



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, November 27, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Nov 27: New home sales (Oct)
- Nov. 28: CB consumer confidence (Nov)
- Nov 29
 - Q3 GDP (2nd estimate)
 - Pending home sales (Oct)
 - Fed's Beige Book
- Nov 30
 - Personal income & spending (Oct)
 - Initial jobless claims (weekly)
- Dec. 1
 - ISM manufacturing (Nov)
 - Auto sales (Nov)

EUROZONE

- Nov 28: M3, loans to the private sector (Oct)
- Nov. 29: Economic sentiment (Nov)
- Nov. 30
 - CPI (prel. Nov)
 - Unemployment rate (Oct)
- Dec. 1: PMI manufacturing (Nov)

GREECE

- Nov 30
 - PPI (Oct)
 - Retail Sales (Sep)

SEE

BULGARIA

- Nov 30:
 - Producer's Price Index (Oct)
 - Budget Balance (Oct)

ROMANIA

- Nov 29: Unemployment Rate (Oct)

SERBIA

- Nov 30:
 - Industrial Production (Oct)
 - Trade Balance (Oct)
 - Retail Sales (Oct)

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The EUR retained a firm tone in European trade on Monday supported by increased optimism over the prospects of the euro area economy and easing political jitters in Germany after the CDU/CSU Conservative Christian democratic political alliance reached an agreement with the Social Democrats (SPD) on Sunday to pursue a "grand coalition". Supported by the USD's broad-based weakness, the EUR/USD hit a fresh two-month high of 1.1957. Looking at this week's calendar, focus is on the 2nd estimate of US Q3 GDP and the Fed's Beige Book, both on Wednesday, while euro area inflation preliminary estimate for November is scheduled for Thursday. OPEC member states and up to 20 other oil producing countries will also meet on Thursday while the Senate's Banking Committee will hold the confirmation hearing for the nomination of Jerome Powell to be the next Chairman of the Fed.

GREECE: At the Euroworking Group that is scheduled to convene today the Greek government is expected to brief the European creditors on the progress of the 3rd programme review as well as the 2018 Budget, which is scheduled to be voted in Parliament on December 22nd. According to Greek and European sources, including ESM Managing Director Klaus Regling, a staff-level agreement at the December 4th Eurogroup is attainable while the formal closing of the review may take place at the January 22nd Eurogroup, opening the way for the disbursement of the next loan tranche in early 2018. The Governor of the Bank of Greece Yiannis Stournaras expressed the opinion that the stress tests for Greek banks will not result in the requirement for new capital increases.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities closed lower last week, while local currency and Eurobonds moved modestly.

SERBIA: The EURRSD remained bound within a 118.50 – 119.55 trading range in the past week

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November 27, 2017

Latest world economic & market developments

GLOBAL MARKETS

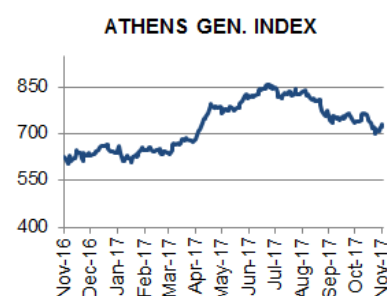
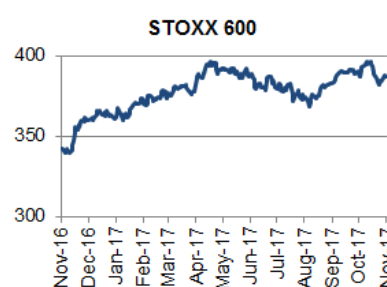
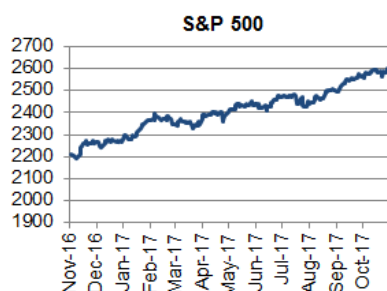
The EUR retained a firm tone in European trade on Monday supported by increased optimism over the prospects of the euro area economy on the back of a recovering labor market, healthy external demand, improving lending conditions and the ECB's accommodative monetary policy. Easing political jitters in Germany after the Conservative Christian democratic political alliance consisting of Angela Merkel's centre-right Christian Democratic Union (CDU) and the Bavarian sister-party Christian Social Union (CSU) reached an agreement with the Social Democrats (SPD) on Sunday to pursue a "grand coalition", also helped the common currency. Supported by the USD's broad-based weakness amid concerns about the ability of the Fed to push much higher interest rates after December where a 25bps hike is fully priced-in as well as uncertainty over the prospects of the US tax reform plan, the EUR/USD hit a fresh two-month high of 1.1957 earlier in European trade while a sustained move above 1.1965 strong resistance could open the way for further gains towards this year's high at 1.2092. Looking at this week's calendar for the euro area, focus is on Thursday's inflation preliminary estimate for November, which is unlikely to alter the scenario we have been experiencing for a number of months of a positive growth outlook and continued price pressures. Turning to the US, this week's highlights include the 2nd estimate of Q3 GDP and the Fed's Beige Book, both scheduled for Wednesday, while October personal income and spending data are due on Thursday. OPEC member states and up to 20 other oil producing countries will also meet on Thursday where consensus is for a further extension of the production cut. On the same day, the Senate's Banking Committee will hold the confirmation hearing for the nomination of Jerome Powell to be the next Chairman of the Fed, expected to continue Yellen's gradual and cautious approach to tightening monetary policy.

