

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Oct 30: Personal income & spending (Sep)
- Nov 1
 - ADP employment report (Oct)
 - ISM index manufacturing (Oct)
 - FOMC meeting
- Nov 2: Jobless claims (weekly)
- Nov 3
 - Non-farm payrolls (Oct)
 - ISM index non-manufacturing (Oct)
 - Trade Balance (Sep)

JAPAN

- Oct 31: BoJ MPC decision

EUROZONE

- Oct 30
 - Economic sentiment indicator (Oct)
 - DE: Retail sales (Sep)
- Oct 31
 - GDP (Q3, flash)
 - CPI (Oct, prel.)
 - U/E rate (Sep)
- Nov 2: PMI manufacturing (Oct, final)

GREECE

- Oct 30: Economic Sentiment (Oct)
- Oct 31: Retail sales (Aug)
- Nov 1: PMI manufacturing (Oct)

SEE

BULGARIA

- Oct 31 – Nov 3: Budget balance (Sep)

ROMANIA

- Oct 31: ILO U/E rate (Sep)
- Nov 1: International Reserves (Oct)

SERBIA

- Oct 31
 - Industrial output (Sep)
 - Trade balance (Sep)
 - Retail sales (Sep)
 - GDP (Q3, p)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In FX markets, the EUR/USD remained under pressure as President Mario Draghi's dovish tone at last week's ECB post-meeting press conference and increased market optimism on US President Donald Trump's tax reform plan continued to weigh. Meanwhile, tensions in Spain are on the rise. German Bund yields remained on a downward trend while US Treasury yields also moved lower in European trade on market talk that Fed Governor Jerome Powell is the most likely US President's choice for the new Fed Chair nominee. Looking at this week's calendar, the main highlights in the US include Friday's non-farm payrolls for October while the Fed's two-day meeting, which concludes on Wednesday, is unlikely to be a market mover. In the Euro area focus is on Tuesday's preliminary inflation data for October and the Q3 GDP flash estimate. In the UK, Thursday's BoE meeting takes centre stage as the Central Bank is expected to deliver a rate hike for the first time in more than a decade.

GREECE: According to sources both from the Greek government and the institutions (EC/ECB/ESM/IMF), the 1st round of talks in the context of the 3rd programme review was conducted in a collaborative spirit in spite of delays in a number of prior actions and discord in various issues. The European Commission's mission chief to Greece, Declan Costello, reportedly claimed during a briefing to EU ambassadors that the Greek government is cooperating with the institutions, the IMF has not raised any hindrances and the target is to have the review completed by year end.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities closed lower last week, while local currency bonds ended mixed and Eurobonds showed little change.

SERBIA: Following a short-lived recovery to a high of 119.50, the EUR/RSD resumed its down-move later last week.

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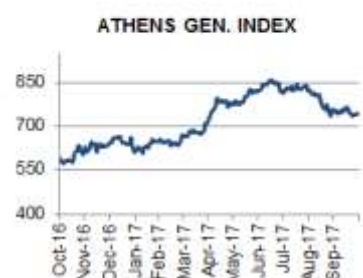
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Latest world economic & market developments

GLOBAL MARKETS

In FX markets, the EUR/USD remained under pressure in European trade on Monday hovering around 1.1625/28 at the time of writing, not far from Friday's three-month intraday low of 1.1573 as President Mario Draghi's dovish tone at last week's ECB post-meeting press conference and increased market optimism on US President Donald Trump's tax reform plan after the US House approved the Senate budget resolution late last week, continued to weigh. Meanwhile, tensions in Spain are on the rise after the Catalan Parliament voted in favor of a unilateral declaration of independence on Friday and the Spanish Senate approved a day later the activation of Article 155 which effectively allows the central government to take control of the administrative, economic and budgetary functions of the region. Against this background, German Bund yields remained on a downward trend with the 2-yr Schatz yielding levels within sight from Friday's -0.77% multi-week intraday low after rising to multi-session highs of -0.69% mid last week, ahead of the ECB policy meeting. Along similar lines, the 2-yr US Treasury yield retreated from Friday's 1.64% nine-year high in the wake of firmer than expected US Q3 GDP data to levels around 0.59% in European trade today in reaction to the latest developments in Spain and market rumours that Fed Governor Jerome Powell who is deemed as less hawkish than academic John Taylor, is the most likely US President's choice for the new Fed Chair nominee. Looking at this week's calendar, the main highlights in the US include Friday's non-farm payrolls for October while the Fed's two-day meeting, which concludes on Wednesday, is unlikely to be a market mover. The Fed is expected to stay put on interest rates leaving open the prospect of a rate hike in December while there will not be a press conference and updated staff projections. In the euro area focus is on Tuesday's preliminary inflation data for October and the Q3 GDP flash estimate. In the UK, Thursday's BoE meeting takes centre stage as the Central Bank is expected to deliver a rate hike for the first time in more than a decade.

