



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, November 24, 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:** In reaction to firmer than expected euro area November flash PMIs and the likelihood the APP programme to not be extended beyond September 2018, euro area sovereign bonds moved lower. In FX markets, the USD remained under pressure after the November FOMC minutes reinforced market uncertainty over the pace of rate tightening beyond December where a 25bps rate hike is currently fully priced-in.

**GREECE:** The Greek side has apparently agreed with DG Competition on the lignite-fired production units that will be put up for sale while the market test is to be held in December 2017. As regards the electronic auctions that are scheduled to begin on November 29, the notaries have not yet made a decision on whether they will recall the abstention from their duties which was decided in reaction to incidents of violence against them. As regards the out-of-court workout mechanism, since its launch on August 3 2017, 8,651 debtors have submitted an application but so far only 24 applications are at an advanced stage while none have yet successfully completed the process. According to press reports, the stress tests for the Greek four systemic banks that will be conducted in February 2018 will incorporate in their results any deleveraging transaction that will take place until their completion in May 2018.

### SOUTH EASTERN EUROPE

**BULGARIA:** Credit activity slowed down to 4.2% YoY in October from 4.9% YoY in September.

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November 24, 2017

## Latest world economic & market developments

### GLOBAL MARKETS

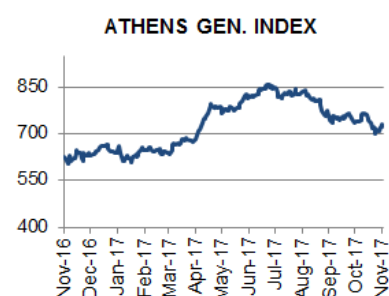
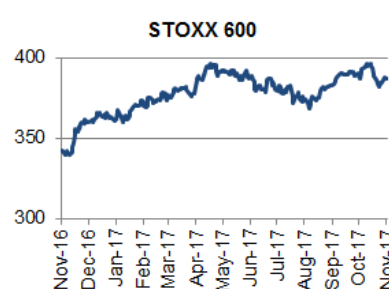
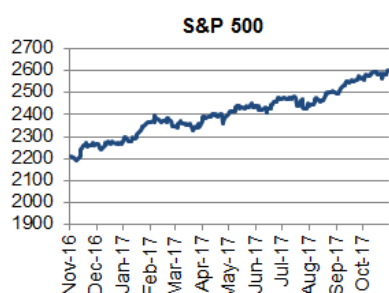
Euro area data continued to surprise positively with the November flash composite PMI rising to 57.5, the highest since April 2011, against expectations for an unchanged figure at the prior month's level of 56.0. The manufacturing PMI rose to 60.0, the second highest ever while the services PMI came in at a six-month high of 56.2. Input and output prices accelerated, supporting the view for further price pressures ahead and the likelihood the ECB to not extend QE beyond September 2018. Along these lines, the accounts of the October ECB monetary policy meeting revealed a divergence of view among participants over whether an open-ended formulation remained appropriate, or, instead, whether a clear end date to asset purchases should be announced, suggesting that potential forward guidance tweaks at the upcoming meetings –most probably beyond December - cannot be ruled out. In reaction to the later, euro area sovereign bonds came under pressure with the 10-yr Bund yield testing levels slightly above 0.37% in European trade, some 2.5bps higher on the day albeit still within the 0.33%-0.40% recent range. Long-dated USTs yields were also higher in European trade after coming under pressure earlier this week mainly due to a dovish market read of the November FOMC minutes (US bond markets were closed on Thursday due to Thanksgiving). The 10-yr yield rose to 2.35% today, some 3bps higher compared to Wednesday's settlement but still lower on a month-to-date basis. Meanwhile, the 2-yr paper was yielding levels around 1.75% at the time of writing, c. 14.5bps higher since end-October triggering a further flattening of the 2/10-yr yield curve of around 17bps so far this month. In FX markets, the USD remained under pressure after the November FOMC minutes reinforced market uncertainty over the pace of rate tightening beyond December where a 25bps rate hike is currently fully priced-in. The DXY index dropped to a six-week low of 93.018 earlier today, 0.7% lower on the week. Favored by the USD's broad-based weakness and news that the UK government will submit proposals on how the divorce bill to be settled with the European Union ahead of the crucial 14-15 December EU summit, the GBP/USD moved higher testing levels close to 1.3340 for the first time since mid-October. In the absence of major data releases in G10 today, markets will likely remain range bound struggling to find any driver for direction.

