



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, October 27, 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: As expected, the ECB decided at yesterday's monetary policy meeting to keep its key interest rates stable and extend the APP programme by nine months to September 2018 at a reduced monthly volume of net purchases from €60bn to €30bn as of January 2018. On the back of subdued inflationary pressures, the ECB pledged for continued monetary policy accommodation, a message that was reinforced by the combination of five decisions: (i) the QE programme remained open-ended; (ii) the ECB retained its forward guidance on interest rates; (iii) the ECB committed to reinvest principal payments from maturing securities; (iv) the ECB reiterated its willingness to increase the volume of monthly net asset purchases and/or extend the duration of the programme, if needed; and (v) the ECB decided the extension of the fixed rate/full allotment procedure for MROs and 3M LTROs at least until the end of 2019. In reaction to the dovish tone of the ECB's policy outcome, German Bunds rallied and the EUR came under pressure across the board. On the flipside, the USD firmed on news that the House passed its budget resolution for FY-2018, paving the way for tax reform legislation. Looking at today's calendar, focus is on US Q3 GDP.

GREECE: The first round of discussions between the Greek authorities and the institutions' (EC/ECB/ESM/IMF) heads will be completed today in a positive overall climate. So far, reportedly 20 out of the 95 prior actions have been closed while a number of other issues has been agreed and will be implemented in the coming weeks. One of the sticking points at this stage appears to be the reform in the social safety system through the change in a number of benefits which is also dependent on the findings of the spending reviews that are underway. Meetings today will revolve around fiscal matters and the reforms in the energy and product markets.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Friday, as the positive impact from the ECB monetary policy meeting yesterday was overshadowed by the US dollar's strength that weighed on risky assets' high yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, the ECB decided at yesterday's monetary policy meeting to keep its key interest rates stable and to extend the APP programme by nine months to September 2018 at a reduced monthly volume of net asset purchases from €60bn to €30bn as of January 2018. Since the September ECB policy meeting the economy has retained a positive momentum but domestic price pressures remain muted overall. To this end, the ECB reiterated at the policy statement issued after the conclusion of the meeting that "very substantial degree of accommodation" is needed to support a self-sustained durable convergence of inflation to its inflation target. The ECB's pledge for continued monetary policy accommodation was reinforced by the combination of five decisions: (i) the QE programme remained open-ended; (ii) the ECB retained its forward guidance on interest rates confirming its expectation that policy rates will remain at current levels "for an extended period of time and well past the horizon of the asset purchases"; (iii) the ECB introduced a new guidance stating that it is committed to reinvest the principal payments from maturing securities purchases under the programme for an extended period of time after the end of its asset purchases and in any case for as long as necessary; (iv) the ECB reiterated its willingness to increase the volume of monthly net asset purchases and/or extend the duration of the programme in case of an upset in financial markets or a sharp deterioration in euro area economic conditions; and (v) the ECB decided the extension of the fixed rate/full allotment procedure for MROs and 3M LTROs at least until the end of 2019. In reaction to the overall dovish tone of the ECB's policy outcome, German Bunds rallied with the 10-yr yield hovering around 0.43% in European trade on Friday, within sight from yesterday's post-ECB one-week low close to 0.41%. In FX markets, the EUR came under pressure falling to a three-month low of 1.1630 against a broadly firmer USD today on news that the House passed its budget resolution for FY-2018, paving the way for tax reform legislation, due to be introduced next week. Increased worries over the prospect of further escalation of the political crisis in Spain, also weighed on the EUR. Looking at today's calendar, focus is on US Q3 GDP which is expected to grow by 2.6%QoQ annualized from 3.0% QoQ annualized in the prior quarter.