ppetropoulou@eurobank.gr



Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to sources both from the Greek government and the institutions (EC/ECB/ESM/IMF), the 1st round of talks in the context of the 3rd programme review was conducted in a collaborative spirit in spite of delays in a number of prior actions and discord in various issues. The European Commission's mission chief to Greece, Declan Costello, reportedly claimed during a briefing to EU ambassadors that the Greek government is cooperating with the institutions, the IMF has not raised any hindrances and the target is to have the review completed by year end. With regard to the IMF's role in the programme, he noted that the Fund will participate with funds in the programme when Greece's public debt will have been rendered sustainable, which will happen by June 2018. Meanwhile, on the subject, IMF's Alternate Executive Director Michalis Psalidopoulos, stated in an interview that the disagreement between the European partners and the IMF concerns primarily the extent of debt relief and that the Fund is currently requesting the parametric data that will be plugged into its debt calculation model so that it can determine whether Greek public debt will be sustainable. He added that among the solutions being examined for debt relief are: the extension of loan maturities, the consolidation of debt under lower interest rates, the smoothening out of payments and the linking of debt repayment to the GDP growth rate.

andimitriadou@eurobank.gr

October 30, 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

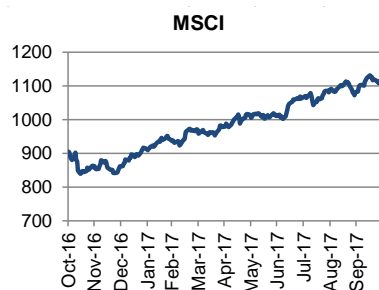
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Bulgarian equities closed lower last week, with the main SOFIX index ending at 665.73 points on Friday, marking a 0.31% weekly drop. Meanwhile, the total trading volume remained relatively weak, coming in slightly above €2mn for the week. Local currency bonds were mixed, with the yields of 7 and 9 year tenors falling by 9.5 and 8 bps compared to the prior week's settlement, while the 8 year tenor registered a 5 bps increase. Moreover, the Ministry of Finance held a government bond auction early last week, offering 7.5 year notes totaling BGN 80mn in value. Elsewhere, Eurobonds showed little change during the past week, with the highest change displayed in 2028 paper, which dropped by 2 bps.

RSRaychev@postbank.bg

SERBIA

Following a short-lived recovery to a high of 119.50, the EUR/RSD resumed its down-move later last week. Muted demand for hard currency continued to weigh on the EUR causing a minor correction on the pair. Additionally, a more-dovish-than-expected message from the ECB President on Thursday's press conference also contributed to the dinar's strength over the last few days. At the same time, RSD-denominated 7-year and 2-year T-bond auctions held last week resulted in a 60 basis points drop in each yield, in a possible reflection of investors' positive perspectives over the country's prospects next year, despite weaker than earlier anticipated growth for 2017. All in all, the EUR/RSD remains comfortably range-bound between 119.00 – 119.80 appearing to lack impetus to break either side of the said range.

Zoran.Korac@eurobank.rs

October 30, 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	2581.07	0.8%	15.3%	EUR/USD	1.1639	0.3%	10.6%	UST - 10yr	2.40	-1	-5	GOLD	1271	-0.2%	10.3%
Nikkei 225	22011.67	0.0%	15.2%	GBP/USD	1.3163	0.2%	6.5%	Bund-10yr	0.38	0	17	BRENT CRUDE	61	0.2%	6.6%
STOXX 600	393.32	0.0%	8.8%	USD/JPY	113.61	0.1%	3.0%	JGB - 10yr	0.07	0	2	LMEX	3245	-1.8%	22.0%

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	0	-54
3-month	3.06	-1	-41
6-month	3.25	0	-41

