

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 31, 2017

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: The USD was little changed on the day but still below recent multi-month highs as investors turned more cautious on news that two former Donald Trump aides were charged with tax fraud and money laundering by federal investigators who are probing Russian interference in the 2016 US election. Market talk that US President Donald Trump is leaning towards Federal Reserve Governor Jerome Powell, who is viewed as more dovish than other candidates, for the post of the next head of the Fed, also did not favor the US currency. Elsewhere, US and Eurozone government bond yields moved lower while in the EMU periphery, Italy and Spain were among the main outperformers. Looking at today's macro data releases, focus is on the flash estimate for the euro area's October inflation as well as the preliminary euro area Q3 GDP estimate.

GREECE: According to the Greek Tourism Confederation (SETE), international arrivals at Greece's main airports in September 2017 increased by +8.6%. According to the European Commission Business and Consumer Survey Results the Economic Sentiment Indicator for October 2017 dropped after four consecutive monthly increases to 98.3 from 100.6 in September.

SOUTH EASTERN EUROPE

ROMANIA: The ruling PSD party leader, Mr. Dragnea, announced that next year's budget plan would be presented to the Parliament in November, and it could be approved at the end of this month or in early-December.

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Latest world economic & market developments

GLOBAL MARKETS

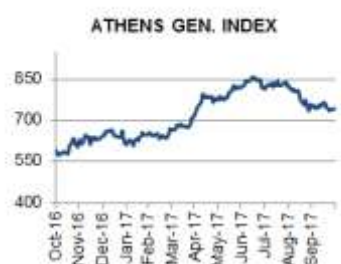
The USD was little changed on the day but still below recent multi-month highs as investors turned more cautious on news that two former Donald Trump aides, campaign chairman Paul Manafort and campaign adviser Rick Gates, were charged with tax fraud and money laundering by federal investigators who are probing Russian interference in the 2016 US election. Market talk that US President Donald Trump is leaning towards Federal Reserve Governor Jerome Powell, who is viewed as more dovish than other candidates, for the post of the next head of the Fed, also did not favor the US currency. The DXY index was hovering around 94.560 at the time of writing in European trade on Tuesday, almost unchanged compared to Monday's settlement and 0.6% lower from Friday's three-month peak. Elsewhere, the USD/JPY hit multi-session lows slightly below 113.00 earlier today with the JPY shrugging off the BoJ monetary policy announcement. In line with market expectations, the BoJ decided to keep its monetary policy steady maintaining the view that inflation will hit the 2% target by March 2020. Elsewhere, US government bonds were firmer capitalizing on Wall Street's losses overnight on the back of weaker than expected corporate earnings results and newswires suggesting that US lawmakers are discussing a five-year phase-in period to lower the corporate tax rate to 20% by 2022. Short-dated notes outperformed with the 5-yr yield falling close to a multi-session low of 1.99% earlier today, c. 8.5bps lower from last week's seven-month peak. Along these lines, Eurozone government bonds extended their recent rally as the more dovish than expected President Mario Draghi's tone at last week's ECB post-meeting press conference continued to have an impact. In the EMU periphery, Italy was among the main outperformers in the wake of last week's S&P sovereign credit rating upgrade from BBB- stable to BBB stable while Spain also fared well following an opinion poll suggesting waning support for Catalan separatists ahead of the December 21st snap regional election. Looking at today's macro data releases, focus is on the flash estimate for the euro area's October inflation as well as the preliminary euro area Q3 GDP estimate.

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GREECE

According to the Greek Tourism Confederation (SETE), international arrivals at Greece's main airports in September 2017 increased by +8.6%, reinforcing the view for a very good tourism season which will support GDP growth in 2017. According to the Bank of Greece, on 26 October 2017, the ECB Governing Council did not object to an ELA-ceiling for Greek banks of EUR 28.6 billion. The reduction by EUR 4 billion in the ceiling reflects an improvement in the liquidity situation of Greek banks which is attributed to account flows stemming from private sector deposits and from the banks' access to wholesale financial markets. According to the European Commission Business and Consumer Survey Results the Economic Sentiment Indicator for October 2017 dropped after four consecutive monthly increases to 98.3 from 100.6 in September. Confidence contracted in industry (-4 points), services (-0.9 points), construction (-7.8 points) and among consumers (-0.3 points) but increased in retail (+2 points).

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Source: Reuters, Bloomberg, Eurobank Research

October 31, 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

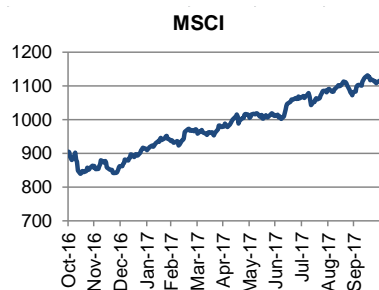
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The ruling PSD party leader, Mr. Dragnea, announced that next year's budget plan would be presented to the Parliament in November, and it could be approved at the end of this month or in early-December. The announcement came in the aftermath news about a set of further fiscal easing measures for 2018 a few days ago. However, the government has yet to announce next year's fiscal parameters raising fresh concerns on the predictability of fiscal policies' implementation and may put the government on a collision course with EU institutions. On the data front, the consolidated government deficit in cash terms came in at 0.8% of GDP in 9M-2017 vs. 0.5% in 9M-2016 on the back of generous public wage (+21.6% YoY vs. FY target of 12% YoY) and pension hikes. The adopted corrective fiscal measures (reintroduction of excise fuel taxes – additional dividends from state-owned enterprises-postponement of an additional 10% pension hike) plus the under execution of the public investments program will most probably maintain fiscal deficit close to but still above the EU threshold of 3% of GDP in 2017. Nevertheless, the recently announced additional fiscal easing measures for 2018 (PIT rate from 16% to 10%, mandatory Pillar II contributions from 5.1% to 3.7% of gross wage) may put further pressure on the budget deficit if additional credible corrective measures are not announced. In any case, the political tensions within the ruling party PSD which culminated in the recent cabinet reshuffle plus policy inconsistency stemming from unanchored fiscal policies cast shadows on the macro-outlook.

