



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 15, 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:** The EUR retained a firm tone in European trade on Wednesday supported by Germany's firmer than expected Q3 GDP data released in the prior session. Turning to equity markets, European bourses opened mostly in the red today following Wall Street's losses overnight mainly due to lower oil prices ahead of the November 30th OPEC meeting. In core government bond markets, German Bunds were firmer in European trade as Tuesday's down move in reaction to strong German Q3 GDP reading was seen as a buying opportunity. In the US, the yield curve continued to flatten with the 2/10-yr spread narrowing to fresh multi-year lows. Focus today is on US inflation data for the month of October.

**GREECE:** Following the approval of the ESM, the ECB and the IMF, the Public Debt Management Agency is planning today an offer to exchange 20 bonds of EUR29.7 billion nominal value issued under the PSI in 2012 with maturities from 2023 to 2042, with 4 or 5 bonds of the same nominal value and maturities between 5 and 25 years. The government plans to grant an extraordinary social dividend of EUR720 million to economically weak and vulnerable households as well as an amount of EUR360 billion for the coverage of general interest services to the Public Power Corporation.

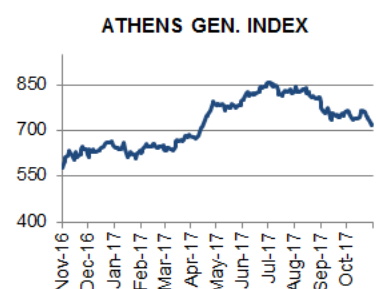
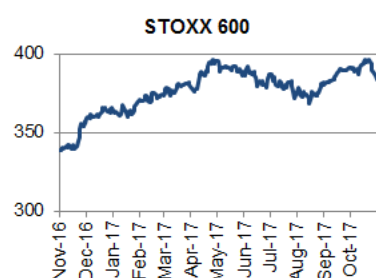
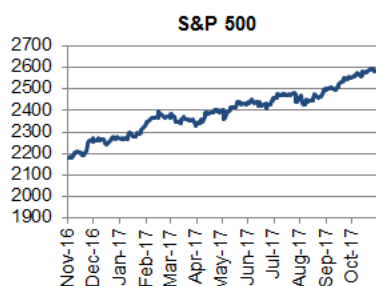
### SOUTH EASTERN EUROPE

**CESEE MARKETS:** Trailing losses in major global bourses emerging stock markets broadly weakened earlier today as the drop in oil prices sapped investor interest for energy stocks. In FX markets, regional currencies mostly firmed earlier today compared to the prior session's settlement thanks to the US dollar's retreat.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The EUR retained a firm tone in European trade on Wednesday supported by Germany's firmer than expected Q3 GDP data released in the prior session. Against a broadly weaker USD on the back of lingering uncertainty over the prospects of the US tax reform bill, the EUR extended Tuesday's gains hitting a three-week high of 1.1830 earlier today, within distance from the 1.1836 peak recorded on October 26th, a few hours ahead of the conclusion of the ECB monetary policy meeting and the press conference that followed where the tone adopted by President Mario Draghi was perceived as more dovish than expected. The EUR's broad-based gains were also reflected in the EUR/GBP, which rose to a multi-week high of 0.8980 earlier today with political jitters and the slow progress in Brexit negotiations continuing to exert a negative impact on the sterling. Turning to equity markets, European bourses opened mostly in the red today following Wall Street's losses overnight mainly due to lower oil prices ahead of the November 30th OPEC meeting. In core government bond markets, German Bunds were firmer in European trade as Tuesday's down move in reaction to strong German Q3 GDP reading was seen as a buying opportunity, especially after the weaker than expected UK inflation data. EMU periphery sovereign bond markets mostly retained a positive tone, shrugging off strong German GDP figures with Portugal ranking among the main outperformers over the last few sessions amid expectations that other major rating agencies may follow S&P and upgrade the country's severing credit rating in the foreseeable future. In the US, the yield curve continued to flatten with the 2/10-yr spread narrowing to a fresh multi-year low of 67.5bps earlier today. Focus today is on US inflation data for the month of October. Market consensus is for a 0.1%MoM rise in the headline following a 0.5%MoM increase in the prior month with the annual rate likely to ease from 2.2% to 2.0% mainly on the back of lower gasoline prices. Core is projected to rise by 0.2%MoM and 1.8%YoY from 0.1%MoM and 1.7%YoY respectively in September.

