

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- Oct 7-9: IMF/World Bank annual meeting

US

- Oct 3: ISM manufact/g (Sep)
- Oct 5
 - ADP report (Sep)
 - Trade balance (Aug)
 - ISM non- manufact/g (Sep)
 - Factory orders (Aug)
- Oct 6: Jobless claims (weekly)
- Oct 7
 - NFP (Sep)
 - U/E rate (Sep)
 - Average hourly earnings (Sep)

EUROZONE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 5: PMI non- manufact/g (Sep, f)
- Oct 6: ECB Sept 8 meeting minutes
- Oct 7: ECB's Draghi, Coeure speak at IMF/World Bank meeting in Washington
- Oct 8: ECB's Draghi, Mersch

GREECE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 6: U/E rate (Jul)

CYPRUS

- Oct 6: CPI (Sep)

SEE

BULGARIA

- Oct 7
 - Retail sales (Aug)
 - Industrial production (Aug)

ROMANIA

- Oct 3: International reserves (Sep)
- Oct 5: Retail sales (Aug)
- Oct 6: 3.65% 2031 T-Bonds auction
- Oct 7
 - Net wages (Aug)
 - GDP (Q2, f)
 - Sovereign credit review by Moody's

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity indices retreated on Wednesday, snapping a six-day winning streak, on concerns that the ECB is moving towards a tapering of its asset purchase program. German 10yr Bund yield increased to an almost two-week high of -0.043% in Asian trade today, before retreating to around -0.055% in European trade at the time of writing. In FX markets, the US dollar strengthened yesterday against its major currency peers supported by hawkish comments by a number of Fed officials. Richmond Fed President Jeffrey Lacker argued in favor of raising interest rates in the foreseeable future so as to keep inflationary pressures under control. In this context, the DXY dollar index increased at a two-month high of 96.442 on Tuesday, before slipping slightly around 96.020 in European trade today. Moreover, the GBP/USD hit a new 31-year low of 1.2686 earlier today, on concerns about a "hard" Brexit scenario. The data calendar is relatively light today though US ADP employment report and ISM manufacturing for September will be worth watching.

GREECE: In its World Economic Outlook report, October 2016, the IMF envisages for Greece real GDP growth +0.1% for 2016 and +2.8% for 2017 (the respective figures in the draft Budget 2017 are -0.3% and +2.7%) while unemployment is forecast at 23.3% in 2016 and 21.5% in 2017. According to preliminary data from the General Secretariat of Public Revenue, ordinary budget revenues outperformed the target by €809mn in September 2016 and by €1.36bn for the period January – September 2016. With regard to the pending actions for the release of the remaining €2.8bn ESM loan sub-tranche, the bill for the legal framework of the Hellenic Civil Aviation Authority (HCAA) was submitted to Parliament late last night.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets came under pressure on Wednesday amid worries about the prospect of less ECB stimulus.

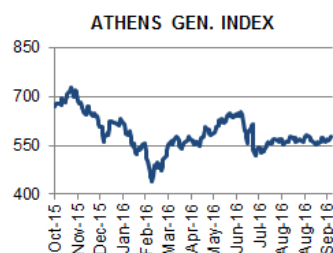
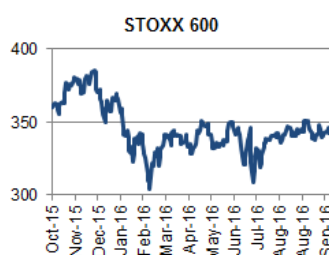
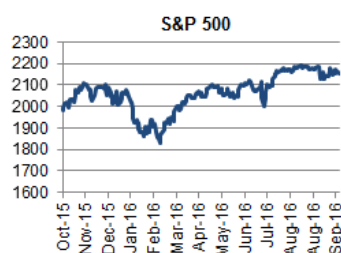
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October 5, 2016

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major European equity indices retreated on Wednesday, snapping a six-day winning streak, on concerns that the ECB is moving towards a tapering of its asset purchase program. More specifically, a media report highlighted that the ECB would gradually cut down its €80bn monthly asset purchases volume before ending them in March 2017, citing unnamed ECB Governing Council members. Against this background, German 10yr Bund yield increased to an almost two-week high of -0.043% in Asian trade today, before retreating to around -0.055% in European trade at the time of writing. Taking their cue from German Bunds, 10yr US Treasuries declined with the respective yield rising near a two-week high of 1.6920% yesterday, before falling below 1.68% in European trade on Wednesday. In FX markets, the US dollar strengthened yesterday against its major currency peers supported by hawkish comments by a number of Fed officials. Richmond Fed President Jeffrey Lacker argued in favor of raising interest rates in the foreseeable future so as to keep inflationary pressures under control, following Cleveland Fed President Loretta Mester's comments two days ago that strengthened the case even for a November interest rate hike, six days before the US presidential elections. In this context, the DXY dollar index increased at a two-month high of 96.442 on Tuesday, before slipping slightly around 96.020 in European trade today. Moreover, the GBP/USD hit a new 31-year low of 1.2686 earlier today, on concerns about a "hard" Brexit scenario. The data calendar is relatively light today though US ADP employment report and ISM manufacturing for September will be worth watching.

