



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 21, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Nov 21: Existing home sales (Oct)
- Nov 22
 - Jobless claims (weekly)
 - Durable goods orders (Nov)
 - FOMC meeting minutes (November meeting)

EUROZONE

- Nov 23
 - DE: GDP (Q3)
 - PMI manufacturing & services (Nov,p)
 - ECB accounts (October meeting)
- Nov 24: DE: Ifo business climate (Nov)

GREECE

- Nov 20: Current Account Balance (Sep)

SEE

ROMANIA

- Nov 20: 5.95% 2021 T-bonds auction

SERBIA

- Nov 20: 2020 EUR T-bonds auction
- Nov 21: 2021 EUR T-bonds auction
- Nov 24: Real gross wages (Oct)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Increased political uncertainty in Germany keeps the EUR under pressure with the EUR/USD hovering around 1.1730/35 in European trade on Tuesday, close to Monday's multi-session intraday low of 1.1720, after hitting a five-week high of 1.1860 last week. Turning to bond markets, Bunds were firmer with the 10-yr yield falling to levels close to 0.33% earlier today for the first time in the last two weeks. In the absence of major data releases today, market focus remains on Germany. In an attempt for coalition talks to resume successfully and repeated elections to be avoided, German President Frank-Walter Steinmeier will hold discussions with the heads of the Greens and the FDP party today while he is scheduled to meet SPD party chairman Martin Schulz on Wednesday.

GREECE: With regard to the progress in the 3rd programme review, the processing of pension applications according to the new benefit rules (Law 4387/2016), which constitutes a prior action, began yesterday while according to press reports, the list of PPC production units that will be put up for sale will likely be announced by the end of the week. According to the Hellenic Statistical Authority (ELSTAT), in September 2017 the turnover index in industry decreased 0.8%YoY, due to a drop of 1.0%YoY in the manufacturing turnover index which more than offset the 10.6%YoY increase in the mining and quarrying turnover index. According to the Bank of Greece, the balance of payments in September 2017 recorded a surplus of EUR1,213 million, increased by EUR348 million on an annual basis.

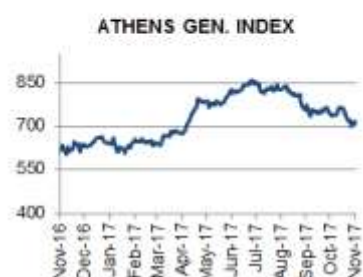
SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market stocks mostly firmed earlier on Tuesday, led by gains in Asian bourses, which pushed the MSCI Emerging Markets index to a new 6-year high. Meanwhile, currencies lost some ground as the US dollar moved higher.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Political developments in Germany remain at the centre stage after the three-party Jamaica coalition talks fell apart on Sunday night following disagreement among the negotiations on the key issues of immigration, tax, energy and climate policy. In an attempt for coalition talks to resume successfully and repeated elections to be avoided, German President Frank-Walter Steinmeier will hold discussions with the heads of the Greens and the FDP party today while he is scheduled to meet SPD party chairman Martin Schulz on Wednesday. Meanwhile, Angela Merkel has expressed reservations over the potential formation of a minority government and has announced her intention to run again as the CDU/CSU's candidate for chancellor in case new elections are called. Increased political uncertainty in Germany keeps the EUR under pressure with the EUR/USD hovering around 1.1730/35 in European trade on Tuesday, close to Monday's multi-session intraday low of 1.1720 after hitting a five-week high of 1.1860 last week. Turning to bond markets, Bunds were firmer with the 10-yr yield falling to levels close to 0.33% earlier today for the first time in the last two weeks. The spread against its US counterpart widened to levels around 202bps, 5bps wider compared to last week's settlement. In the absence of major data releases today, market focus remains on Germany. Under the German law, the President of the Federal Republic has the authority to dissolve the Bundestag opening the way for new elections. In a televised statement earlier today, German President Frank-Walter Steinmeier appeared to rule out fresh elections, at least for the time being, emphasizing instead the obligation of each party to the voters to make possible the formation of a working majority in the foreseeable future.

