

### 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 US House of Representatives is scheduled to vote on its tax reform plan later today while the Senate continues to make adjustments on its own plan with an intention to vote by December 12. Meanwhile, shrugging off Wall Street's losses overnight, risk appetite seems to be stabilizing after the recent flare-up of risk aversion. In FX markets, the USD gained some ground supported by Wednesday's positive US data, but still below recent highs. The US yield curve continued to flatten while Eurozone bond markets retained a positive tone in European trade retracing just a part of yesterday's hefty gains. Looking at today's calendar, the main highlights include the final reading of euro zone inflation for October, UK October retail sales while in the US we will receive the Philly Fed's November manufacturing survey, the October industrial production report, the November NAHB housing index and the weekly jobless claims.

**GREECE:** According to press reports, around 30% of the prior actions in the context of the 3<sup>rd</sup> programme review have so far been completed and although the institutions are apparently willing to be more flexible in some cases, other prior actions, such as electronic auctions and energy market reforms, are considered absolute prerequisites for the closing of the review. Electronic auctions will reportedly be launched on 29 November as planned and will initially take place once a week.

### SOUTH EASTERN EUROPE

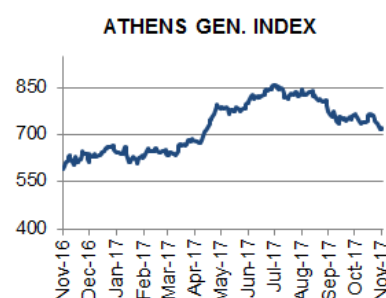
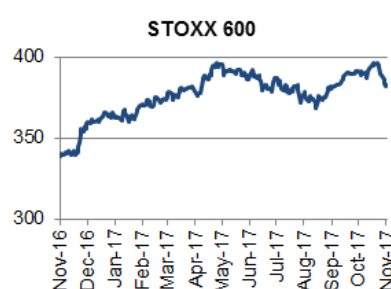
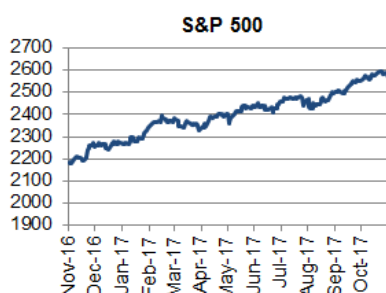
**CESEE MARKETS:** Emerging market assets traded mostly in the black earlier on Thursday as risk sentiment appeared to be improving. Regional bourses were mixed, while currencies extended their recent gains and government bonds mostly fell.

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November 16, 2017

## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

The US House of Representatives is scheduled to vote on its tax reform plan later today while the Senate continues to make adjustments on its own plan with an intention to vote by December 12. Meanwhile, shrugging off Wall Street's losses overnight, risk appetite seems to be stabilizing after the recent flare-up of risk aversion with the majority of Asian equity markets ending higher today and European bourses standing in the black in early trade on Thursday. In FX markets, the USD gained some ground supported by yesterday's positive US data. US headline CPI rose by 0.1%MoM in October with the annual rate lowering to 2.0%YoY from 2.2% in the prior month, as expected. More importantly, core CPI gained 0.2%MoM taking the annual rate to 1.8% after increasing by 1.7% in the last five straight months, supporting the Fed's baseline scenario that persistently low inflation so far this year is probably attributed to transitory factors. Adding to the above, US retail sales rose by a higher than expected 0.2%MoM in October while the respective figure for September was revised from an advance estimate of 1.6%MoM to 1.9%MoM, the highest since March 2015. After marking a four-week intraday low of 93.402 on Wednesday, the DXY index moved modestly higher standing 0.1% firmer in European trade albeit still well below a multi-month peak of 95.150 hit a few sessions ago amid lingering concerns about the prospects of the US tax reform bill. Turning to core bond markets, the US yield curve continued to flatten on the back of increased short-term Fed rate tightening expectations in reaction to firmer than anticipated US data. The 2/10-yr US yield spread closed at a fresh decade low of 63.8bps overnight, before widening modestly to 64.8bps at the time of writing, albeit still some 13bps and 61bps respectively lower so far this month and year-to-date. Meanwhile, Eurozone bond markets retained a positive tone in European trade retracing just a part of yesterday's hefty gains. Looking at today's calendar, the main highlights include the final reading of euro zone inflation for October, UK October retail sales while in the US we will receive the Philly Fed's November manufacturing survey, the October industrial production report, the November NAHB housing index and the weekly jobless claims.

