



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 24, 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: The USD edged lower early on Tuesday as market attention turns to the candidate who will replace Fed Chair Janet Yellen when her term expires in early February 2018. Turning to government bonds, German Bund yields moved higher in European trade after positive euro area PMI data supported the view that the ECB will announce an extension of the QE programme at a reduced monthly pace of asset purchases at Thursday's monetary policy meeting. In other news, the Catalan Parliament will meet on Thursday to discuss the Spanish government's decision to invoke Article 155 of the Constitution while a day later, the Spanish Senate is expected to approve the measures aiming at taking control of Catalonia.

GREECE: The Greek government reportedly proceeded to the payment of state arrears in order to pave the way for the approval of the disbursement of the remaining EUR0.8 million sub-tranche from the 2nd review. According to the Hellenic Statistical Authority (ELSTAT) amended fiscal data EDP2nd notification for the period 2013 – 2016, the General Government primary surplus, in accordance with ESA 2010, is estimated at EUR6.4 billion or 3.7% of GDP (down from EUR6.9 billion or 3.9% of GDP estimated in the EDP 1st notification). According to the Bank of Greece, for the period Jan-Aug 2017, the current account recorded a surplus of EUR 123.4 million, up from a deficit of –EUR211.0 million for the same period in 2016.

SOUTH EASTERN EUROPE

CESEE MARKETS: Romania's Finance Ministry rejected yesterday all bids at a RON 300mn T-Notes auction due to high yield levels. Elsewhere, Serbia's Public Debt Administration raised yesterday a planned amount of RSD 19.8bn via 7-year T-Notes. Looking into the remainder of the week, Central Bank meetings in Hungary on Tuesday and Turkey on Thursday take centre stage.

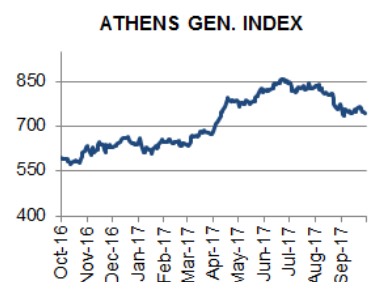
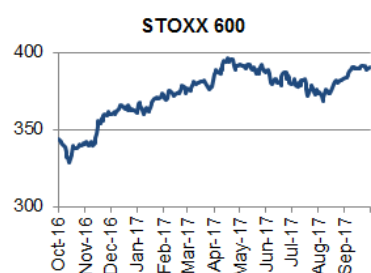
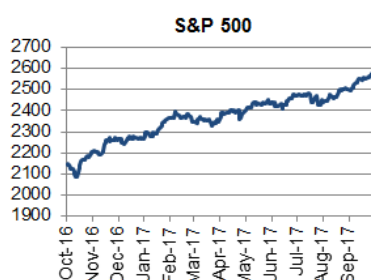
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October 24, 2017

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD edged lower early on Tuesday as market attention turns to the candidate who will replace Fed Chair Janet Yellen when her term expires in early February 2018. Speaking to reporters on Monday, US President Donald Trump said that he is “very, very close” to making a decision on the Fed Chair after interviewing five candidates for the position. According to press reports, he is likely to announce his choice before he heads to Asia on November 3. The DXY index was 0.1% lower on the day at 94.888, moving slightly away from a two-week intraday high of 94.017 marked on Monday. Against this background, the USD/JPY edged lower to 113.60/65 in European trade after hitting a three-month high of 114.09 in the prior session in reaction to the outcome of Japan’s general elections over the weekend where Prime Minister Shinzo Abe secured a decisive victory, suggesting continuation of his “Abenomics” policies, including the BoJ’s ultra-easy monetary policy. Meanwhile, the EUR/USD was standing close to 1.1765/70 at the time of writing, slightly higher from Monday’s 1.1723 multi-session trough supported by euro area flash PMI data released earlier today. The euro area PMI composite index fell to a lower than expected 55.9 in October from September’s 56.7 remaining though comfortably above the boom-or-bust level of 50.0. However, in spite of today’s upside attempt, the pair remained below last week’s peak of 1.1860 as political tensions in Spain continued to weigh. The Catalan Parliament will meet on Thursday to discuss the Spanish government’s decision to invoke Article 155 of the Constitution while a day later, the Spanish Senate is expected to approve the measures aiming at taking control of Catalonia. Turning to government bonds, German Bund yields moved higher in European trade after positive euro area flash PMI data supported the view that the ECB will announce an extension of the QE programme at a reduced monthly pace of asset purchases at Thursday’s monetary policy meeting. After ending close to 0.43% on Monday, the 10-yr Bund yield rose to a two-week high of 0.47% earlier today, approaching a recent peak of 0.505% recorded on October 6.

