



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 14, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Nov 15
 - Empire State Index (Nov)
 - Retail Sales (Oct)
 - CPI (Oct)
- Nov 16
 - Jobless claims (weekly)
 - Philly Fed Index (Nov)
 - Industrial Production (Oct)
 - NAHB Index (Nov)
- Nov 17: Housing starts & Building Permits (Oct)

EUROZONE

- Nov 14
 - GDP (Q3, p)
 - Industrial production (Sep)
- Nov 16: CPI (Oct, final)

GREECE

- Nov 13: Credit Expansion (Sep)

SEE

BULGARIA

- Nov 13: 0.3% 2021 T-bonds auction
- Nov 14
 - CPI (Oct)
 - GDP (Q3, p)
- Nov 15: U/E rate (Oct)
- Nov 16: Current account balance (Sep)

ROMANIA

- Nov 13
 - Industrial output (Sep)
 - 3.4% 2022 T-bonds auction
 - Current account balance (Sep)
- Nov 14
 - GDP (Q3, A)
 - MPC meeting minutes
- Nov 16: 1.35% 2019 T-bonds auction

SERBIA

- Nov 13: CPI (Oct)
- Nov 17: Current account balance (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Germany's real Q3 GDP rose by a higher than expected 0.8%QoQ mainly supported by net exports and capex spending following an upwardly revised figure of 0.9%QoQ from 0.7%QoQ initially for Q2 GDP. Reacting to firmer than expected data from the euro area's biggest economy, German Bund yields rose while the EUR moved higher against its major currency peers. Meanwhile, the positive tone in the majority of EMU periphery sovereign bonds continued with yield premiums vs. their German peers remaining in a narrowing trend. Elsewhere, the GBP came under pressure after lower than expected UK inflation data raised questions over the prospect of higher BoE interest rates any time soon.

SOUTH EASTERN EUROPE

CESEE MARKETS: CESEE market assets outperformed their global peers in the wake of Q3 GDP data released earlier today, confirming an acceleration in regional growth over that quarter, in an environment of already robust economic activity so far this year.

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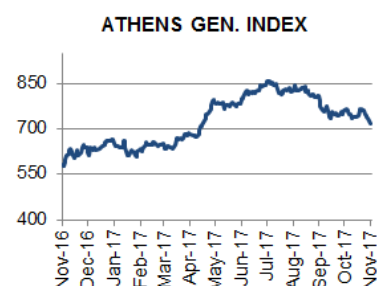
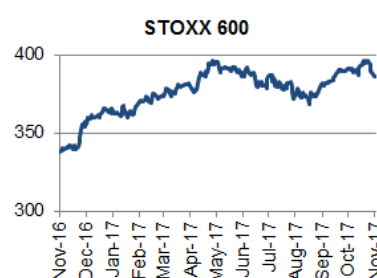
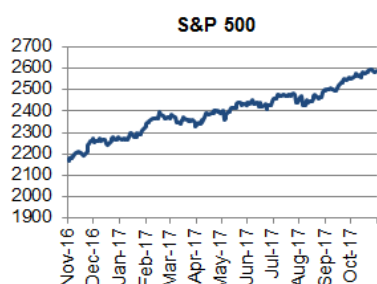
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Latest world economic & market developments

