



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 17, 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: Short-term UST bond yields moved higher on newswires conveying that Stanford University economist John Taylor made a positive impression on Donald Trump at an interview on Wednesday as the US President seeks candidates for the post of the new Fed Chairman. Mr. Taylor has criticized the Fed's easy-money stimulus policies since the financial crisis and has pushed for the adoption of a ruled-based monetary policy, known as the Taylor rule, to guide the Fed's interest-rate decisions that implies the need for much higher interest rates than the current target range of 1.00%-1.25%. The 2-yr US yield rose to the highest since 2008 and the 2/10-yr yield spread narrowed to the lowest in around a year. On the flipside, the majority of bond yields across the euro area moved lower on press reports suggesting that the ECB will announce at the October 26th monetary policy meeting a nine-month extension of the QE programme, while the amount of monthly asset purchases is still up for discussion. Looking at the day ahead, BoE Governor Mark Carney will testify before the Parliament Treasury Committee and will also speak before lawmakers later in the day.

GREECE: According to the Ministry of Finance, the year to September 2017 State Budget overall fiscal balance registered a deficit of €0.4 bn, versus a Medium Term Fiscal Strategy 2018-21 overall fiscal deficit target of €0.3 bn for the respective period. The respective State Budget primary balance registered a surplus of €4.5 bn and thus a shortfall of €0.1 bn compared to the respective MTF52018-21 target (primary surplus of €4.6 bn).

SOUTH EASTERN EUROPE

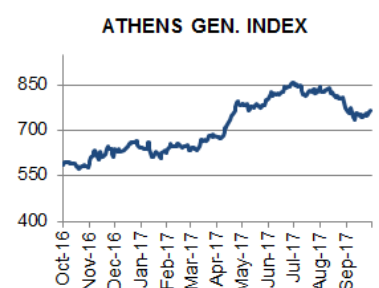
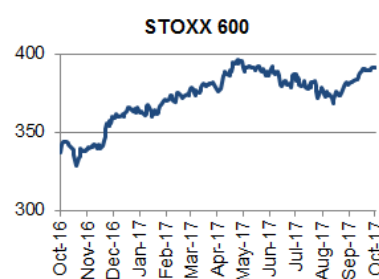
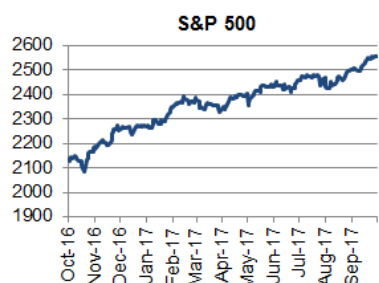
CYPRUS: Despite the intense restructuring efforts of the banks on their portfolios, the ratio of non-performing facilities still remains at relatively high levels. According to the data released by the Central Bank of Cyprus, the stock of non-performing facilities (NPFs) declined by €630mn in June on a monthly basis, bringing the stock of NPFs down by 18% in the period between December 2014-June 2017.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Short-term UST bond yields moved higher on newswires conveying that Stanford University economist John Taylor made a positive impression on Donald Trump at an interview on Wednesday as the US President seeks candidates for the post of the new Fed Chairman. Mr. Taylor has criticized the Fed's easy-money stimulus policies since the financial crisis and has pushed for the adoption of a ruled-based monetary policy, known as the Taylor rule, to guide the Fed's interest-rate decisions which implies the need for much higher interest rates than the current target range of 1.00%-1.25%. The 2-yr US yield rose close to 1.55% earlier today, the highest since 2008, and up by around 27bps from early September multi-month lows. Meanwhile, the 10-yr US sovereign paper was yielding levels around 2.31% at the time of writing, a tad higher compared to the settlement in the prior session with the 2/10-yr yield spread narrowing close to 76.5bps, the lowest in around a year. On the flip side, the majority of bond yields across the euro area moved lower on press reports suggesting that the ECB will announce at the October 26th monetary policy meeting a nine-month extension of the QE programme while the amount of monthly asset purchases is still up for discussion with views ranging between \$25bn and \$40bn from \$60bn currently. Against this background, the 10-yr Bund yield dropped to a five-week low of 0.37% in European trade after breaking below the 0.40% threshold in the prior session pushing the spread against its US counterpart to a four-month high of c. 194bps, 6.5bps higher over the last couple of sessions. In FX markets, reports suggesting that the US President was impressed by John Taylor supported the USD across the board with the EUR/USD losing ground and moving to levels around 1.1770/75 in European trade after closing below 1.1800 in the prior session for the first time in around a week. Looking at the day ahead, BoE Governor Mark Carney will testify before the Parliament Treasury Committee and will also speak before lawmakers later in the day.

