



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, October 23, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Oct 25: New home sales Sep (Oct)
- Oct 26
  - Pending home sales Sep (Oct)
  - Jobless claims (weekly)
- Oct 27: GDP (Q3)

#### UK

- Oct 25: GDP (Q3)

#### EUROZONE

- Oct 23: EC consumer confidence (Oct)
- Oct 24: Composite PMI (Oct)
- Oct 25 : DE: Germany IFO Business climate index (Oct)
- Oct 26
  - M3 Money Supply (Sep)
  - ECB MPC meeting

#### GREECE

- Oct 23: Balance of Payments (Aug)
- Oct 24: Developments in balance of travel services (Aug)

#### SEE

##### BULGARIA

- Oct 23: 0.8% 2025 T-bonds auction
- Oct 27: Gross external debt (Aug)

##### ROMANIA

- Oct 23: 2.3% 2020 T-bonds auction
- Oct 24: Money supply (Sep)

##### SERBIA

- Oct 23: 5.75% 2023 T-bonds auction
- Oct 24: 2020 T-bonds auction
- Oct 25: Real gross wages (Sep)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US Treasury yields remained in an upward trend and the USD retained a firm tone in European trade on Monday amid increased tax overhaul optimism. Meanwhile, the EUR came under pressure on the back of increased worries over a further escalation of the political crisis in Spain. Looking at the remainder of this week, focus is on the ECB monetary policy meeting on Thursday where the Central Bank is expected to announce an extension of the asset purchases programme by six or nine months and a reduction in the volume of monthly bond purchases starting in January 2018. On the data front, this week's highlights include the euro area PMIs for October on Tuesday and Q3 real GDP growth estimate for both the UK and the US on Wednesday and Friday respectively.

**GREECE:** Meetings between the heads of the institutions (EC/ECB/ESM/IMF) and the Greek government in the context of the 3<sup>rd</sup> programme review are scheduled to commence today. Besides the progress in the reforms, the privatisations programme and the fiscal performance, other issues on the agenda are the social dividend that the Greek government reportedly intends to distribute in the event of fiscal over-performance and the deal for the upgrade of F-16 fighter planes for EUR2.4billion. Meanwhile, ahead of the Euroworking Group meeting on 26 October, the Greek government will reportedly submit to the ESM today data on state arrears clearance in order to secure the disbursement of the pending EUR800 million sub-tranche from the 2<sup>nd</sup> review that expires on 31 October.

### SOUTH EASTERN EUROPE

**BULGARIA:** Bulgaria's stock market ended lower last week, while local-currency bonds closed little changed. On the flipside, Eurobonds firmed across the board.

**SERBIA:** The EUR/RSD tested the key support level of 119.00 last week, but emerged buying interest on Thursday afternoon pushed the pair higher into the current 3 month range (119.00 – 119.85).

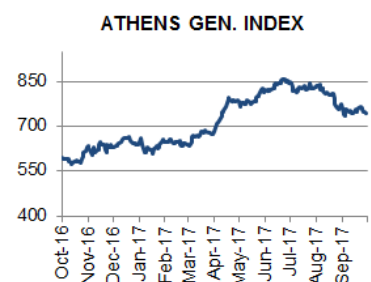
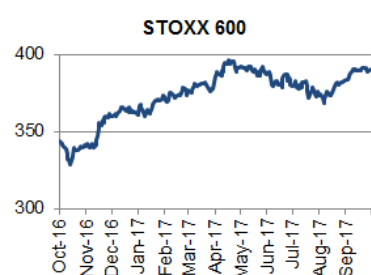
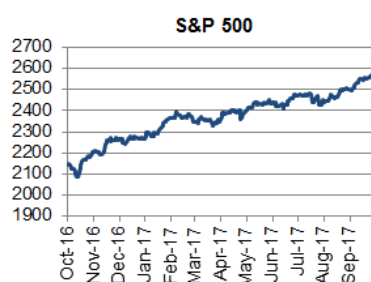
#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