GLOBAL MARKETS

Germany's real Q3 GDP rose by a higher than expected 0.8%QoQ mainly supported by net exports and capex spending following an upwardly revised figure of 0.9%QoQ from 0.7%QoQ initially for Q2 GDP. Reacting to firmer than expected data from the euro area's biggest economy, German Bund yields rose while the EUR moved higher against its major currency peers. The 10-yr Bund yield bounced to 0.43% earlier today, the highest level in nearly three weeks and some 12bps higher from multi-week lows hit earlier this month. With long-dated US paper little changed on the day, the 10-yr US/Bund yield spread narrowed close to 198bps, the lowest in a week and some 2.5bps lower from this month's peak hit last week. Meanwhile, the positive tone in the majority of EMU periphery sovereign bonds continued with yield premiums vs. their German peers remaining in a narrowing trend. Indicatively, the 10-yr Spanish and Italian vs. German Bund yield spread narrowed by 3bps and 5bps respectively on the day while Italian paper lagged behind. In FX markets, the EUR/USD was 0.5% firmer on the day climbing to 1.1720, the highest since the October 26th ECB monetary policy meeting, with the technical picture suggesting that the next target for EUR-bulls stands at 1.1795. Elsewhere, the GBP came under pressure after lower than expected UK inflation data raised questions over the prospect of higher BoE interest rates any time soon. UK CPI was held steady at 3.0%YoY in October for the second month in a row the highest in 5 ½ years against expectations for an uptick to 3.1%YoY, supporting the view that underlying price pressure are probably easing. In a knee-jerk reaction, the GBP/USD moved lower approaching Monday's intraday session low of 1.3060 while the EUR/GBP firmed retesting levels slightly above 0.8950 for the first time since October 26. Meanwhile, concerns about the stability of the UK government prevail and the prospect of further GBP weakness cannot be ruled out in case political uncertainty escalates further. Just a few weeks ahead of the 14-15 December Summit where EU leaders will decide whether sufficient progress has been made on the exit issues to allow discussions to move to the next stage related to the future EU/UK relationship, 40 Conservative MPs have reportedly agreed to sign a letter of no confidence against Prime Minister Theresa May, just eight short of the number needed to trigger no-confidence vote. Looking at the remainder of the day, Japan's Q3 GDP data are due late today while ECB President Mario Draghi, Fed Chair Janet Yellen, BoE Governor Mark Carney and BoJ Governor Haruhiko Kuroda will participate at an ECB-hosted conference in Frankfurt on "Communications Challenges for Policy Effectiveness, Accountability and Reputation". On the debt supply front in the euro area, the Netherlands is due to sell €2-3bn of 10-yr bonds and Germany will launch a new 2-year Schatz bond with an initial volume of €5bn.

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Source: Reuters, Bloomberg, Eurobank Research

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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	1.6
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

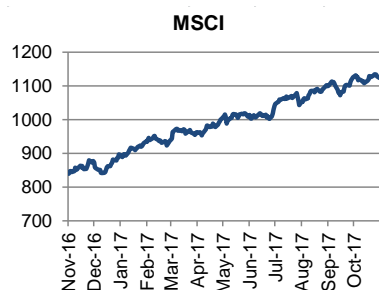
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

CESEE MARKETS

CESEE market assets outperformed their global peers in the wake of Q3 GDP data released earlier today, confirming an acceleration in regional growth over that quarter, in an environment of already robust economic activity so far this year. In more detail, growth in Hungary came in at 3.6%YoY in Q3, picking up pace from an upwardly revised 3.3%YoY (3.2%YoY initially reported) in Q2 and almost matching a 3.7%YoY market median forecast. In Poland, economic activity inched higher to 4.7%YoY vs. 4.0% (revised from 3.9%YoY) in the prior quarter, slightly surpassing market expectations of 4.5%YoY. In Bulgaria, real GDP growth came in at 3.9%YoY after a 3.7%YoY increase in Q2, nearly in line with a 4.0% market median forecast. Romania's economy marked stellar growth of 8.8%YoY Q3 significantly outpacing a market consensus of 6.2%YoY and a 6.1%YoY print in the prior quarter. In this context, bourses in the CESEE region rose in European trade, with Hungary's BUX leading the gains following a 0.8% daily rise. In FX markets, most regional currencies also gained ground. Upbeat GDP data helped the Romanian leu recoup part of the losses suffered following a change in the Central Bank's rhetoric last week, which signaled higher flexibility on the exchange rate. That said, the EUR/RON inched only slightly lower to 4.6460 at the time of writing from yesterday's lifetime peak, despite the upbeat growth data released earlier today. Looking into the wider EM space, S&P downgraded Venezuela's sovereign credit rating to selective default, after failure to meet USD 200mn of coupon payments for bonds due 2019 and 2024 during a 30-day grace period, while Fitch downgraded Petroleos de Venezuela S.A.'s (PDVSA) bonds to restrictive default.

