



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, October 16, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Oct 16: Empire State Index (Oct)
- Oct 17
  - Industrial production (Sep)
  - NAHB Index (Oct)
- Oct 18
  - Housing starts (Sep)
  - Building permits (Sep)
  - Fed Beige Book
- Oct 19
  - Jobless claims (weekly)
  - Philly Fed (Oct)
- Oct 20: Existing home sales (Sep)
- Oct 21: Fed's Yellen speaks

#### JAPAN

- Oct 22: Snap parliamentary elections

#### EUROZONE

- Oct 19-20: EU Summit
- Oct 17
  - DE: ZEW Index (Oct)
  - CPI (f, Sep)

#### CYPRUS

- Oct 20: Sovereign credit review by Fitch

#### SEE

##### BULGARIA

- Oct 16: U/E rate (Sep)
- Oct 18: Current account (Aug)

##### ROMANIA

- Oct 16
  - 2.5% 2019 T-bonds auction
  - Current account (Aug)

##### SERBIA

- Oct 20: Current account (Aug)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** In a letter sent to Spain's Prime Minister Mariano Rajoy that was made public by Spanish media, Catalan President Carles Puigdemont failed to give a clear answer to whether or not he declared unilateral independence from Spain, paving the way for the central government to invoke Article 155 and take control of the region. Meanwhile, according to the preliminary results published by Austrian Interior Ministry, the centre-right Austrian People's Party (ÖVP) was a clear winner at the October 15th general election with 31.4% but short of an absolute majority in the 183-seat parliament. The far-right Freedom Party of Austria (FPÖ) trailed behind with 27.4% and slightly ahead of the centre-left Social Democratic Party of Austria (SPÖ) with 26.7%. The grand coalition between ÖVP and SPÖ is unlikely to be continued and coalition government of ÖVP and FPÖ seems as the most likely coalition option. Market worries over a renewed flaring up of the situation in Catalonia and the likelihood of a far-right party entering into government in Austria, weighed on the EUR, while German Bunds retained a firm tone supported by weaker than expected US inflation data and worries over a renewed escalation of the crisis in Catalonia.

**GREECE:** The IMF's Head of the European Department Poul Thomsen stated on Friday that the IMF is not asking Greece to take any additional fiscal measures under the bailout programme.

### SOUTH EASTERN EUROPE

**BULGARIA:** The Bulgarian equity market experienced another week marked with losses and the domestic sovereign bond yield curve experienced considerable changes. Meanwhile, the Eurobonds market ended little changed last week.

**SERBIA:** The dinar lacked direction last week, despite a new cut in the key policy rate on Monday, that took markets by surprise.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In a letter sent to Spain's Prime Minister Mariano Rajoy that was made public by Spanish media, Catalan President Carles Puigdemont failed to give a clear answer to whether or not he declared unilateral independence from Spain, paving the way for the central government to invoke Article 155 and take control of the region. Instead, the Catalan president requested that the two leaders should meet as soon as possible to open a dialogue over the next two months. Spain's Prime Minister had given the Catalan President a deadline until today 08:00GMT to clarify his position and until Thursday to change his mind if he insisted on an independence declaration. Meanwhile, according to the preliminary results published by Austrian Interior Ministry, the centre-right Austrian People's Party (ÖVP) was a clear winner at the October 15th general election with 31.4% but short of an absolute majority in the 183-seat parliament. The far-right Freedom Party of Austria (FPÖ) trailed behind with 27.4% and slightly ahead of the centre-left Social Democratic Party of Austria (SPÖ) with 26.7%. The grand coalition between ÖVP and SPÖ that had governed Austria for 23 of the last 30 years is unlikely to be continued and a coalition government of ÖVP and FPÖ seems as the most likely coalition option targeting a more liberal economic policy with substantial tax cuts as well as a more restrictive policy on the issue of refugees and migration. From a financial market perspective, though euro-skeptical FPÖ avoided anti-EU and anti-EUR statements in its election campaign, the prospect of an alliance between ÖVP and FPÖ is likely to result in greater opposition from Austria to French President Macron's proposals for a deeper EU integration. Market worries over a renewed flaring up of the situation in Catalonia and the likelihood of a far-right party entering into government in Austria, weighed on the EUR. The EUR/USD retreated to 1.17900/95 against the USD in European trade on Monday after reaching a 1.1830 peak in the prior session on weaker than expected US September inflation data which reinforced market skepticism that the Fed will actually increase the key interest rates three times next year. US CPI rose by 0.5%MoM driven by higher gasoline prices due to Hurricane Harvey while core CPI rose by just 0.1%mom after advancing 0.2%mom in the prior month mainly due to a renewed decline in new vehicle prices. Elsewhere, German Bunds retained a tone for the second consecutive session with the 10-yr Bund yield standing at a two-week session low of 0.40% at the time of writing supported by US inflation data and worries over a renewed escalation of the crisis in Catalonia. Looking at this week's calendar, the G10 agenda is light leaving investors focusing on data from China (mainly Q3 GDP on Friday) given the Communist Party congress starting on Wednesday as well as developments in Spain.