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.03	-1	-101
5Y RSD	4.52	0	-83
7Y RSD	4.99	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	1.20	57	-114
USD Nov-24	6.37	3	-5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	0	-78
10-year	176	0	-79

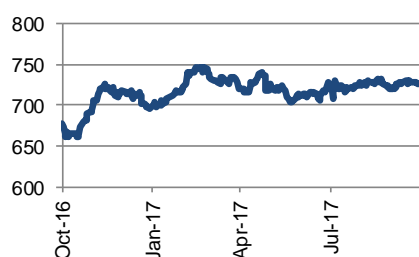
STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.5	0.06%	1.27%

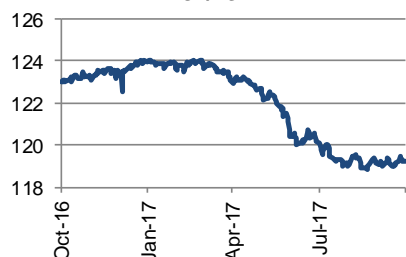
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.28	0.17%	3.50%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.85	2	129
1-month	1.85	2	109
3-month	1.87	-1	97
6-month	2.02	-1	91
12-month	2.12	-1	87

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.65	0	113
5Y RON	3.17	0	75
10Y RON	4.36	0	89

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-46
USD Jan-24	3.09	0	-80

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	1	-10
10-year	155	1	3

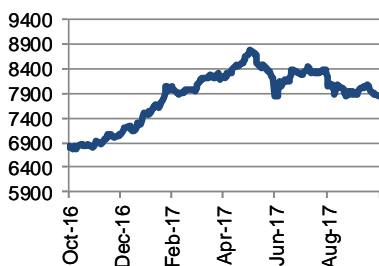
STOCKS

	Last	ΔD	ΔYTD
BET	7841.1	-0.21%	10.67%

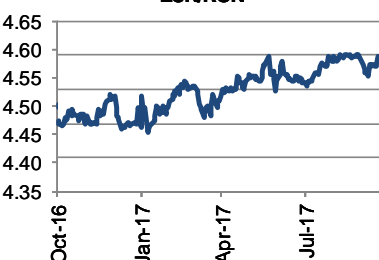
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5993	0.14%	-1.31%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.23	-1	-7
3-month	-0.14	0	-7
6-month	-0.04	0	-12
12-month	0.33	0	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.25	2	-40
5Y BGN	-0.05	0	-55
10Y BGN	0.99	0	-92

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.05	35	-82
EUR Sep-24	0.81	0	-87

CDS

	Last	ΔDbps	ΔYTD bps
5-year	100	1	-52
10-year	155	1	-39

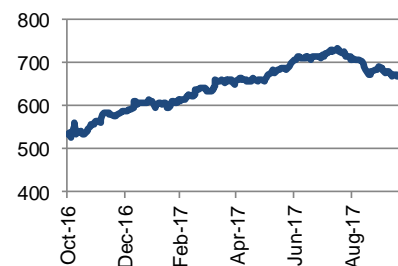
STOCKS

	Last	ΔD	ΔYTD
SOFIX	668.0	0.35%	13.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6805	0.26%	10.59%

SOFIX Index



USD/BGN



October 30, 2017

Contributors

Paraskevi Petropoulou

Economic Analyst, Eurobank Ergasias

+30 210 3718991

ppetropoulou@eurobank.gr
Galatia Phoka

Research Economist, Eurobank Ergasias

+30 210 3718922

gphoka@eurobank.gr
Ioannis Gkionis (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3337305

igkionis@eurobank.gr
Anna Dimitriadou

Economic Analyst, Eurobank Ergasias

+30 210 3718793

andimitriadou@eurobank.gr
Olga Kosma (Special Contributor)

Research Economist, Eurobank Ergasias

+30 210 3371227

okosma@eurobank.gr
Theodoros Stamatou (Special Contributor)

Senior Economist, Eurobank Ergasias

+30 210 3371228

tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva

Expert, trading desk, Eurobank Bulgaria

+359 (2) 8166 491

vboteva@postbank.bg
Zoran Korac

FX dealer, Eurobank ad Beograd

+381 11 206 5821

zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, +30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, +30 210 3371207
Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobanKEA_FMR@eurobank.gr

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