



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, October 18, 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: German Bunds retained a firm tone in European trade on Wednesday amid increased expectations that the ECB will adopt a cautious approach to winding down its asset purchases scheme at the October 26th monetary policy meeting on the back of persistently subdued euro area inflation pressures. The EMU periphery continued to perform well with Italy outperforming on reduced political jitters. Meanwhile, UK Gilts were slightly weaker in European trade in reaction to today's UK employment data which showed a slightly higher than expected increase in wage growth in the three months to August. Looking at today's calendar, the Fed will release its Beige Book while the ECB will be holding a conference "Structural reforms in the euro area" at which President Mario Draghi will give the opening speech.

GREECE: According to the scheduled revised ELSTAT data published yesterday (2nd GDP estimate for 2017), the 2016 real GDP growth rate was at -0.2% from 0.0% in the 1st estimate (March 2017) mainly as a result of the incorporation of the Household Budget Survey results for the said year.

SOUTH EASTERN EUROPE

CYPRUS: The positive momentum in the tourism sector continued into gM-2017.

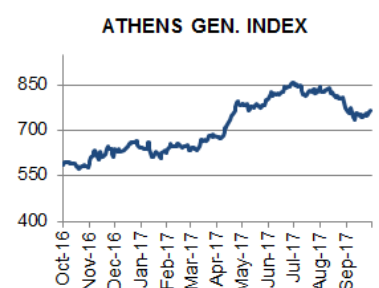
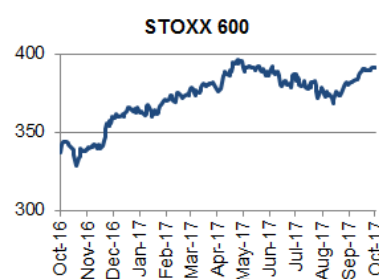
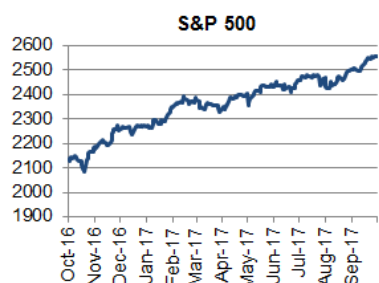
CESEE MARKETS: Emerging market assets consolidated recent gains earlier on Wednesday, as their rally ran out of steam on the back of a firmer US dollar and higher short-dated Treasury yields.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

German Bunds retained a firm tone in European trade on Wednesday amid increased expectations that the ECB will adopt a cautious approach to winding down its asset purchases scheme at the October 26th monetary policy meeting on the back of persistently subdued euro area inflation pressures. The 10-yr Bund yield was hovering around a five-week low of 0.37% at the time of writing with the spread against its US counterpart undertaking some further widening reaching 195bps, the widest since mid-June. The EMU periphery continued to perform well with Italy outperforming on reduced political jitters following the endorsement of the new electoral law by Italy's lower house of parliament last week. Meanwhile, UK Gilts were slightly weaker in European trade in reaction to today's UK employment data which showed a slightly higher than expected increase in wage growth in the three months to August. The 10-yr Gilt yield hit a session high of 1.30% after falling to a four-week low of 1.27% earlier in the day on the back of yesterday's more dovish than expected BoE Governor Mark Carney's comments before the Parliament Treasury Committee. The BoE Governor was quoted saying that inflation is likely to rise further in the period ahead and that some increase in interest rates "over the coming months" may be appropriate. However, he failed to provide further details, supporting the view that, even in case the BoE delivers a rate hike at the November 2nd meeting, it is unlikely to signal the start of a hiking cycle as domestic economic activity is losing momentum and Brexit risks prevail. Elsewhere, the USD retained a firm tone amid expectations for further progress on US tax reforms and the likely appointment of a hawk as the new Fed Chair. Looking at today's calendar, the Fed will release its Beige Book while the ECB will be holding a conference "Structural reforms in the euro area" at which President Mario Draghi will give the opening speech.

