



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, October 25, 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 was firmer in European trade on Wednesday on newswires suggesting that Stanford University economist John Taylor is the potential nominee for the post of the Fed Chair after the term of incumbent Janet Yellen expires in early February 2018. US Treasury yields also moved higher with short-dated paper underperforming. German Bund yields also moved higher amid increased expectations for an ECB QE tapering announcement at Thursday's monetary policy meeting. In FX markets, range-bound trading for the EUR/USD is likely to prevail ahead of tomorrow's ECB meeting. The GBP gained some ground amid increased expectations for a BoE rate hike at the November 2nd meeting after data released earlier today showed that UK Q3 GDP rose by a higher-than-expected 0.4%QoQ. Looking at the remainder of the day, US new home sales and durable goods orders for September are due while on the sovereign debt supply side, the US Treasury will sell \$34bn in 5-yr notes and \$15bn in 2-year floating rate notes. The BoE also convenes today and is expected to stay put in light of recent comments by BoC officials.

GREECE: The 3rd programme review is ongoing, and according to press, among the issues under scrutiny at this stage is the projected fiscal performance of 2018 with the institutions reportedly estimating a fiscal gap in the area of 0.2 – 0.3% of GDP. The Public Debt Management Agency (PDMA) is reportedly planning to proceed next week to the swap of 20 PSI bonds with maturities from 2023 to 2042 with 4 or 5 new bonds. According to the Bank of Greece, in August 2017 travel receipts rose by 16.4% while for the period January-August 2017 they increased by 9.1%YoY.

SOUTH EASTERN EUROPE

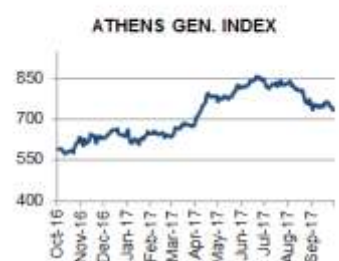
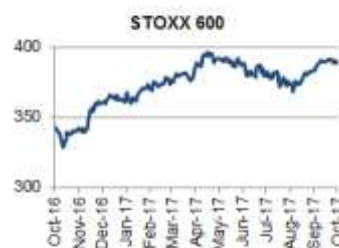
CESEE MARKETS: Emerging market assets were mixed earlier on Wednesday as market caution prevailed ahead of the ECB meeting tomorrow.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD was firmer in European trade on Wednesday on newswires suggesting that Stanford University economist John Taylor is the potential nominee for the post of the Fed Chair after the term of incumbent Janet Yellen expires in early February 2018. John Taylor has criticized the Fed's easy-money stimulus policies since the financial crisis and has pushed for the adoption of a ruled-based monetary policy, known as the Taylor rule, to guide the Fed's interest-rate decisions that implies the need for much higher interest rates than the current target range of 1.00%-1.25%. The DXY index was 0.2% higher on the day standing at a three-week high close to 94.00 at the time of writing. In reaction to the likely appointment of John Taylor, US Treasury yields moved higher. US equity markets' positive performance driven by encouraging corporate earnings results, also had an impact. The 10-yr US Treasury yield was hovering within sight of Tuesday's seven-month intraday peak close to 2.43%, while the 2-yr paper was yielding levels around 1.60%, the highest in eight years. Short-dated notes underperformed with the 2/10-yr yield spread narrowing by 2.6bps on the day, the biggest daily drop in two weeks. German Bund yields also moved higher amid increased expectations for an ECB QE tapering announcement at Thursday's monetary policy meeting. The euro area composite PMI index fell to a lower than expected 55.9 in October from 56.7 in the prior month but it remained well above the boom-or-bust level of 50.0. The breakdown of the report was more positive than the headline revealing that the employment component hit a decade high and the output prices sub-index rose to the highest since mid-2011. In addition to the above, the euro area 5yr5yr inflation swap rate, that is considered a good indicator for market's inflation expectations, rose to an eight month high of 1.65%. In FX markets, range-bound trading for the EUR/USD is likely to prevail ahead of tomorrow's ECB meeting which has the potential to prove a game changer. Meanwhile, the GBP gained some ground with the EUR/GBP falling to 0.8934 session lows amid increased expectations for a BoE rate hike at the November 2nd meeting after data released earlier today showed that UK Q3 GDP rose by a higher-than-expected 0.4%QoQ. Looking at the remainder of the day, US new home sales and durable goods orders for September are due while on the sovereign debt supply side, the US Treasury will sell \$34bn in 5-yr notes and \$15bn in 2-year floating rate notes. The BoE also convenes today and is expected to stay put in light of recent comments by BoC officials.