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GREECE

The Managing Director of the International Monetary Fund (IMF), Christine Lagarde, met yesterday in Washington with the Prime Minister of Greece, Alexis Tsipras. The Managing Director acknowledged the process made so far regarding the implementation of critical structural reforms including, among others, the recent pension and income tax reforms, stressed the need for the continuation of the reform process and remained firm on the need for an agreement with Greece's European partners on the implementation of debt relief measures. The Ministry of Finance published yesterday the year to September 2017 State Budget Execution data. The year to September 2017 State Budget overall fiscal balance registered a deficit of €0.4 bn, versus a Medium Term Fiscal Strategy 2018-21 (MTFS₂₀₁₈₋₂₁) overall fiscal deficit target of €0.3 bn for the respective period. The respective State Budget primary balance registered a surplus of €4.5 bn and thus a shortfall of €0.1 bn compared to the respective MTFS₂₀₁₈₋₂₁ target (primary surplus of €4.6 bn). Ordinary Budget net revenues amounted to €34.7 bn registering an underperformance of €2.3 bn (6.2%) compared to the respective MTFS₂₀₁₈₋₂₁ target. The deviation of the revenues target was mainly due to a) the increased tax refunds, which (excluding those from the arrears clearance programme) amounted to €4.1 bn against a MTFS₂₀₁₈₋₂₁ target of just €2.3 bn (i.e registering an increase of €1.8 bn or +76.1%) and, b) the postponement of the due date of the 2017 ENFIA first installment (€1.0 bn) from end-of August to end-of September 2017. Ordinary Budget expenditure amounted to €34.6 bn registering a shortfall of €1.6 bn (or - 5.8%) compared to the respective MTFS₂₀₁₈₋₂₁ target. Public Investment Budget revenue amounted to €1.3 bn undershooting the respective MTFS₂₀₁₈₋₂₁ target by €0.1 bn (or -7.4%) while Public Investment Budget expenditure amounted to €1.8 bn undershooting the respective MTFS₂₀₁₈₋₂₁ target by €0.7 bn (or -28.9%).

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October 17, 2017

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

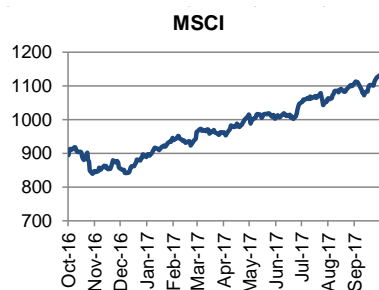
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Latest economic & market developments in the CESEE region

CYPRUS

Despite the intense restructuring efforts of the banks on their portfolios, the ratio of non-performing facilities still remains at relatively high levels. According to the data released by the Central Bank of Cyprus, the stock of non-performing facilities (NPFs) declined by €630mn in June on a monthly basis, bringing the stock of NPFs down by 18% in the period between December 2014-June 2017. The decline in NPFs reflects three main factors: increased repayments, the migration of successful restructurings to performing facilities after the completion of the observance period plus write-offs and settlements through immovable property exchange. At the same time, total facilities decreased by only €38mn, resulting in the ratio of NPFs to total facilities decline from 4.6% in March 2017 to 4.5.0% in June 2017 compared to 47.2% in December 2016. Based on the EBA conservative definition a restructured NPF is still classified as an NPF for a probation period of at least 12 months, even if it is serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified in NPFs (€8.9bn out of €12.8bn in June 2017). At the end of the second quarter of 2017, out of the 20.148 accumulated applications for restructuring, agreements with the borrowers had been concluded in 3.587 cases (17,8%), 15.769 cases (78.3%) had been carried forward to be examined in the next quarter, while 792 cases (3,9%) had been rejected either by the bank or the borrower.