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GREECE

The first round of discussions between the Greek authorities and the institutions' (EC/ECB/ESM/IMF) heads will be completed today in a positive overall climate. So far, reportedly 20 out of the 95 prior actions have been closed while a number of other issues has been agreed and will be implemented in the coming weeks. With regard to the new assessment scheme for public sector employees, according to press reports, in Ministries around 80% of employees have participated in the process whereas in the broader public sector, and especially municipalities, the participation rate was as low as 20%. As regards the new mobility scheme for public sector employees, the technical infrastructure is in place and the new system is expected to be launched shortly. On the labour market reform front, the matter of adopting legislation to increase the quorum for first-degree unions to vote on a strike to 50 percent has reportedly been agreed. With regard to the electronic auctions platform, one of the key measures towards addressing the significant NPLs and strategic defaulters' problem, is expected to be launched on 29 November. One of the sticking points at this stage appears to be the reform in the social safety system through the change in a number of benefits (i.e. housing, educational, family, disability and transport), which is also dependent on the findings of the spending reviews that are underway. Therefore, according to reports, the matter will be discussed anew during the next visit of the institutions' heads in Athens in November. Meetings today will revolve around fiscal matters and the reforms in the energy and product markets.

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October 27, 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

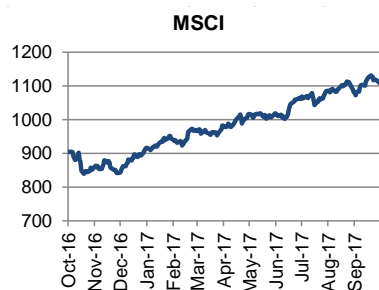
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets were mixed earlier on Friday, as the positive impact from the ECB monetary policy meeting yesterday was overshadowed by the US dollar's strength that weighed on risky assets' high yield allure. Against this backdrop, the MSCI Emerging Markets index traded modestly in the black earlier on the day. On the flipside, CESEE bourses moved mostly lower compared to Thursday's settlement. Bucking the negative trend were Poland's main WIG index and Turkey's BIST 100, which posted respective increases of 0.8% and 0.5% at the time of writing.

In FX markets, regional currencies remained under pressure earlier today against a stronger US dollar on the back of increased US tax reform optimism. The Turkish lira was amongst those most hit, with the USD/TRY reaching a 9-month high of 3.8422 in late Asian trade before pulling back towards 3.8155 in European markets. The Turkish currency has come under pressure since mid-September, weighed down by mounting political frictions with the US and increased expectations for another fed rate hike this year, which have dented risky assets' high yield allure. The Central Bank's (CBT) decision yesterday to stay on hold in its monetary policy - despite being largely anticipated - took a further toll on the TRY as headline inflation remains more than double the 5% medium-term target (at 11.2%YoY in September) and the corresponding core index hit a 13-year high last month, while recent economic activity data shows a robust recovery so far this year. In more detail, the benchmark 1-week repo rate stayed 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%. Casting a rather more hawkish tone, compared to September's meeting, the accompanying statement read that a tight stance will be "decisively" maintained until inflation displays a sustainable improvement and converges towards the Central Bank's targets. Turkish Economy Minister Nihat Zeybekci was quoted as saying to local media earlier today that the current weakening of the domestic currency should be treated as temporary, negating the prospect of Central Bank intervention.

In the local currency debt markets, long-term Turkish paper remained under pressure, with the benchmark 10-year yield rising by another 17bps to 11.76% following yesterday's 20bps advance. Paper of 2-year maturity recovered a small amount of yesterday's losses, with the yield falling by 4bps on the day, after a near 40bps increase in the prior session. Looking into the remainder of the day in the CESEE space, the calendar is relatively light. Ukraine's sovereign debt review by Fitch lures market attention.