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### GREECE

Following the approval of the ESM, the ECB and the IMF, the Public Debt Management Agency is planning today an offer to exchange 20 bonds of EUR29.7 billion nominal value issued under the PSI in 2012 with maturities from 2023 to 2042, with 4 or 5 bonds of the same nominal value and maturities between 5 and 25 years. In other news, the government filed yesterday a bill for the provision of an extraordinary social dividend of EUR720 million to economically weak and vulnerable households, which will be derived from the projected 2017 primary surplus over-performance of c. EUR2.1 billion. The aid per individual will range from EUR250 to EUR900 depending on the profile of the beneficiary. Additionally, an amount of EUR360 billion will be paid to the Public Power Corporation to cover general interest services. The remaining EUR1.1 billion from the over-performance will most likely be withheld as a cash buffer in view of the completion of the 3rd Economic Adjustment Programme in August 2018. In other news, according to the Bank of Greece monthly balance sheet data, Eurosystem funding for Greek banks in October 2017 dropped to EUR37.3 billion from EUR41.7 billion in the previous month.

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November 15, 2017

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

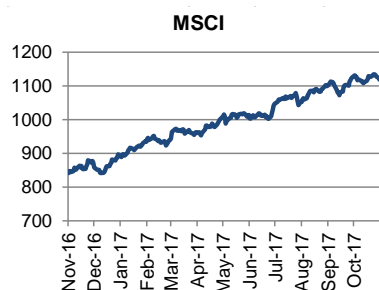
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Trailing losses in major global bourses emerging stock markets broadly weakened earlier today as the drop in oil prices sapped investor interest for energy stocks. Trimming part of the gains recorded yesterday in the wake of upbeat Q3 GDP data, which confirmed robust economic activity in CESEE so far this year, the majority of regional stock indices traded in the red earlier on Wednesday. The MSCI Emerging Markets index fell by ca 0.5% on the day in early European trade having reached a 2-week trough earlier in the day. Main indices in Poland and Hungary, which underperformed their CESEE peers, suffered similar losses. On the flipside, Bulgaria's SOFIX index bucked the negative trend to stand in a modestly positive territory earlier on Wednesday.

In FX markets, regional currencies mostly firmed earlier today compared to the prior session's settlement thanks to the US dollar's retreat. The Turkish lira gained the most on a daily basis, but remained just off yesterday's multi-month peak. The currency has come under significant pressure since September weighed down by escalating political tensions with the US and the lack of more aggressive monetary tightening by the Central Bank despite well above target inflation. At its latest MPC meeting in October, the Central Bank stayed put on its monetary policy, although headline inflation remains more than double the 5% medium-term target (at 11.82%YoY in October) and the corresponding core index stands near a 13-year high, while recent economic activity data shows a robust recovery so far this year. Recently released data which indicated a widening in the current account deficit in September and a significant annual increase in the budget shortfall in October also had a negative impact on the lira. Primarily driven by a weaker dollar, the USD/TRY slightly recoiled from a 10-month high near 3.9100 hit on Tuesday, to trade around levels of 3.8815 at the time of writing. Separately, the Romanian leu extended earlier today yesterday's recovery, with the EUR/RON sliding as far as 4.6230 earlier today from a record high of 4.6555 reached earlier in the week following a recent change in the Central Bank's rhetoric, which signaled higher flexibility on the exchange rate.

