside surprises, any gains are likely to prove limited as one month data are not enough to persuade investors that the recent US inflation weakness is due to "idiosyncratic" factors. The DXY index was hovering slightly above the 93.00 level at the time of writing, almost unchanged on the day but 0.8% lower so far on a weekly basis amid market uncertainty about the pace of Fed rate tightening in the medium-term after the minutes from the September FOMC meeting released earlier this week showed diverging views among committee members regarding policy implications of persistently subdued inflation. Meanwhile, the GBP gained some ground standing 0.4% firmer on the day against the USD on speculation that, even though no major progress has been made in Brexit talks so far, the EU Council could open talks on future UK/EU future relationship at the December meeting if a settlement is reached by then on divorce terms.

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GREECE

Despite the IMF's recent, slightly worse 2017 and 2018 forecasts for the Greek economy, the Fund's Managing Director Christine Lagarde, reportedly stated in an interview yesterday that no additional measures shall be requested from Greece in the coming months, other than those already agreed. In addition, Lagarde urged European partners to proceed with further clarifications regarding debt relief. The Greek Finance Minister Euclid Tsakalotos claimed that Greece can collaborate with the IMF whether it's in or out of the programme, but not when its role is unclear. Therefore, during his meeting with the Fund's Managing Director on Saturday he reportedly intends to request that the IMF clear out its position towards Greece. Meanwhile, the Greek government's spokesperson Dimitris Tzanakopoulos, expressed confidence in an interview earlier today that the primary surplus in 2017 and 2018 will exceed the ESM programme targets of 1.75% and 3.5% of GDP respectively, even after the distribution of the social dividend that the Greek government intends to give out. In other news, according to the Bank of Greece (BoG), Eurosystem funding for Greek banks continued to decrease in September 2017 amounting to EUR41.7 billion, against EUR45.3 billion in August 2017. According to the BoG the improvement reflects the amelioration in Greek banks liquidity situation taking into account private sector deposit flows.

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October 13, 2017

Latest economic & market developments in the CESEE region

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

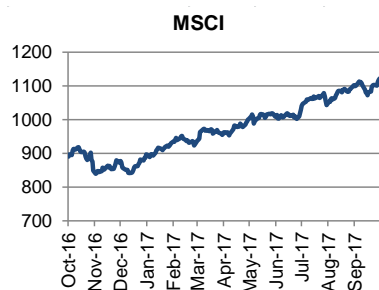
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

SERBIA

Headline CPI rose by 0.1% on a monthly basis in September, bringing the annual rate of increase to 3.2%YoY. The latter marks an acceleration from August's reading, when favorable base effects mainly stemming from lower meat prices pushed inflation to a 4-month low of 2.5%YoY. The main drivers of higher inflation in September were seasonal increases in the prices of vegetables and a price hike in excise duties that came into effect in July and pushed the price of tobacco products higher.

In spite of the aforementioned pick up in the headline index, core inflation (measured by changes in CPI excluding the prices of food, energy, alcohol and cigarettes) remained low and was unchanged at 1.5% YoY in September compared to the prior month, indicating relatively subdued underlying price pressures. Additionally, the headline reading remained within the Central Bank target tolerance band of 3.0%±1.5 pp as has been the case since October 2016, when the index moved above the lower bound of the said target range.

Overall the data vindicates the Central Bank's view that CPI will remain within the target tolerance band in the period ahead, with a further slowdown anticipated as of early 2018 on the back of favorable base effects. It also justifies the Central Bank's unexpected decision earlier in the week to slash for the second consecutive month the key policy rate by 25bps to a new lifetime low of 3.50% aiming to provide an additional boost to credit and economic activity. Notably, the deceleration in economic activity in H1 2017 and easing inflation pressures support the case for the Central Bank to maintain its easing bias in the coming months. However, 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.