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### GREECE

The Greek side has apparently agreed with DG Competition on the lignite-fired production units that will be put up for sale while the market test is to be held in December 2017. As regards the electronic auctions that are scheduled to begin on November 29, the notaries have not yet made a decision on whether they will recall the abstention from their duties which was decided in reaction to incidents of violence against them. The notaries associations will reportedly discuss the issue on Monday. It is noted that the institutions have reportedly cautioned that any further delay in this issue will automatically suspend the 3rd review. Should the electronic auctions timetable go as planned, the target is to carry out at least 700 electronic auctions per month in January and February and gradually increase them so as to have completed around 18.000 auctions by the end of 2018. Meanwhile, as regards the out-of-court workout mechanism, since its launch on August 3 2017, 8,651 debtors have submitted an application but so far only 24 applications are at an advanced stage while none have yet successfully completed the process. In other news, according to press reports, the stress tests for the Greek four systemic banks that will be conducted in February 2018 will incorporate in their results any deleveraging transaction that will take place until their completion in May 2018. More information on the modalities of the stress tests will be reportedly provided by ESM executives during their visit in Athens in the next couple of days.

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Source: Reuters, Bloomberg, Eurobank Research

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## 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

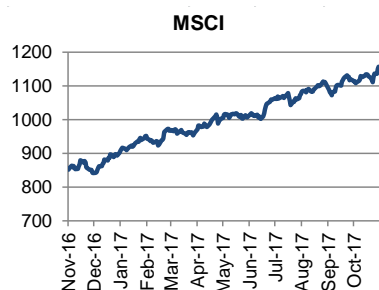
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

\* 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

### BULGARIA

Credit to the non-government sector slowed down to 4.2% YoY in October from 4.9% YoY in September vs. only 1.5% YoY in 2016, compared to -1.2% YoY in 2015 and -8.2% YoY in 2014. The data of 2014 reflect the dropping of assets of Corporate Commercial Bank (KTB) out of the official statistics in the aftermath of the bank run which eventually resulted in the bankruptcy of the fourth largest bank in terms of assets. Credit to households expanded briskly by 6.3% YoY up from 5.9% YoY in September, compared to only 2.0% YoY in 2016, vs. -1.3% YoY in 2015 and -1.6% YoY in 2014. Credit to the non-financial corporations slowed down to 1.5% YoY in October compared to 3.1% YoY in September, up from 2.0% YoY in 2016 down from -1.7% YoY in 2015 and -11.6% YoY in 2014. Financial institutions are now less reluctant to lend, as heavy regulatory requirements posed by the banking system-wide AQR and Stress test are behind, and are still confronted by the negative interest rates on excess reserves. The system's total loans-to-deposits ratio stood at 68.9% in August. This, together with the high liquid assets ratio (37.6% in September), illustrates the increased funding capacity and strong liquidity position of the banking system. The rebound of credit activity is among those key drivers behind GDP growth acceleration in 2017 and is expected to extend in 2018 as well. According to the flash estimate release, real GDP expanded by 0.9% QoQ/3.9% YoY in Q3 compared to 1.0% QoQ/3.7% YoY in Q2 vs. 0.9% QoQ/3.7% YoY in Q1 driven by robust final consumption dynamics.