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GREECE

With regard to the progress in the 3rd programme review, the processing of pension applications according to the new benefit rules (Law 4387/2016), which constitutes a prior action, began yesterday while according to press reports, the list of PPC production units that will be put up for sale will likely be announced by the end of the week. In other news, according to the Hellenic Statistical Authority (ELSTAT), in September 2017 the turnover index in industry decreased 0.8%YoY, due to a drop of 1.0%YoY in the manufacturing turnover index which more than offset the 10.6%YoY increase in the mining and quarrying turnover index. For the twelve-month period October 2016 to September 2017, the average overall turnover index in industry rose by 11.2% compared to the corresponding period of 2016. According to the Bank of Greece, the balance of payments in September 2017 recorded a surplus of EUR1,213 million, increased by EUR348 million on an annual basis. This improvement is attributed to a significant increase of EUR350 million in the balance of travel services and a decrease of EUR49 million in the deficit of the balance of goods, which more than counterbalanced the increase in the primary income and secondary income deficits by EUR47 million and EUR4 million respectively. The improvement in the balance of goods in particular is due to an improvement in the oil balance (deficit decreased by EUR64 million) and the ships balance (deficit decreased by EUR17 million turning into a surplus), while the deficit of goods excl. oil and ships increased by EUR32 million.

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November 21, 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	1.6
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

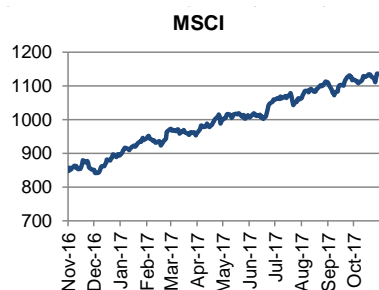
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

Emerging market stocks mostly firmed earlier on Tuesday, led by gains in Asian bourses, which pushed the MSCI Emerging Markets index to a new 6-year high. Meanwhile, currencies lost some ground as the US dollar moved higher. Turkish assets underperformed other emerging market peers amid worries over deteriorating ties with the US and the lack of more aggressive monetary tightening by the Central Bank despite well above target inflation. Against this backdrop, the USD/TRY hit a new record high near 3.9780 in Asian trade, before pulling back slightly around levels of 3.9570 in European markets. Meanwhile, the main BIST 100 index slid to a 6-month low before recovering to stand 0.5% firmer compared to the prior session's settlement at the time of writing. Separately, the 10-year government bond yield spiked by 20bps on the day to 12.72% earlier on Tuesday, having cumulatively increased by ca 70bps over the last three sessions.

In the local currency debt markets, Romania sold on Monday a planned amount of RON 200mn (~€43.05mn) in a re-tap of government bonds due on June 11, 2021. The securities, which bear a coupon of 5.95, were sold at an average price and accepted yield of 107.3922 and 3.68%. The latter is well above that achieved at the previous auction of the said paper held in May, which stood at 2.31%. Yields on Romanian paper have increased recently amid worries over an economic overheating - which were exacerbated after stellar growth of 8.8%YoY registered in Q3 2017 - and mounting expectations for more aggressive than previously expected monetary tightening by the Central Bank. Investor demand was strong in view of higher returns, with the bid-to-cover ratio standing at 2.17 at yesterday's tender. Separately, Serbia's Public Debt Administration sold on Monday EUR 24.848mn of EUR-denominated securities. The paper, which matures on November 22, 2020, bears an annual coupon rate of 1.5%. Investors offered to buy 1.4 times the amount of securities sold. Meanwhile, the average accepted yield came in at 1.75%.

Looking into the remainder of the week, the CESEE macroeconomic data and events calendar is relatively light. Hungary's Central Bank monetary policy meeting takes centre stage today, with the MPC expected to hold the key policy rate at the current record low level of 0.90% and the deposit rate at -0.15%, but possibly announce further unconventional monetary easing. Elsewhere, the National Bank of Poland releases on Thursday its MPC meeting minutes.