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October 17, 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	2557.64	0.2%	14.2%	EUR/USD	1.1763	-0.3%	11.8%	UST - 10yr	2.31	1	-14	GOLD	1290	-0.4%	12.0%
Nikkei 225	21336.12	0.4%	11.6%	GBP/USD	1.3257	0.0%	7.3%	Bund-10yr	0.38	0	17	BRENT CRUDE	58	-0.1%	1.6%
STOXX 600	391.65	0.1%	8.4%	USD/JPY	112.19	0.0%	4.3%	JGB - 10yr	0.07	0	2	LMEX	3326	1.8%	25.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.48	0	-52
1-week	2.60	1	-57
1-month	2.82	1	-53
3-month	3.07	1	-40
6-month	3.25	0	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.42	0	-62
5Y RSD	4.74	0	-62
7Y RSD	5.03	0	-61

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.34	-2	-99
USD Nov-24	6.38	2	-4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	-78
10-year	179	0	-77

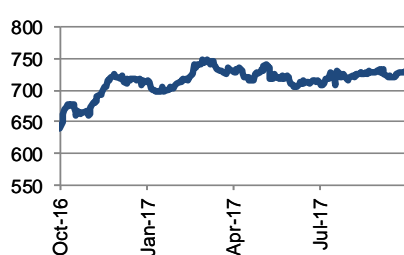
STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.9	0.50%	1.89%

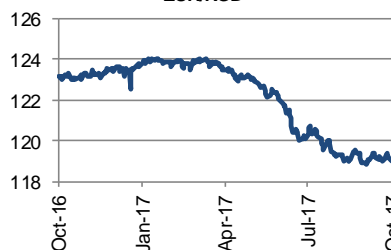
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.05	-0.12%	3.71%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.26	0	64
5Y RON	2.85	0	33
10Y RON	3.94	0	29

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A	N/A
USD Jan-24	3.00	1	-89

CDS

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

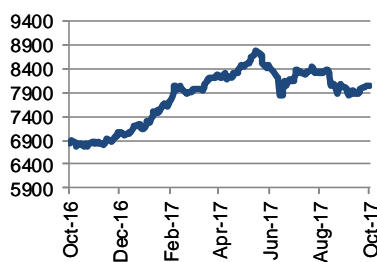
STOCKS

	Last	ΔD	ΔYTD
BET	8052.0	0.24%	13.65%

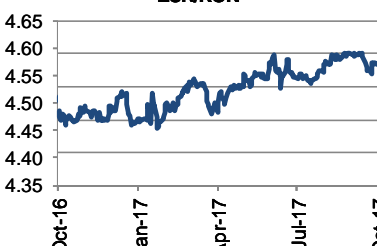
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5861	-0.06%	-1.03%

BET Index



EUR/RON



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	-0.25	-2	-41
5Y BGN	-0.01	-1	-51
10Y BGN	1.01	0	-90

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	12	-74
EUR Sep-24	0.79	11	-89

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	-3	-52
10-year	139	-3	-55

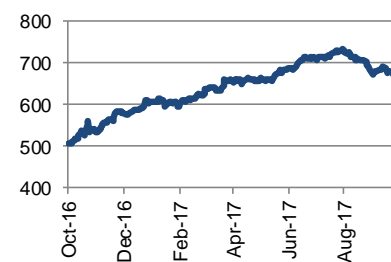
STOCKS

	Last	ΔD	ΔYTD
SOFIX	669.3	-0.15%	14.13%

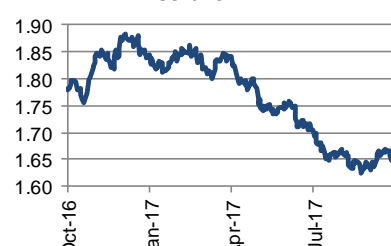
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6628	-0.28%	11.76%

SOFIX Index



USD/BGN



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

Data updated as of 10:20 EEST

October 17, 2017

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