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October 31, 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	2572.83	-0.3%	14.9%	EUR/USD	1.1637	-0.1%	10.6%	UST - 10yr	2.36	-1	-8	GOLD	1276	0.0%	10.8%
Nikkei 225	22011.61	0.0%	15.2%	GBP/USD	1.3213	0.0%	6.9%	Bund-10yr	0.37	0	16	BRENT CRUDE	61	-0.2%	7.0%
STOXX 600	393.91	0.1%	9.0%	USD/JPY	113.16	0.0%	3.4%	JGB - 10yr	0.07	0	3	LMEX	3253	0.3%	22.3%

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	4.02	#N/A N/A	-101
5Y RSD	4.52	0	-84
7Y RSD	4.92	-3	-71

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	0.69	-27	-162
USD Nov-24	6.34	0	-8

CDS

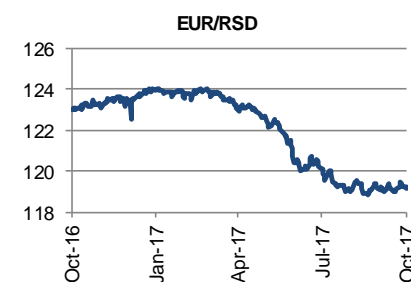
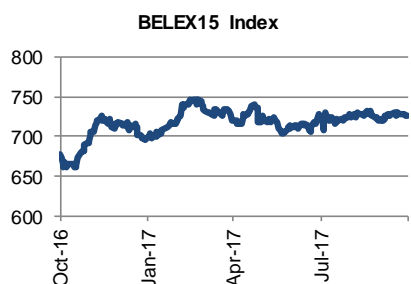
	Last	ΔDbps	ΔYTD bps
5-year	130	0	-78
10-year	176	0	-79

STOCKS

	Last	ΔD	ΔYTD
BELEX15	726.2	0.01%	1.23%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.19	0.07%	3.58%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.85	0	129
1-month	1.85	0	109
3-month	1.87	0	97
6-month	2.02	0	91
12-month	2.12	0	87

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	2.63	0	111
5Y RON	3.15	0	73
10Y RON	4.33	0	86

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	0	-46
USD Jan-24	3.08	0	-81

CDS

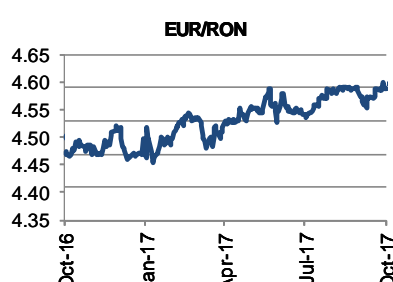
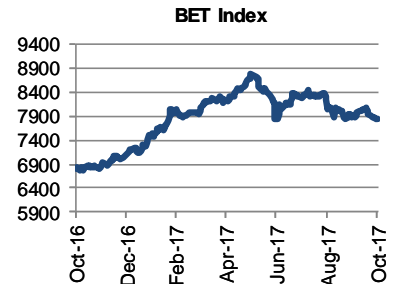
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-9
10-year	155	0	3

STOCKS

	Last	ΔD	ΔYTD
BET	7833.1	-0.16%	10.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5981	0.02%	-1.29%



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	-0.26	-2	-41
5Y BGN	-0.05	0	-55
10Y BGN	0.95	0	-96

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.12	-31	-75
EUR Sep-24	0.84	-22	-84

CDS

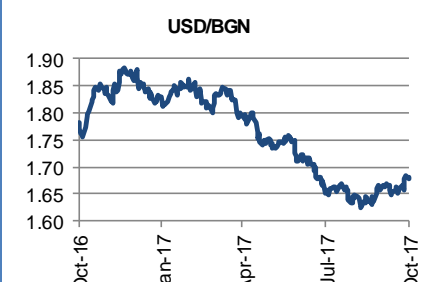
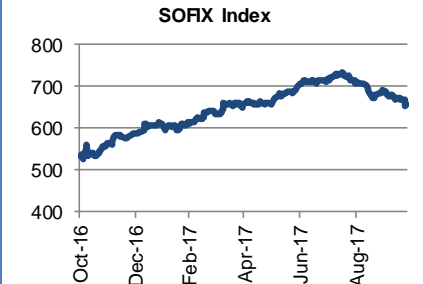
	Last	ΔDbps	ΔYTD bps
5-year	100	0	-52
10-year	155	0	-39

STOCKS

	Last	ΔD	ΔYTD
SOFIX	670.0	0.64%	14.25%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6808	-0.11%	10.57%



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

Data updated as of 9:50 EST

October 31, 2017

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