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### GREECE

The IMF's Head of the European Department Poul Thomsen stated on Friday that the IMF is not asking Greece to take any additional fiscal measures under the bailout programme. The IMF's World Economic Outlook forecast for the 2018 primary surplus is at 2.2% of GDP versus a target of 3.5% of GDP in the ESM programme. Thomsen argued that still the critical open issue for Greece is debt relief. He urged the euro area governments to reach an agreement soon. At the same time he welcomed the ECB's decision to frontload the results of the upcoming EU stress tests before the end of the current ESM programme in August 2018. According to press reports, the Greek Minister of Finance Euclid Tsakalotos in a meeting with the IMF's Head Christine Lagarde on Saturday stated that the 3rd review of the current ESM programme should be completed by the end of the year.

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October 16, 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

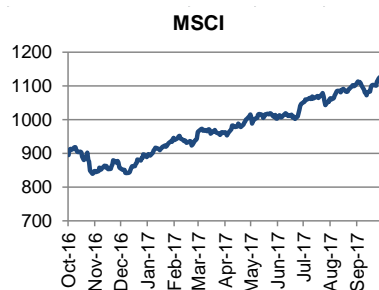
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.0
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### BULGARIA

The Bulgarian equity market experienced another trading week marked with losses, with the blue chip SOFIX index closing 1.52% lower on a weekly basis on Friday at 669.17 points. Trading volume continued to drop, reaching €1.607mn. The domestic sovereign bond yield curve experienced considerable changes in the 2 year and 6 year tenors, with the former advancing by 11.55 basis points, while the latter dropped by 14.8 basis points. The 7 and 8 year tenors also registered modest drops of 8.9 and 9.5 basis points, respectively. Meanwhile, the Eurobonds market ended little changed last week, with paper of 2022 and 2023 maturity dropping by 0.02 and 0.04 basis points respectively, which represents a percentage change of 10% in each tenor.

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### SERBIA

The dinar lacked direction last week, despite a new cut in the key policy rate on Monday, that took markets by surprise. Unable to gather momentum with the latest Central Bank action, the EUR/RSD moved within a tight range of 119.05 – 119.60 last week.

In other news, Serbia's public debt fell at the end of September to 64.6% of projected GDP for 2017, from 73% at the end of 2016. However, most of this positive development comes on the back of a stronger euro against dollar and a stronger dinar against the EUR (15.4% appreciation against the US dollar year-to-date), rather than a further improvement in macroeconomic fundamentals.