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GREECE

At the Euroworking Group that is scheduled to convene today the Greek government is expected to brief the European creditors on the progress of the 3rd programme review as well as the 2018 Budget, which is scheduled to be voted in Parliament on December 22nd. According to Greek and European sources, including ESM Managing Director Klaus Regling, a staff-level agreement at the December 4th Eurogroup is attainable, while the formal closing of the review may take place at the January 22nd Eurogroup, opening the way for the disbursement of the next loan tranche in early 2018. Meanwhile, the notaries' associations are convening later today to decide on whether to continue or cancel the abstention from their duties, which will allow electronic auctions to commence on 28 November as planned. As regards the Hellinikon concession, according to press reports, the Central Administration Council is currently preparing the presidential decree, which will describe in detail the Integrated Development Plan for the project. The presidential decree will then have to be approved by the Council of State and signed by the President of the Hellenic Republic. In other news, the Governor of the Bank of Greece Yiannis Stournaras expressed the opinion that the stress tests for Greek banks, scheduled to begin in February 2018, will not result in the requirement for new capital increases on the following arguments: 1) the macroeconomic assumptions under which the 2015 stress tests were conducted proved out to be too pessimistic and this time round the SSM will adopt milder assumptions, 2) Greek banks have so far successfully carried out the best part of their commitments to the SSM and have re-established their access to the financial markets through the issuance of covered bonds and the opening of the repos market, and 3) the targets for the decrease of NPLs have so far been met while now banks are even better equipped to handle this problem through the utilisation of the out-of-court workout mechanism and the electronic auctions.

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Source: Reuters, Bloomberg, Eurobank Research

November 27, 2017

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

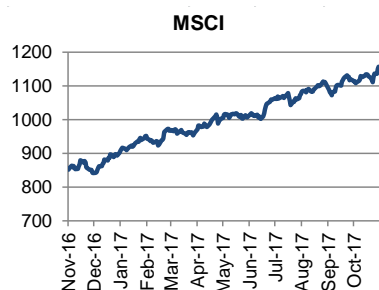
ROMANIA: Indicator:	2015	2016	2017f
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* 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

The Bulgarian equities dropped modestly last week, with the blue chip SOFIX ending 0.35% lower on a weekly basis at 666.54 points on Friday. Moreover, trading volume was comparatively low ending at €2.8mn, hinting at the upcoming holiday season. Local currency bonds and Eurobonds also moved modestly with the local papers with 2028 and 2035 tenor dropping by 2 bps, while only the 8 year tenor of the Eurobond made a notable movement, increasing by 5 bps.