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October 27, 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	2560.40	0.1%	14.4%	EUR/USD	1.1631	-0.2%	10.6%	UST - 10yr	2.46	0	2	GOLD	1267	0.0%	9.9%
Nikkei 225	22008.45	1.2%	15.1%	GBP/USD	1.3091	-0.5%	5.9%	Bund-10yr	0.43	1	22	BRENT CRUDE	59	0.1%	4.4%
STOXX 600	393.19	0.5%	8.8%	USD/JPY	114.2	-0.2%	2.5%	JGB - 10yr	0.07	0	3	LMEX	3303	-0.1%	24.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	1	-50
1-week	2.61	1	-56
1-month	2.81	0	-54
3-month	3.07	1	-40
6-month	3.25	0	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.12	0	-96
5Y RSD	4.53	0	-82
7Y RSD	4.99	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	0.73	-4	-160
USD Nov-24	6.36	0	-5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	-1	-78
10-year	176	-1	-79

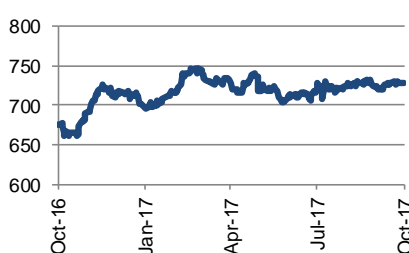
STOCKS

	Last	ΔD	ΔYTD
BELEX15	728.2	-0.04%	1.51%

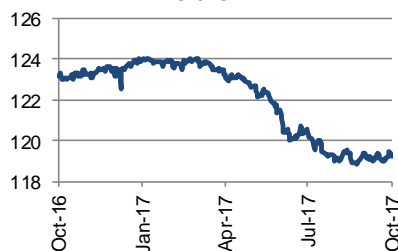
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.27	0.03%	3.51%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.89	0	133
1-month	1.84	0	108
3-month	1.87	0	97
6-month	2.04	0	93
12-month	2.13	0	88

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.65	0	113
5Y RON	3.17	0	75
10Y RON	4.36	0	88

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-46
USD Jan-24	3.10	2	-80

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	1	-11
10-year	154	1	1

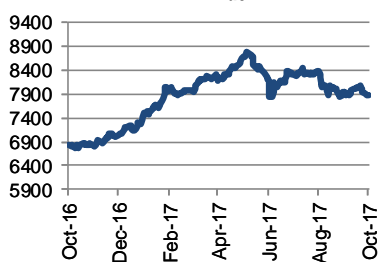
STOCKS

	Last	ΔD	ΔYTD
BET	7878.4	-0.01%	11.20%

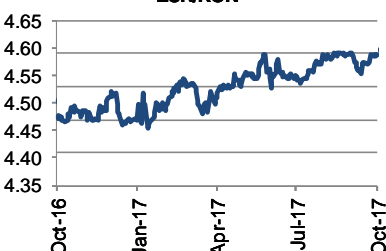
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5978	0.00%	-1.28%

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	-0.15	-2	-8
6-month	-0.04	0	-12
12-month	0.33	5	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.26	0	-41
5Y BGN	-0.03	0	-54
10Y BGN	0.96	0	-95

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.11	9	-76
EUR Sep-24	0.77	28	-91

CDS

	Last	ΔDbps	ΔYTD bps
5-year	99	1	-53
10-year	154	1	-40

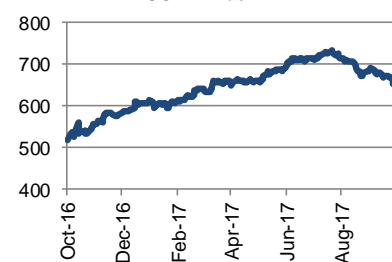
STOCKS

	Last	ΔD	ΔYTD
SOFIX	654.8	-0.17%	11.66%

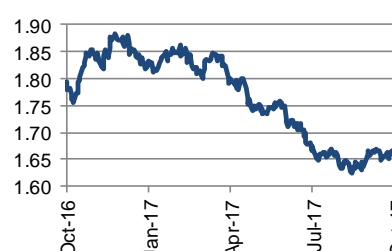
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6816	-0.18%	10.51%

SOFIX Index



USD/BGN



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

Data updated as of 10:55 EEST

October 27, 2017

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