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GREECE

The 3rd programme review is ongoing, and according to press, among the issues under scrutiny at this stage is the projected fiscal performance of 2018 with the institutions reportedly estimating a fiscal gap in the area of 0.2 – 0.3% of GDP. Overall, there are reportedly delays in various areas and around 20 out of 95 prior actions for the 3rd review have so far been completed. Meanwhile, according to press reports the Public Debt Management Agency (PDMA) is planning to proceed next week to the swap of 20 PSI bonds with maturities from 2023 to 2042 with 4 or 5 new bonds. In other news, the Bank of Greece released yesterday data on the balance of travel services for August 2017, according to which, travel receipts increased in that month by 16.4%YoY. Receipts from EU28 residents increased by 36.8%YoY while receipts from residents outside the EU28 fell by 17.4%YoY. The average non-resident expenditure per trip in Greece stood at EUR593, increased by 2.2%YoY. For the period January – August 2017, travel receipts rose by 9.1%YoY backed by an increase in EU28 residents receipts by 14.5%YoY.

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October 25, 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

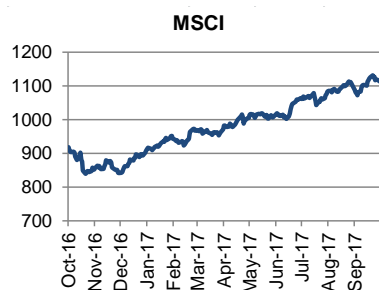
SERBIA: Indicators	2015	2016	2017f
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets were mixed earlier on Wednesday as market caution prevailed ahead of the ECB meeting tomorrow. In FX markets, regional currencies remained under pressure earlier today ahead of the ECB meeting tomorrow and a broadly stronger US dollar. Idiosyncratic factors were also at play, with the Hungarian forint's losses being exacerbated by dovish Central Bank (MNB) comments yesterday. In line with market expectations the MPC held fire yesterday maintaining interest rates unchanged ahead of the ECB's meeting on Thursday and after its latest monetary easing action took place as recently as in September. In more detail, the key (base) policy rate stayed at the current record low level of 0.90%, the overnight deposit rate at -0.15% and the overnight and 1-week collateralized lending rates at 0.90%. At the same time, the Central Bank maintained its easing bias and reiterated that the Council is ready to ease monetary conditions further via the use of unconventional tools in order to drive longer-dated government bond yields lower and boost inflation to sustainably meet the 3% medium-term target, as it has remained persistently below it since early 2013. In its accompanying post-MPC meeting statement, the Monetary Council noted that moderate inflation from abroad and record low inflation expectations as well as planned VAT rate cuts for next year have been acting as disinflationary forces in domestic prices. According to its September projections, the Central Bank envisions a sustainable achievement of the 3% target by the middle of 2019. 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, the EUR/HUF hovered around levels of 310.30 in early European trade, just off a 2-week high of 310.40 hit earlier in the session. In the local debt markets, Serbia's Public Debt Administration raised yesterday RSD 11.6296bn (~€ 0.0973bn) in 2-year T-Notes. The average accepted yield came in at 4.05% and the paper was sold at an average price of 98.9634. The security bears a 3.5% annual coupon and matures on October 26, 2019. The bid-to-cover ratio stood at 1.11 at yesterday's tender.