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### GREECE

According to press reports, around 30% of the prior actions in the context of the 3<sup>rd</sup> programme review have so far been completed and although the institutions are apparently willing to be more flexible in some cases (e.g. the alignment of property tax assessment zonal values with market prices may be transferred to the next review) the implementation of other prior actions, such as electronic auctions and energy market reforms, is considered an absolute prerequisite. A staff-level agreement at the December 4 Eurogroup is still considered attainable while the closing of the review and the subsequent approval of the next loan tranche may be sealed at the January 22 Eurogroup. Electronic auctions will reportedly be launched on 29 November as planned and will initially take place once a week – instead of three times as the law requires – in order to allow for better surveillance of the procedure during its first stage of operation. Weekly electronic auctions will gradually increase with a goal to carrying out 70% of all auctions electronically by May 2018. Meanwhile, according to press reports, on 23 November notaries will revisit their decision to abstain from auctions until 31 December following assurances by the Minister of Justice about taking additional measures to guarantee their safety.

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November 16, 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

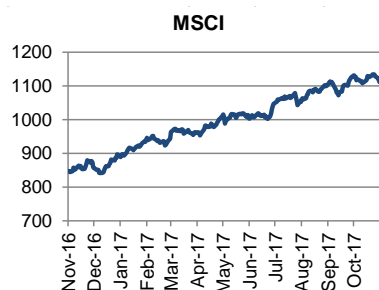
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Emerging market assets traded mostly in the black earlier on Thursday as risk sentiment appeared to be improving. The MSCI Emerging Markets index rallied by 0.9% in European trade compared to Wednesday's settlement, snapping a 5-session losing streak which resulted in cumulative losses of 2% and pushed the index to a 2-week low yesterday. Bourses in the CESEE region were mixed. Hungary's main BUX index led the gains with a 1.4% daily rise, followed by Turkey's BIST 100 which scaled a 0.9% concomitant advance. On the flipside, main indices in Serbia, Romania, Bulgaria and Ukraine stood in a marginally negative territory at the time of writing.

In FX markets, regional currencies extended their recent gains, with the Turkish lira continuing to outperform on a daily basis, but remaining within distance from a multi-month low. The currency has come under significant pressure since September amid escalating political tensions with the US and the lack of more aggressive monetary tightening by the Central Bank despite well above target inflation. Meanwhile, data released earlier in the week indicating a widening in the current account deficit in September and a significant annual increase in the budget shortfall in October also weighed. In more detail, the USD/TRY fell by 0.5% on the day, hovering around levels of 3.8600 at the time of writing. Yet the pair remained not too far from a 10-month high near 3.9100 hit on Tuesday. Separately, the Romanian leu stood modestly firmer on the day trading around levels of 4.6350, though having pulled back from yesterday's 4.6230 multi-session low and standing not too far 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.

In the local currency debt markets, government bonds mostly fell earlier on Thursday. Romanian long-dated paper underperformed, with the corresponding yield rising by 30bps on the day to a multi-year peak of 4.64%. Although the 2-year yield was largely flat at 3.41% today, it has increased by more than 60bps over the last five sessions amid worries over an economic overheating - which were exacerbated after stellar growth of 8.8%YoY registered in Q3 2017 was announced earlier in the week - and increasing expectations for more aggressive than previously expected monetary tightening by the Central Bank.