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GREECE

The Greek government reportedly proceeded to the payment of state arrears in order to pave the way for the approval of the disbursement of the remaining EUR0.8 million sub-tranche from the 2nd review by the ESM Board of Directors, which is expected to decide on the issue on Thursday. Meanwhile, the Minister of Energy George Stathakis is scheduled to meet the institutions’ heads today in order to discuss the Public Power Corporation divestment package, the progress in the liberalisation of the natural gas market and the privatisation of DESFA. In other news, according to the Hellenic Statistical Authority (ELSTAT) amended fiscal data EDP2nd notification for the period 2013 – 2016 the General Government surplus for 2016, in accordance with ESA 2010, is estimated at EUR0.8 billion or 0.5% of GDP (down from EUR1.3 billion or 0.7% of GDP estimated in the EDP 1st notification), while the General Government primary surplus, in accordance with ESA 2010, is estimated at EUR6.4 billion or 3.7% of GDP (down from EUR6.9 billion or 3.9% of GDP estimated in the EDP 1st notification). The gross consolidated General Government debt at year-end 2016 is estimated at a nominal value of EUR315.0 billion or 180.8% of GDP. According to the Bank of Greece, for the period Jan-Aug 2017, the current account recorded a surplus of EUR123.4 million, up from a deficit of –EUR211.0 million for the same period in 2016. This is attributed to a significant increase of EUR1.6 billion in the services surplus, as well as amelioration in the primary income balance (turned from a deficit of –EUR35.1 million to a surplus of EUR340.3million) and secondary income balance (deficit contracted by EUR 33.2 million), which more than offset the expansion of the goods deficit by EUR1.6 billion.

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October 24, 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

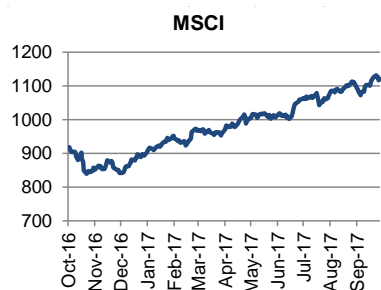
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Romania's Finance Ministry rejected yesterday all bids at a RON 300mn (~€ 65.3mn) T-Notes auction due to high yield levels. The paper matures on October 26, 2020. In the last auction of this security that was held in late September, the average accepted yield stood at 1.91%. Including Monday's tender, the finance ministry has rejected all bids in the last six public debt auctions held this month due to a rise in yields. Elsewhere, Serbia's Public Debt Administration raised yesterday a planned amount of RSD 19.8bn (~€ 0.17bn) via 7-year T-Notes. The average accepted yield came in at 5.00% and the paper was sold at an average price of 105.1377. The security bears a 5.75% annual coupon and a redemption date of July 21, 2023. It is a re-tap from securities first launched on July 19, 2016. The average accepted yield stood at 5.6% when the said paper was last sold on July this year, 6bps above that achieved yesterday. Reflecting strong investor demand the bid-to-cover ratio stood at 2.07 at yesterday's tender.

Looking into the remainder of the week, Central Bank meetings in Hungary (MNB) on Tuesday and Turkey (CBT) on Thursday take centre stage. In Hungary, market consensus is that the MPC will hold its horses and maintain the key (base) policy rate at the current record low level of 0.90% amid prevailing caution ahead of the ECB's meeting on Thursday and after its latest monetary easing action took place as recently as in September. Recall that MNB eased further its monetary policy last month, via the use of unconventional policy instruments. It slashed the overnight deposit rate from -0.05% to -0.15%, it set a HUF 75bn upper limit on the stock of three-month central bank deposits outstanding from the end of 2017 and also noted that the stock of swap instruments will be increased in the coming period. At the same time, it left the door open for further such action aimed at driving longer-dated government bond yields lower and boosting inflation to sustainably meet the 3% medium-term target, as it has remained persistently below it since early 2013. Earlier in October, Deputy Central Bank Governor Marton Nagy had expressed belief that the key policy rate would stay unchanged at 0.90% until at least 2020, having also pointed to increased downside risks to inflation since September. Against this backdrop, some market talk has recently emerged for an additional reduction in the overnight deposit rate. However, the market's median forecast is that the MNB will hold its fire today. In Turkey, CBT is also expected to hold policy rates unchanged; namely the benchmark 1-week repo rate at 8.00%, the overnight lending and borrowing rates at 9.25% and 7.25%, respectively, and the late liquidity lending rate at 12.25%, while maintain a tight stance as inflation remains more than double the 5% medium-term target (at 11.2%YoY in September), while recent economic activity data shows a robust recovery so far this year.