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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

October 25, 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	2569.13	0.2%	14.8%	EUR/USD	1.1766	0.0%	11.8%	UST - 10yr	2.42	0	-3	GOLD	1274	-0.2%	10.5%
Nikkei 225	21707.62	-0.4%	13.6%	GBP/USD	1.3119	-0.1%	6.2%	Bund-10yr	0.47	-1	26	BRENT CRUDE	58	0.3%	2.9%
STOXX 600	388.91	-0.1%	7.6%	USD/JPY	113.85	0.0%	2.8%	JGB - 10yr	0.07	0	2	LMEX	3300	0.7%	24.1%

CESEE MARKETS

SERBIA

Money Market

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.25	-1	-83
5Y RSD	4.69	0	-66
7Y RSD	5.00	-1	-63

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	0.90	-22	-143
USD Nov-24	6.35	1	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	-1	-78
10-year	177	-1	-79

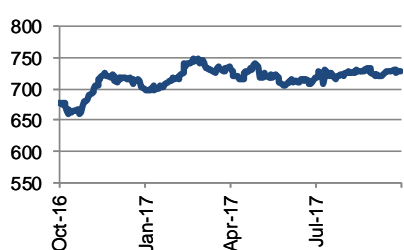
STOCKS

	Last	ΔD	ΔYTD
BELEX15	727.2	-0.15%	1.37%

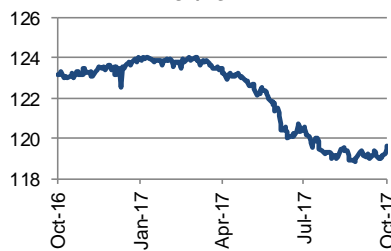
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.55	-0.07%	3.27%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.81	0	125
1-month	1.82	0	106
3-month	1.85	0	95
6-month	2.03	0	92
12-month	2.13	0	88

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.65	0	113
5Y RON	3.16	0	74
10Y RON	4.33	0	85

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-50
USD Jan-24	3.02	0	-87

CDS

	Last	ΔDbps	ΔYTD bps
5-year	98	0	-12
10-year	153	0	1

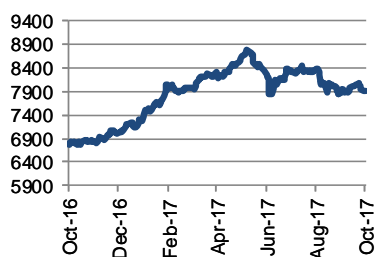
STOCKS

	Last	ΔD	ΔYTD
BET	7890.0	-0.01%	11.36%

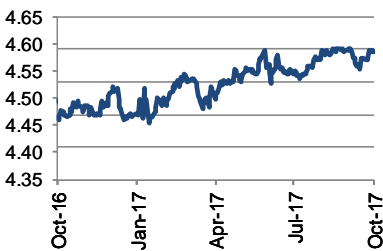
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5966	-0.02%	-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	-0.25	1	-41
5Y BGN	-0.02	0	-52
10Y BGN	1.01	0	-90

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	0	-74
EUR Sep-24	0.85	-12	-83

CDS

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

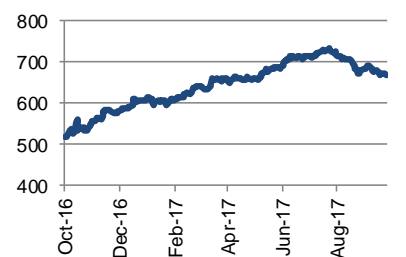
STOCKS

	Last	ΔD	ΔYTD
SOFIX	652.1	-0.07%	11.20%

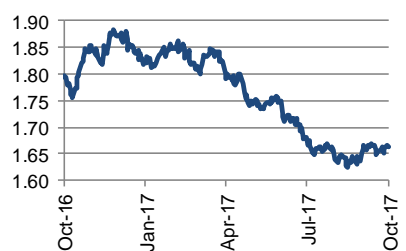
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6623	0.04%	11.80%

SOFIX Index



USD/BGN



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

Data updated as of 10:20 EEST

October 25, 2017

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