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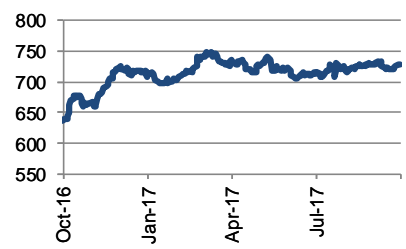
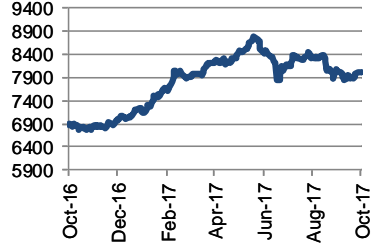
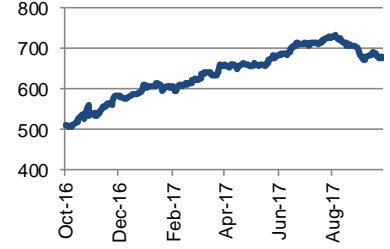
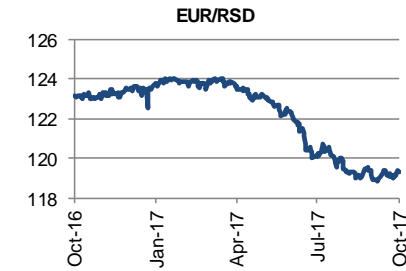
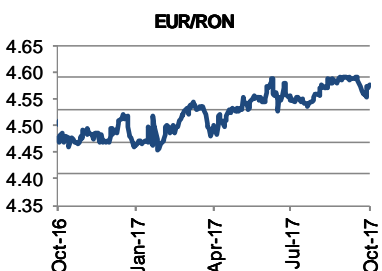

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GLOBAL MARKETS

Stock markets				FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD	
S&P 500	2550.93	-0.2%	13.9%	EUR/USD	1.1822	-0.1%	12.4%	UST - 10yr	2.32	0	-13	GOLD	1297	0.2%	12.5%
Nikkei 225	21155.18	1.0%	10.7%	GBP/USD	1.3306	0.3%	7.7%	Bund-10yr	0.42	-3	21	BRENT CRUDE	57	1.1%	0.1%
STOXX 600	391.25	0.2%	8.3%	USD/JPY	111.93	0.3%	4.5%	JGB - 10yr	0.07	0	2	LME X	3273	1.2%	23.0%

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	2.49	0	-51	O/N	1.65	0	109	LEONIA	0.01	0	1
1-week	2.61	1	-56	1-month	1.78	0	102	1-month	-0.21	0	-5
1-month	2.82	-1	-53	3-month	1.82	0	92	3-month	-0.13	2	-6
3-month	3.07	0	-40	6-month	1.94	0	83	6-month	-0.04	0	-12
6-month	3.25	-4	-41	12-month	2.03	0	78	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	4.41	-1	-63	3Y RON	2.33	6	71	3Y BGN	-0.24	0	-39
5Y RSD	4.73	0	-62	5Y RON	2.85	5	33	5Y BGN	0.00	0	-50
7Y RSD	5.05	0	-58	10Y RON	3.95	1	30	10Y BGN	1.03	0	-87
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	1.47	-6	-86	EUR Oct-25	1.61	0	-52	EUR Mar-22	0.13	7	-73
USD Nov-24	6.37	1	-4	USD Jan-24	3.03	0	-87	EUR Sep-24	0.81	16	-87
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	140	0	-68	5-year	100	1	-9	5-year	99	1	-53
10-year	190	0	-66	10-year	147	2	-5	10-year	144	0	-50
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	727.8	0.11%	1.45%	BET	8017.2	0.25%	13.16%	SOFIX	668.3	0.00%	13.96%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	119.40	0.00%	3.40%	EUR/RON	4.5886	-0.07%	-1.08%	USD/BGN	1.6545	-0.08%	12.32%

BELEX15 Index		BET Index		SOFIX Index	
					
EUR/RSD		EUR/RON		USD/BGN	
					

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

Data updated as of 10:30 EEST

October 13, 2017

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