October 23, 2017

## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields remained in an upward trend and the USD retained a firm tone in European trade on Monday amid increased tax overhaul optimism after the Senate approved late last week a budget blueprint for the 2018 fiscal year. Subsequently, the House and Senate will have to reach a consensus on a common version of the budget resolution, expected within the next two weeks. Once a common resolution has been agreed, discussions on a detailed legislation for the reform of the tax code will follow with an agreement between the Senate and the House likely by late 2007/early 2018. The 2-yr US Treasury yield hit a fresh multi-year high close to 1.59% earlier today while the 10-yr paper was yielding levels around 2.38%, not far from a five-month high of 2.40% marked earlier this month. With the 10-yr Bund yield falling to levels close to 0.43% earlier today on increased expectations for a continuation of the BoJ's ultra-easy monetary policy after Japanese Prime Minister Shinzo Abe secured a resounding victory in national elections over the weekend, the 10-yr US/Bund yield spread widened to 195bps earlier today, the widest since mid-May and c. 2.5bps wider on the day. Meanwhile, the EUR/USD fell to a multi-session low of 1.1750 after marking a session peak close to 1.1860 on Friday pressured by increased worries over a further escalation of the political crisis in Spain. In an extraordinary cabinet meeting on Saturday, the Spanish government decided to trigger Article 155 to restore the rule of law in Catalonia after the regional government failed to withdraw the possibility of a unilateral declaration of independence. In reaction to the above, Catalonia's leaders said that they would not accept direct rule imposed on the region by the Spanish government and the assembly is expected to decide today whether to hold a session in the coming days to formally proclaim the republic of Catalonia. Looking at the remainder of this week, focus is on the ECB monetary policy meeting on Thursday where the Central Bank is expected to announce an extension of the asset purchases programme by six or nine months and a reduction in the volume of monthly bond purchases starting in January 2018. On the data front, this week's highlights include the euro area PMIs for October on Tuesday and Q3 real GDP growth estimate for both the UK and the US on Wednesday and Friday respectively.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

Meetings between the heads of the institutions (EC/ECB/ESM/IMF) and the Greek government in the context of the 3<sup>rd</sup> programme review are scheduled to commence today. Besides the progress in the reforms, the privatisations programme and the fiscal performance, other issues on the agenda are the social dividend that the Greek government reportedly intends to distribute in the event of fiscal over-performance and the deal for the upgrade of F-16 fighter planes for up to EUR2.4 billion. With regard to the first item, it is reminded that according to the Memorandum of Understanding (MoU), at least 30 percent of any fiscal over-performance vis-à-vis programme targets is to be transferred to the segregated account for debt reduction while another 30 percent is to be used for clearing government arrears. Additionally, according to the Supplemental MoU of June 2016, any remaining fiscal space may – in agreement with the institutions – be used to strengthen social protection (in particular the Guaranteed Minimum Income programme) and/or to reduce tax burdens. According to press reports, at this stage the institutions would rather any potential over-performance be used to cover state arrears or to process outstanding pension claims. On another subject, ahead of the Euroworking Group meeting on 26 October, the Greek government will reportedly submit to the ESM today data on state arrears clearance in order to secure the disbursement of the pending EUR800 million sub-tranche from the 2<sup>nd</sup> review that expires on 31 October.

2  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

October 23, 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

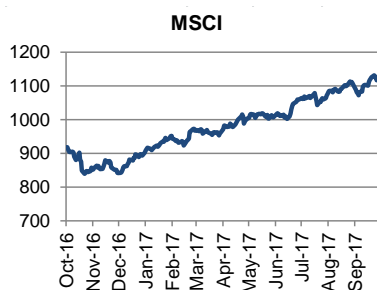
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### BULGARIA

Bulgaria's stock market ended lower last week, with the main blue chip SOFIX reversing early gains over the last three sessions to end with a 0.2% weekly loss. The overall turnover came in at € 3.4mn, the highest weekly trading volume in a month. Meanwhile, the Bulgarian sovereign curve closed the week little changed. Nonetheless, paper of 6 and 7-year tenors, fell by 4bps and 8bps, respectively. In terms of the Eurobond market, yields dropped across the board, with the most significant being that of paper maturing in 2022 which recorded an 8% decline.

[RSRaychev@postbank.bg](mailto:RSRaychev@postbank.bg)

### SERBIA

The EUR/RSD tested the key support level of 119.00 last week, but emerged buying interest on Thursday afternoon pushed the pair higher into the current 3 month range (119.00 – 119.85). Notably, the dinar's correction materialized without any new Central Bank (NBS) intervention in the FX markets in order to halt the domestic currency's appreciation momentum. This signals that market appears to be more balanced out in terms of supply and demand of hard currency. Looking forward, EUR/RSD demand will likely prevail as the loan disbursement cycle is over (most of EUR-indexed loans already disbursed) and an increase in demand for hard currency is expected due to year-end obligations. This argues in favor of a further dinar correction. In this context, an EUR/RSD move towards 120.50 in the next month or so appears to be on the cards, in our view.