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SERBIA

Dinar staged some losses this week trimming around 0.85% of its value. The National bank of Serbia eased the selling pressure out of dinar by intervening with EUR30mn on Thursday. However, bullish sentiment is very much alive as attempts of reaching new highs occurred during Friday session. Two reasons lie behind this volatility seen a week ago. Firstly, the long awaited year-end demand from the corporate sector and second, the increased volatility on RSD denominated T-bond market which is mostly coming from abroad thus generating buying pressure on dinar. Based on the inflation survey for October, the financial sector foresees no mid-term rally in inflation. Both the financial and corporate sectors expect inflation in October to be at 3% YoY and 3.5% YoY respectively. According to the statistical office, the net wage increased by a real 0.7% YoY in October, following a 0.4% YoY in the month before. On a monthly basis, the average net wage was 3.0% lower in real terms in October, after rising by 2.0% in September, the data showed.

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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	2602.42	0.2%	16.2%	EUR/USD	1.1927	-0.1%	13.4%	UST - 10yr	2.34	0	-10	GOLD	1292	0.2%	12.1%
Nikkei 225	22495.99	-0.2%	17.7%	GBP/USD	1.3334	0.0%	7.9%	Bund-10yr	0.36	-1	15	BRENT CRUDE	64	-0.3%	12.0%
STOXX 600	386.63	-0.1%	7.0%	USD/JPY	111.33	0.2%	5.1%	JGB - 10yr	0.04	1	0	LMEX	3289	0.6%	23.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	0	-55
1-month	2.80	0	-55
3-month	3.06	0	-41
6-month	3.22	0	-44

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.10	-1	-98
5Y RSD	4.50	0	-86
7Y RSD	4.88	0	-75

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.94	0	-126
USD Nov-24	6.03	-31	-23

CDS

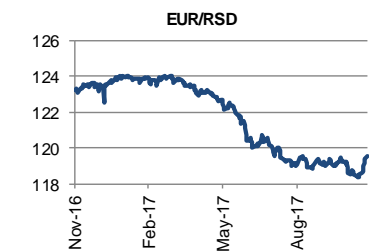
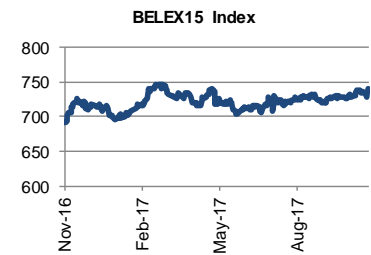
	Last	ΔDbps	ΔYTD bps
5-year	125	-1	-82
10-year	169	-2	-87

STOCKS

	Last	ΔD	ΔYTD
BELEX15	739.4	0.44%	3.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.34	0.73%	3.45%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.16	0	160
1-month	2.17	0	141
3-month	2.19	0	129
6-month	2.3	0	119
12-month	2.35	0	110

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	190
5Y RON	3.74	0	132
10Y RON	4.51	0	104

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.62	#N/A	N/A
USD Jan-24	3.14	0	-75

CDS

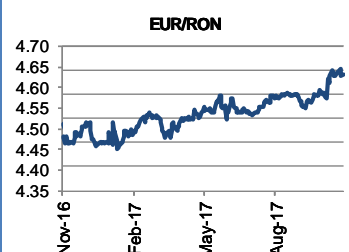
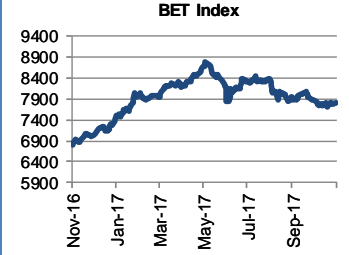
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-11
10-year	154	0	1

STOCKS

	Last	ΔD	ΔYTD
BET	7793.5	0.14%	10.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6406	-0.03%	-2.19%



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

	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.26	2	-42
5Y BGN	-0.05	1	-55
10Y BGN	0.92	0	-99

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	0	-87
EUR Sep-24	0.01	-1	-167

CDS

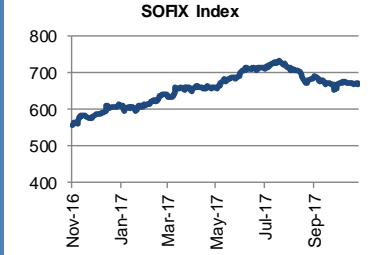
	Last	ΔDbps	ΔYTD bps
5-year	96	0	-56
10-year	138	-2	-56

STOCKS

	Last	ΔD	ΔYTD
SOFIX	667.4	0.00%	13.80%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6398	-0.04%	13.33%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:30 EST

November 27, 2017

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