ppetropoulou@eurobank.gr

GREECE

The Greek Prime Minister Alexis Tsipras met the President of the United States Donald Trump yesterday at the White House in Washington. Donald Trump acknowledged the progress made by Greece from 2010 onwards on restructuring its economy and urged the Greek Prime Minister to continue at the implementation of structural reform agenda while at the same time he reaffirmed the US support for a debt-relief plan. According to press reports, the official discussions included the economic ties of the two countries, the Greek privatization agenda as well as the defense sector. Donald Trump welcomed the decision of the Greek Government to upgrade at a cost of €2.4 bn the F-16 fighter planes. According to the ELSTAT data published yesterday (2nd GDP estimate for 2017), the 2016 real GDP growth rate was at -0.2% from 0.0% in the 1st estimate (March 2017) mainly as a result of the incorporation of the Household Budget Survey results for the said year. The 2016 real final consumption expenditure decreased by -0.3% YoY against an increase of 0.6% YoY in March 2017. Real Imports of goods and services increased by 0.3% YoY (-0.4% in March 2017) while exports of goods and services decreased by 1.8% YoY (-2.0% in March 2017). In the same lines real GDP for 2015 was revised downwards to -0.3% from -0.2% previously while the respective 2014 real GDP was revised upwards from 0.3% to 0.7%. Based on this information, 2014 is the only year with a positive real GDP growth reading between 2008 and 2016. According to the Greek Foundation for Economic & Industrial Research (FEIR), real GDP growth for 2017 is expected in the range of 1.3%-1.5% while the respective forecast for 2018 is at 2.0%. Both figures are significantly below the 2018 Draft Budget forecasts (1.8% and 2.4% for 2017 and 2018 respectively) and the recent IMF forecasts (1.8% and 2.6% for 2017 and 2018 respectively). FEIR's Head Professor Nikos Vettas stressed that the 2017 primary surplus target is achievable while the respective 2018 target is ambitious.

tstamatiou@eurobank.gr

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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

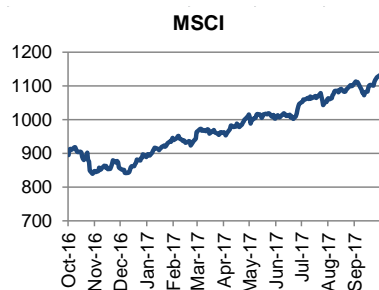
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

The positive momentum in the tourism sector continued into 9M-2017. Tourist arrivals increased by +14.7% YoY in 9M-2017 (3,001,603 vs. 2,617,218). The highest increase was recorded in tourist arrivals from Israel (+84.2% YoY, 218,157), Germany (+57.3% YoY, 139,362) and Austria (+40.9% YoY, 32,041). Tourist arrivals from traditional and more sizeable markets such as Russia (+5.0% YoY, 703,446) and the UK (+8.3% YoY, 1,039,783) fared relatively well. In a similar vein, tourism revenues expanded also robustly by +15.3% YoY in January-July 2017 to €1.4bn, up from €1.2bn compared to the same period last year. The expenditure per person for July 2017 reached €801.6 compared to €834.2 in the corresponding month of the previous year, recording a decrease of -3.9%. The expenditure per person/per day for July 2017 compared to July 2016 also recorded a decrease of -5.9%. Overall, the tourism industry is poised for another year of records in 2017 contributing to the GDP growth rebound of the Cypriot economy. After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +2% YoY in 2015 (upwardly revised from +1.7% YoY previously), accelerated to +3% YoY in 2016 (upwardly revised from +2.8% YoY previously) and is expected to further gain momentum to 3.5% in 2017. The 1H-2017 GDP growth performance stood at 3.6% YoY confirming that the economy is on a fast growth recovery track.