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October 24, 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	2574.64	0.0%	15.0%	EUR/USD	1.1751	-0.3%	11.7%	UST - 10yr	2.37	-2	-8	GOLD	1274	-0.5%	10.6%
Nikkei 225	21696.65	1.1%	13.5%	GBP/USD	1.32	0.1%	6.8%	Bund-10yr	0.43	-2	22	BRENT CRUDE	58	0.0%	1.6%
STOXX 600	391.07	0.2%	8.2%	USD/JPY	113.72	-0.2%	2.9%	JGB - 10yr	0.07	-1	2	LMEX	3257	-0.4%	22.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.49	-1	-51
1-week	2.60	-1	-57
1-month	2.81	-1	-54
3-month	3.06	-1	-41
6-month	3.25	0	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.25	0	-83
5Y RSD	4.78	6	-58
7Y RSD	5.04	1	-59

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.16	-6	-116
USD Nov-24	6.35	1	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	-78
10-year	178	0	-77

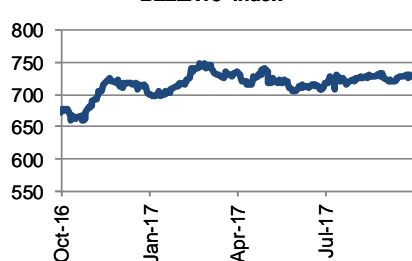
STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.3	0.09%	1.52%

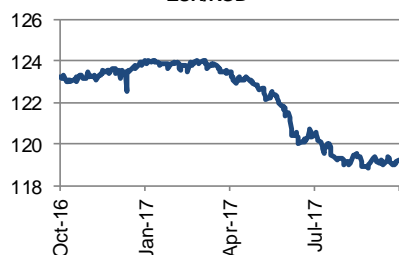
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.22	0.01%	3.56%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.75	1	19
1-month	1.81	3	105
3-month	1.85	1	95
6-month	2.02	0	91
12-month	2.13	1	88

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.59	0	107
5Y RON	3.12	0	70
10Y RON	4.28	0	81

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.61	#N/A	N/A
USD Jan-24	2.99	0	-90

CDS

	Last	ΔDbps	ΔYTD bps
5-year	96	-2	-13
10-year	151	-2	-2

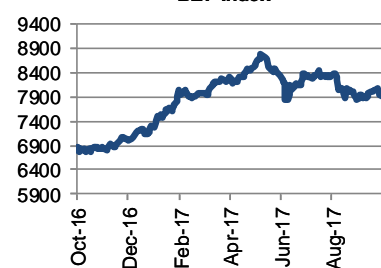
STOCKS

	Last	ΔD	ΔYTD
BET	7905.6	-0.35%	11.58%

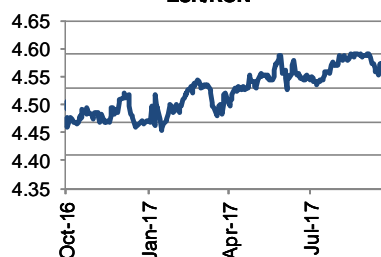
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5964	0.14%	-1.25%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-6
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	-0.26	1	-41
5Y BGN	-0.02	-1	-52
10Y BGN	1.01	0	-89

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.14	5	-73
EUR Sep-24	0.81	11	-87

CDS

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

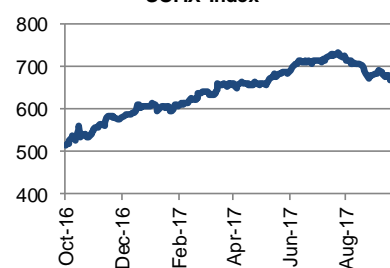
STOCKS

	Last	ΔD	ΔYTD
SOFIX	667.5	-0.05%	13.82%

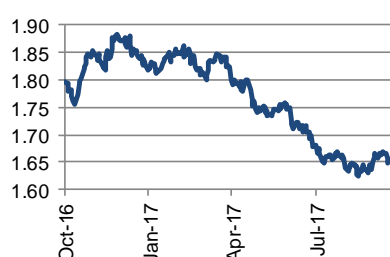
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6645	-0.27%	11.65%

SOFIX Index



USD/BGN



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

Data updated as of 17:45 EEST of previous session

October 24, 2017

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