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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	2584.84	0.1%	15.5%	EUR/USD	1.1708	0.4%	11.3%	UST - 10yr	2.41	0	-4	GOLD	1273	-0.4%	10.5%
Nikkei 225	22380.01	0.0%	17.1%	GBP/USD	1.3111	0.0%	6.1%	Bund-10yr	0.43	1	22	BRENT CRUDE	63	-0.2%	10.9%
STOXX 600	386.62	0.1%	7.0%	USD/JPY	113.85	-0.2%	2.8%	JGB - 10yr	0.05	0	0	LMEX	3261	1.1%	22.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.62	0	-55
1-month	2.82	-3	-53
3-month	3.07	-1	-40
6-month	3.26	-6	-40

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	-1	-98
5Y RSD	4.50	0	-85
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-4.67	-49	-703
USD Nov-24	6.34	3	-7

CDS

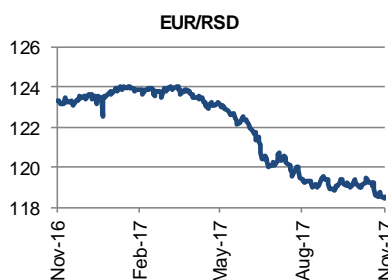
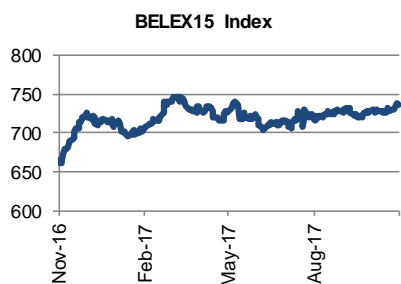
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-73
10-year	184	0	-72

STOCKS

	Last	ΔD	ΔYTD
BELEX15	735.9	-0.03%	2.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.35	0.10%	4.31%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.79	20	123
1-month	1.87	4	111
3-month	1.92	3	102
6-month	2.07	1	96
12-month	2.17	2	92

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.96	0	144
5Y RON	3.53	0	112
10Y RON	4.52	0	105

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.69	2	-48
USD Jan-24	3.18	3	-71

CDS

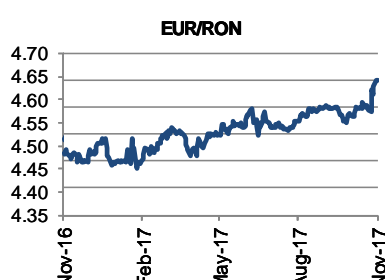
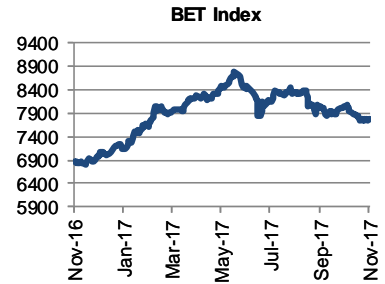
	Last	ΔDbps	ΔYTD bps
5-year	99	0	-11
10-year	144	0	-8

STOCKS

	Last	ΔD	ΔYTD
BET	7776.1	0.48%	9.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6488	0.04%	-2.36%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.25	-3	-8
3-month	-0.17	-3	-10
6-month	-0.05	0	-12
12-month	0.33	0	-7

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.24	2	-40
5Y BGN	-0.03	1	-54
10Y BGN	0.97	0	-93

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-1	-87
EUR Sep-24	0.01	440	-167

CDS

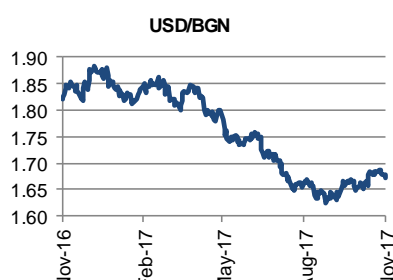
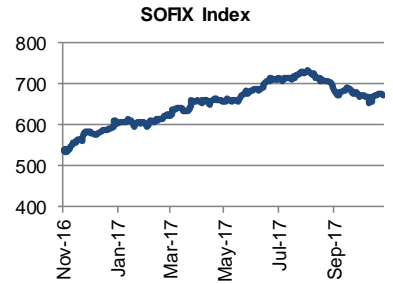
	Last	ΔDbps	ΔYTD bps
5-year	101	0	-51
10-year	157	0	-37

STOCKS

	Last	ΔD	ΔYTD
SOFIX	670.2	0.14%	14.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6705	0.35%	11.25%



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