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November 15, 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	2578.87	-0.2%	15.2%	EUR/USD	1.1825	0.2%	12.4%	UST - 10yr	2.35	-3	-10	GOLD	1284	0.3%	11.4%
Nikkei 225	22028.32	-1.6%	15.2%	GBP/USD	1.318	0.1%	6.7%	Bund-10yr	0.38	-2	17	BRENT CRUDE	62	-1.1%	8.3%
STOXX 600	383.86	-0.6%	6.2%	USD/JPY	112.84	0.5%	3.7%	JGB - 10yr	0.05	0	0	LMEX	3197	-2.0%	20.2%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	-1	-50
1-week	2.61	-1	-56
1-month	2.82	0	-53
3-month	3.07	0	-40
6-month	3.26	0	-40

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	-1	-98
5Y RSD	4.50	0	-86
7Y RSD	4.88	0	-75

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-6.28	-81	-860
USD Nov-24	6.34	2	-8

#### CDS

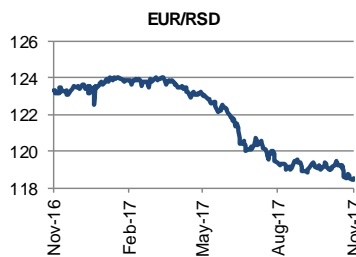
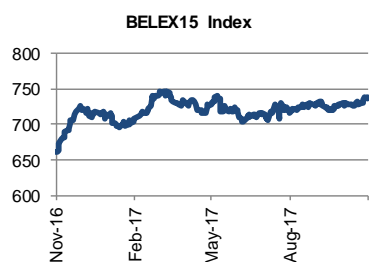
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-73
10-year	184	0	-72

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.1	0.40%	3.02%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.37	1.23%	4.30%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.79	0	123
1-month	1.87	0	111
3-month	1.92	0	102
6-month	2.07	0	96
12-month	2.17	0	92

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.14	0	162
5Y RON	3.71	0	129
10Y RON	4.63	0	115

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.68	-1	-49
USD Jan-24	3.18	0	-71

#### CDS

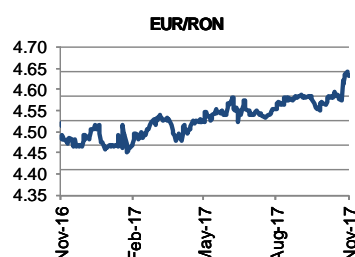
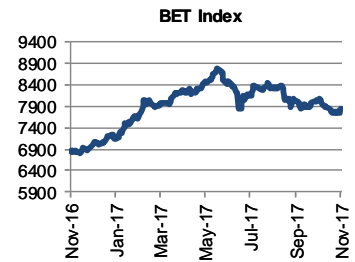
	Last	ΔDbps	ΔYTD bps
5-year	98	-1	-11
10-year	143	-1	-9

#### STOCKS

	Last	ΔD	ΔYTD
BET	7831.6	0.34%	10.54%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6415	0.05%	-2.21%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	-1	-9
3-month	-0.17	0	-10
6-month	-0.05	0	-12
12-month	0.33	0	-7

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.27	0	-43
5Y BGN	-0.08	-1	-58
10Y BGN	0.92	0	-99

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	18	-87
EUR Sep-24	0.01	439	-167

#### CDS

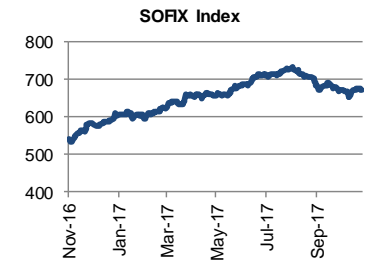
	Last	ΔDbps	ΔYTD bps
5-year	98	-3	-54
10-year	153	-3	-41

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	670.7	0.00%	14.36%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6541	0.23%	12.35%



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

Data updated as of 10:10 EST

November 15, 2017

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