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November 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	2564.62	-0.6%	14.6%	EUR/USD	1.1788	0.0%	12.1%	UST - 10yr	2.35	3	-9	GOLD	1278	0.0%	10.9%
Nikkei 225	22351.12	1.5%	16.9%	GBP/USD	1.3161	-0.1%	6.5%	Bund-10yr	0.39	1	18	BRENT CRUDE	62	0.1%	9.0%
STOXX 600	383.40	0.4%	6.1%	USD/JPY	113.11	-0.2%	3.4%	JGB - 10yr	0.05	1	1	LMEX	3204	0.2%	20.5%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	1	-49
1-week	2.61	0	-56
1-month	2.80	-2	-55
3-month	3.06	-1	-41
6-month	3.24	-2	-42

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.09	-2	-99
5Y RSD	4.50	0	-86
7Y RSD	4.88	0	-75

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	-34.14	-2987	-3646
USD Nov-24	6.35	3	-7

#### CDS

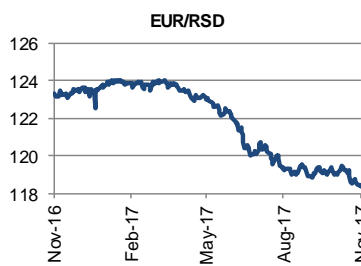
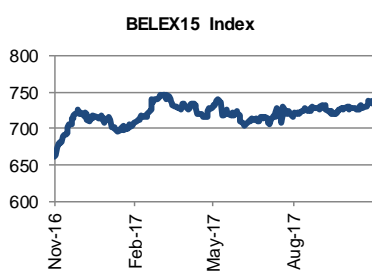
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-73
10-year	183	0	-72

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	733.6	0.01%	2.26%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.31	-0.02%	4.35%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.43	23	187
1-month	2.13	2	137
3-month	2.09	3	119
6-month	2.19	2	108
12-month	2.24	0	99

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.30	0	178
5Y RON	3.78	0	137
10Y RON	4.65	0	117

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.63	0	-50
USD Jan-24	3.18	0	-71

#### CDS

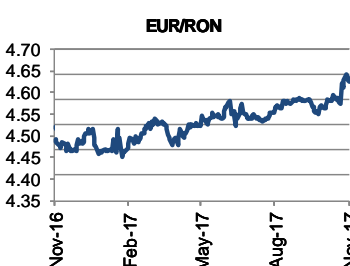
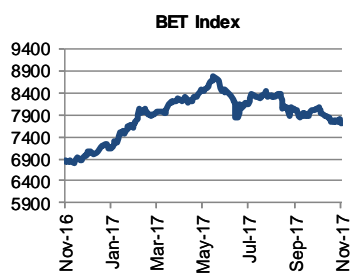
	Last	ΔDbps	ΔYTD bps
5-year	99	1	-11
10-year	154	11	2

#### STOCKS

	Last	ΔD	ΔYTD
BET	7720.6	-0.14%	8.97%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6347	0.07%	-2.06%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
O/N	0.01	0	1
1-month	-0.26	0	-9
3-month	-0.17	0	-10
6-month	-0.05	0	-12
12-month	0.33	0	-8

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.28	1	-43
5Y BGN	-0.08	-2	-59
10Y BGN	0.92	0	-99

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-1	-87
EUR Sep-24	0.01	-2	-167

#### CDS

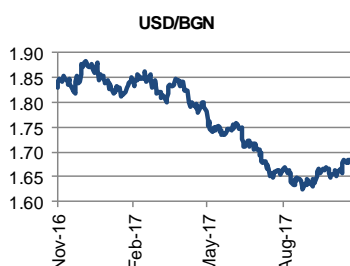
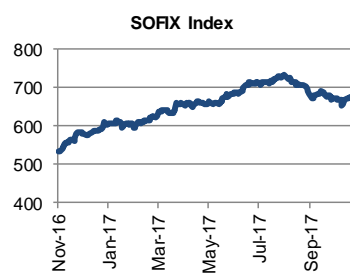
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-54
10-year	153	0	-41

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	669.1	0.00%	14.09%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6593	-0.02%	12.00%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:55 EST

November 16, 2017

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