igkionis@eurobank.gr

CESEE MARKETS

Emerging market assets consolidated recent gains earlier on Wednesday, as their rally ran out of steam on the back of a firmer US dollar and higher short-dated Treasury yields. In this context, the MSCI Emerging Markets index stood in a modestly positive territory in European trade today, remaining within distance from a 6-year peak reached a couple of sessions ago. Elsewhere, assets in the CESEE region were mixed earlier on Wednesday. In the stock markets, Turkey's BIST 100 stock index led the gains in the region, with a 0.3% daily rise. Meanwhile, bourses in Bulgaria, Serbia and Ukraine marked modest losses. In FX markets, the Turkish lira remained under pressure against a broadly stronger USD this week. In more detail, the USD/TRY hovered around levels of 3.6725 in morning European trade, standing within distance from yesterday's 4-session intraday high of 3.6899 and not too far from a 7-month peak of 3.7694 hit earlier in October on mounting political tensions between Turkey and the US over the arrest of a US consulate employee in Istanbul. Separately, the Polish zloty stood just off a 3-month high of 4.2200/€ hit on Tuesday, after its recent upside momentum was boosted by robust wage data for September released yesterday. It is worth noting that industrial production and retail sales data for September, due later on Wednesday, may provide an additional lift to the Polish currency should it surprise to the upside. Looking into the remainder of the week, Hungary holds a government bond auction tomorrow and publishes gross wage data for August. On the same day, the National Bank of Poland releases the minutes of the last MPC meeting. On Friday, focus is on sovereign credit ratings by S&P on Poland and Moody's on Hungary, while Serbia's current account balance for August also lures market attention.

gphoka@eurobank.gr

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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	2557.64	0.2%	14.2%	EUR/USD	1.1746	-0.4%	11.7%	UST - 10yr	2.31	1	-13	GOLD	1286	-0.7%	11.6%
Nikkei 225	21336.12	0.4%	11.6%	GBP/USD	1.3176	-0.6%	6.6%	Bund-10yr	0.37	-1	16	BRENT CRUDE	58	0.3%	2.0%
STOXX 600	391.45	0.0%	8.3%	USD/JPY	112.37	-0.2%	4.1%	JGB - 10yr	0.07	1	2	LMEX	3326	1.8%	25.0%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA						
Money Market				Money Market				Money Market						
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps			
T/N	2.48	0	-52	O/N	0.8	-5	24	LEONIA	0.01	0	1			
1-week	2.60	0	-57	1-month	1.76	0	100	1-month	-0.22	0	-5			
1-month	2.81	-1	-54	3-month	1.84	1	94	3-month	-0.15	-1	-8			
3-month	3.06	-1	-41	6-month	1.99	0	88	6-month	-0.04	0	-12			
6-month	3.25	0	-41	12-month	2.1	0	85	12-month	0.27	0	-13			
RS Local Bonds				RO Local Bonds				BG Local Bonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	4.20	-22	-84	3Y RON	2.54	0	102	3Y BGN	-0.25	-2	-41			
5Y RSD	4.70	-4	-66	5Y RON	3.13	0	71	5Y BGN	-0.01	-1	-51			
7Y RSD	5.03	0	-61	10Y RON	4.23	0	76	10Y BGN	1.01	0	-90			
RS Eurobonds				RO Eurobonds				BG Eurobonds						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	1.34	-2	-99	EUR Oct-25	1.61	#N/A	N/A	-52	EUR Mar-22	0.13	12	-74		
USD Nov-24	6.38	2	-4	USD Jan-24	3.00	1	-89	EUR Sep-24	0.79	11	-89			
CDS				CDS				CDS						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	130	0	-78	5-year	100	0	-9	5-year	100	-3	-52			
10-year	179	0	-77	10-year	145	0	-7	10-year	139	-3	-55			
STOCKS				STOCKS				STOCKS						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	730.4	-0.07%	1.81%	BET	8065.6	0.41%	13.84%	SOFIX	670.0	-0.04%	14.26%			
FOREX				FOREX				FOREX						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	119.17	-0.21%	3.60%	EUR/RON	4.5792	0.09%	-0.88%	USD/BGN	1.6652	-0.43%	11.60%			

BELEX15 Index		BET Index		SOFIX Index	
EUR/RSD		EUR/RON		USD/BGN	

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:40 EEST of previous session

October 18, 2017

Contributors

Paraskevi Petropoulou

Economic Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr
Galatia Phoka

Research Economist, Eurobank Ergasias

+30 210 3718922

gphoka@eurobank.gr
Ioannis Gkionis (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3337305

igkionis@eurobank.gr
Anna Dimitriadou

Economic Analyst, Eurobank Ergasias

+30 210 3718793

andimitriadou@eurobank.gr
Olga Kosma (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3371227

okosma@eurobank.gr
Theodoros Stamatou (Special Contributor)

Senior Economist, Eurobank Ergasias

+30 210 3371228

tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg
Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207
Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobanKEA_FMR@eurobank.gr

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