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October 16, 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	2553.17	0.1%	14.0%	EUR/USD	1.179	-0.3%	12.1%	UST - 10yr	2.29	2	-16	GOLD	1305	0.0%	13.3%
Nikkei 225	21255.56	0.5%	11.2%	GBP/USD	1.3301	0.1%	7.6%	Bund-10yr	0.40	0	19	BRENT CRUDE	58	1.1%	1.7%
STOXX 600	392.09	0.2%	8.5%	USD/JPY	111.74	0.1%	4.7%	JGB - 10yr	0.06	0	2	LME X	3266	-0.2%	22.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.48	0	-52
1-week	2.59	0	-58
1-month	2.81	0	-54
3-month	3.06	0	-41
6-month	3.25	0	-41

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.41	-1	-62
5Y RSD	4.74	0	-62
7Y RSD	5.03	0	-61

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.42	-6	-91
USD Nov-24	6.38	3	-3

#### CDS

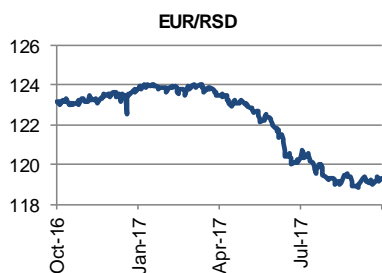
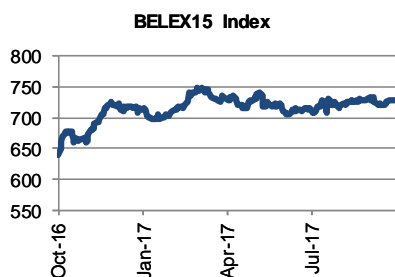
	Last	ΔDbps	ΔYTD bps
5-year	130	-10	-78
10-year	179	-11	-77

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.8	0.21%	1.59%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.34	0.12%	3.46%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.85	-56	29
1-month	1.76	-1	100
3-month	1.83	-1	93
6-month	1.99	0	88
12-month	2.1	1	85

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.27	-1	65
5Y RON	2.81	-3	29
10Y RON	3.94	0	29

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A	N/A
USD Jan-24	3.02	1	-87

#### CDS

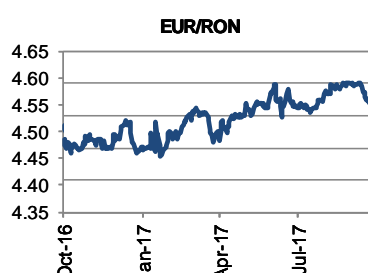
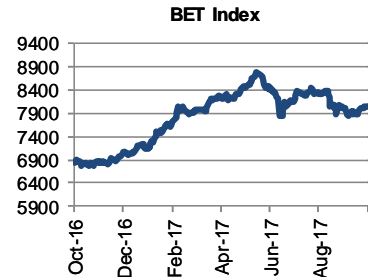
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-9
10-year	145	-2	-7

#### STOCKS

	Last	ΔD	ΔYTD
BET	8033.7	-0.02%	13.39%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.587	-0.03%	-1.05%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.13	0	-6
6-month	-0.04	0	-12
12-month	0.27	0	-13

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.24	0	-39
5Y BGN	0.00	0	-50
10Y BGN	1.02	0	-89

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.16	-12	-71
EUR Sep-24	0.81	0	-87

#### CDS

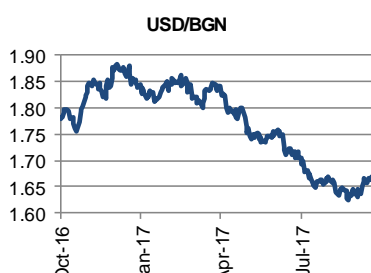
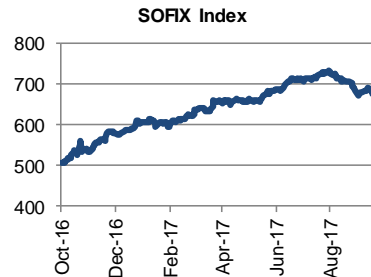
	Last	ΔDbps	ΔYTD bps
5-year	103	4	-49
10-year	142	-2	-52

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	669.6	0.07%	14.19%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.659	-0.28%	12.02%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:00 EEST

October 16, 2017

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