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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	2597.08	-0.1%	16.0%	EUR/USD	1.1863	0.1%	12.8%	UST - 10yr	2.34	2	-10	GOLD	1290	-0.1%	12.0%
Nikkei 225	22550.85	0.1%	18.0%	GBP/USD	1.3318	0.1%	7.8%	Bund-10yr	0.37	3	16	BRENT CRUDE	63	-0.1%	11.7%
STOXX 600	387.16	0.0%	7.1%	USD/JPY	111.45	-0.2%	5.0%	JGB - 10yr	0.03	0	-2	LMEX	3269	0.2%	22.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	1	-48
1-week	2.62	1	-55
1-month	2.79	-2	-56
3-month	3.06	-1	-41
6-month	3.22	-3	-44

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.11	0	-97
5Y RSD	4.51	0	-84
7Y RSD	4.88	0	-75

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.94	#N/A N/A	-126
USD Nov-24	6.03	#N/A N/A	-24

**CDS**

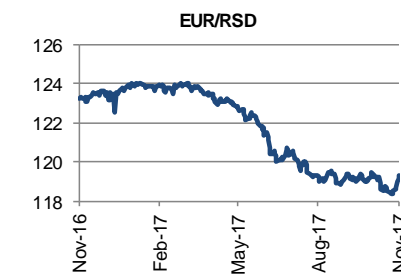
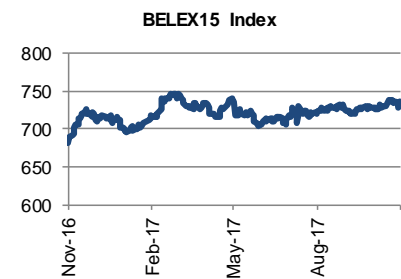
	Last	ΔDbps	ΔYTD bps
5-year	126	-2	-82
10-year	171	-3	-85

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	736.5	0.04%	2.67%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.31	-0.03%	3.47%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.16	94	160
1-month	2.17	5	141
3-month	2.19	4	129
6-month	2.3	1	119
12-month	2.35	-1	110

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.44	0	192
5Y RON	3.76	0	134
10Y RON	4.54	0	107

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.62	0	-51
USD Jan-24	3.14	-1	-75

**CDS**

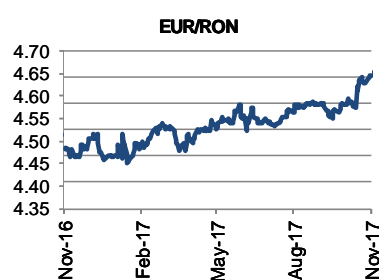
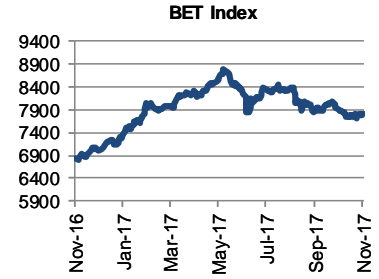
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-11
10-year	153	0	1

**STOCKS**

	Last	ΔD	ΔYTD
BET	7822.3	0.56%	10.41%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6525	-0.01%	-2.44%



**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	-0.28	-2	-43
5Y BGN	-0.06	1	-57
10Y BGN	0.93	0	-98

**BG Eurobonds**

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

**CDS**

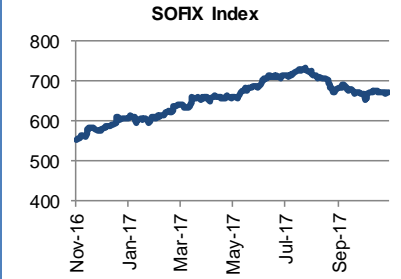
	Last	ΔDbps	ΔYTD bps
5-year	96	4	-56
10-year	139	-5	-54

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	667.0	-0.14%	13.73%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.6486	0.12%	12.73%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:15 EST

November 24, 2017

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