In other news, according to September data, net FX reserves rose by €306mn compared to August standing at €10,635.7mn, the highest level since 2000. The biggest part of the said increase came from FX interventions (€165mn), while €60.9mn came from sales of EUR denominated T-bonds and €69.6mn from earned interest.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

October 23, 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	2575.21	0.5%	15.0%	EUR/USD	1.1749	-0.3%	11.7%	UST - 10yr	2.39	0	-6	GOLD	1276	-0.4%	10.7%
Nikkei 225	21696.65	1.1%	13.5%	GBP/USD	1.3184	0.0%	6.7%	Bund-10yr	0.43	-2	23	BRENT CRUDE	58	-0.1%	1.6%
STOXX 600	390.71	0.1%	8.1%	USD/JPY	113.81	-0.3%	2.8%	JGB - 10yr	0.07	-1	2	LMEX	3257	-0.4%	22.5%

### CESEE MARKETS

SERBIA				ROMANIA				BULGARIA						
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>						
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps			
T/N	2.50	0	-50	O/N	0.75	1	19	LEONIA	0.01	0	1			
1-week	2.61	0	-56	1-month	1.81	3	105	1-month	-0.22	0	-6			
1-month	2.82	0	-53	3-month	1.85	1	95	3-month	-0.13	0	-6			
3-month	3.07	0	-40	6-month	2.02	0	91	6-month	-0.04	0	-12			
6-month	3.25	0	-41	12-month	2.13	1	88	12-month	0.27	0	-13			
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	4.25	0	-83	3Y RON	2.59	0	107	3Y BGN	-0.26	1	-41			
5Y RSD	4.78	6	-58	5Y RON	3.12	0	70	5Y BGN	-0.02	-1	-52			
7Y RSD	5.04	1	-59	10Y RON	4.28	0	81	10Y BGN	1.02	0	-88			
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	1.09	-13	-124	EUR Oct-25	1.61	#N/A	N/A	-52	EUR Mar-22	0.14	5	-73		
USD Nov-24	6.35	1	-6	USD Jan-24	2.99	0	-90	EUR Sep-24	0.81	11	-87			
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	130	0	-78	5-year	96	-2	-13	5-year	98	0	-54			
10-year	178	0	-77	10-year	151	-2	-2	10-year	153	0	-41			
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	725.5	-0.30%	1.13%	BET	7923.0	-0.13%	11.83%	SOFIX	667.7	-0.02%	13.85%			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	118.93	0.25%	3.81%	EUR/RON	4.5988	0.08%	-1.30%	USD/BGN	1.6648	-0.29%	11.63%			

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 12:15 EEST

October 23, 2017

## Contributors

**Paraskevi Petropoulou**

Economic Analyst, Eurobank Ergasias

+30 210 3718991

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)
**Galatia Phoka**

Research Economist, Eurobank Ergasias

+30 210 3718922

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)
**Ioannis Gkionis (Special Contributor)**

Research Economist, Eurobank Ergasias

+30 210 3337305

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)
**Anna Dimitriadou**

Economic Analyst, Eurobank Ergasias

+30 210 3718793

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)
**Olga Kosma (Special Contributor)**

Research Economist, Eurobank Ergasias

+30 210 3371227

[okosma@eurobank.gr](mailto:okosma@eurobank.gr)
**Theodoros Stamatou (Special Contributor)**

Senior Economist, Eurobank Ergasias

+30 210 3371228

[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

[vboteva@postbank.bg](mailto:vboteva@postbank.bg)
**Zoran Korac**

FX dealer, Eurobank ad Beograd

+381 11 206 5821

[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

### Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Mariana Papoutsaki**
[mpapoutsaki@eurobank.gr](mailto:mpapoutsaki@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatou: Senior Economist**
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 3371228

**Elia Tsiampaou: Economic Analyst**
[etsiampaou@eurobank.gr](mailto: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](mailto:EurobanKEA_FMR@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at

Follow us on twitter: [https://twitter.com/Eurobank\\_Group](https://twitter.com/Eurobank_Group)