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November 21, 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	2582.14	0.1%	15.3%	EUR/USD	1.1737	0.0%	11.6%	UST - 10yr	2.35	-1	-9	GOLD	1281	0.3%	11.1%
Nikkei 225	22416.48	0.7%	17.3%	GBP/USD	1.3236	0.0%	7.1%	Bund-10yr	0.34	-2	13	BRENT CRUDE	63	0.7%	10.3%
STOXX 600	387.07	0.2%	7.1%	USD/JPY	112.48	0.1%	4.0%	JGB - 10yr	0.03	-1	-1	LME X	3214	0.2%	20.8%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-49
1-week	2.60	-1	-57
1-month	2.80	-1	-55
3-month	3.07	-2	-40
6-month	3.25	1	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.12	1	-97
5Y RSD	4.51	0	-84
7Y RSD	4.88	1	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.95	0	-125
USD Nov-24	6.04	-31	-23

CDS

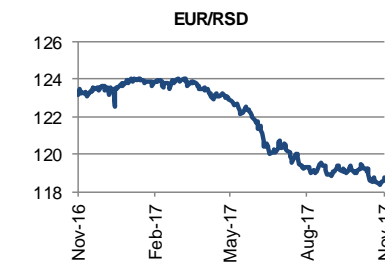
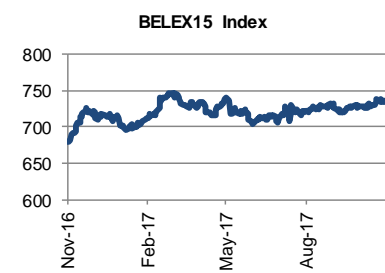
	Last	ΔDbps	ΔYTD bps
5-year	133	-1	-75
10-year	181	-1	-74

STOCKS

	Last	ΔD	ΔYTD
BELEX15	730.5	-0.47%	1.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.65	-0.05%	4.06%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.88	-23	132
1-month	2.12	-4	136
3-month	2.16	-2	126
6-month	2.28	0	117
12-month	2.33	-1	108

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.37	0	185
5Y RON	3.78	0	136
10Y RON	4.59	0	111

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-46
USD Jan-24	3.16	0	-73

CDS

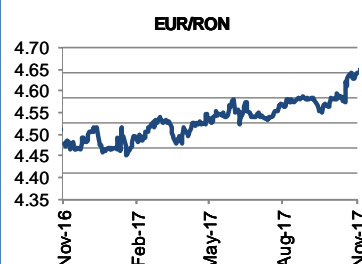
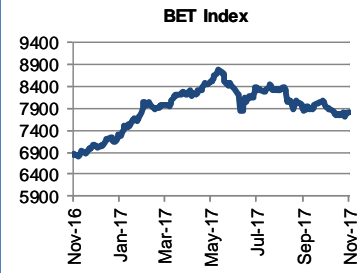
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-12
10-year	153	0	0

STOCKS

	Last	ΔD	ΔYTD
BET	7820.1	0.08%	10.37%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6493	-0.03%	-2.37%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	0	-10
3-month	-0.18	0	-11
6-month	-0.05	0	-13
12-month	0.33	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.29	1	-45
5Y BGN	-0.07	1	-57
10Y BGN	0.93	0	-98

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	0	-87
EUR Sep-24	0.01	-1	-167

CDS

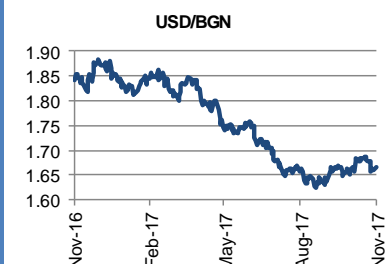
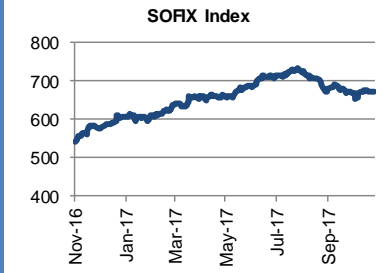
	Last	ΔDbps	ΔYTD bps
5-year	96	0	-56
10-year	151	-1	-43

STOCKS

	Last	ΔD	ΔYTD
SOFIX	669.5	0.06%	14.17%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6666	0.04%	11.51%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:20 EST

November 21, 2017

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