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GREECE

In its World Economic Outlook report, October 2016, the IMF envisages for Greece real GDP growth +0.1% for 2016 and +2.8% for 2017 (the respective figures in the draft Budget 2017 are -0.3% and +2.7%) while unemployment is forecast at 23.3% in 2016 and 21.5% in 2017. With regard to Greece's public debt, Mr. Obstfeld Economic Counsellor and Director of Research at the IMF, reportedly commented that all sides must work on solutions towards a realistic fiscal plan for Greece that will include politically sustainable primary surpluses. He added that debt needs to be rendered sustainable in the long term otherwise "we are just kicking the can down the road". The financial participation of the IMF in Greece's new economic adjustment programme is reportedly expected to be discussed on the sidelines of the IMF's Annual Meetings in Washington later this week, which a number of Greek officials plan to attend, including Minister and Alternate Minister of Finance Messrs. Tsakalotos and Chouliarakis. According to preliminary data from the General Secretariat of Public Revenue, ordinary budget revenues outperformed the target by €809mn in September 2016 and by €1.36bn for the period January – September 2016. The main reasons for this development were: the increase in transactions with plastic money – it is estimated that such transactions rose by 50% in 2016 compared to the previous year, the lump sum payment of the first installment of the property tax (ENFIA) by many taxpayers and the rigorous inspections by tax authorities at tourist destinations during August. With regard to the pending actions for the release of the remaining €2.8bn ESM loan sub-tranche, the bill for the legal framework of the Hellenic Civil Aviation Authority (HCAA) was submitted to Parliament late last night. Meanwhile, speaking to the European Parliament, the Commissioner for Economic and Financial Affairs, Pierre Moscovici, reportedly stated that the 2nd programme review could be completed by mid-November opening the way for a number of positive developments for the Greek economy and urged Greek officials to speed up their efforts towards this goal.

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BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

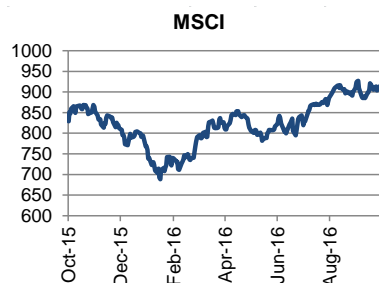
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets came under pressure on Wednesday amid worries about the prospect of less ECB stimulus. The news comes at a time when the Fed appears poised to hike interest rates this year, with risky assets being most vulnerable to higher US/euro area yields. That said, a rally in crude oil prices over the last few days, provided some support to the assets of oil-exporting countries. Along these lines, the MSCI Emerging Markets index was in a modestly negative territory in Asian markets following a cumulative rise of 1.3% over the prior two sessions. Elsewhere, the majority of regional bourses also retreated moderately in early European trade, with Serbia's main BELEX15 index bucking the negative trend to stand 0.7% higher compared to Tuesday's settlement.

In FX markets, the Turkish lira remained under pressure earlier today with its losses exacerbated by idiosyncratic factors. In its medium-term economic programme unveiled yesterday, the government revised lower its economic growth forecasts for this year and the next to 3.2% and 4.4% from 4.5% and 5.0% before. Adding to the lira's woes was escalating domestic political noise following news that the government extended a period of emergency for the country as well as its purge of officials after July's failed coup. Turkish authorities reportedly suspended yesterday 13k police officers, detained more than 30 air force officers and shut down a TV station. Earlier in the week, easing inflation data for September added to the view for further Central Bank monetary easing ahead taking a toll on the domestic currency. In this context, the USD/TRY was hovering around levels of 3.0605 at the time of writing, not too far from a 2-1/2-month peak of 3.0650 hit intraday on Tuesday.

In LATAM, Argentina opened today books of dual-tranche 7- and 12-year EUR-denominated benchmark government bonds, marketed at 4.5% and 5.625% respectively. Looking into the regional calendar today, Poland's MPC meeting takes centre stage. The market's median forecast is for stable interest rates, with the key policy rate to remain at the current record low of 1.50%. Focus will turn to the Central Bank Governor's speech for any clues about the MPC's monetary policy deliberations ahead.

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October 5, 2016

GLOBAL MARKETS

Stock markets	FOREX			Government Bonds			Commodities					
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
S&P 500	2150.49	-0.5%	5.2%	EUR/USD	1.1226	0.2%	3.4%	(yields)	1.69	1	-58	
Nikkei 225	16819.24	0.5%	-11.6%	GBP/USD	1.2718	-0.1%	-13.7%	UST - 10yr	-0.02	3	-65	
STOXX 600	342.80	-1.0%	-6.3%	USD/JPY	103.12	-0.2%	16.4%	Bund-10yr	-0.06	2	-32	
								JGB - 10yr				
									GOLD	1274	0.4%	20.0%
									BRENT CRUDE	52	1.8%	38.9%
									LMEX	2445	-0.6%	11.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	0	-3
1-week	3.13	-3	-6
1-month	3.30	2	-21
3-month	3.46	-5	-37
6-month	3.65	-5	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.04	xs	-89
5Y RSD	4.34	-1	-77
7Y RSD	5.64	-2	-206

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.18	7	-99
USD Nov-24	6.56	1	15

CDS

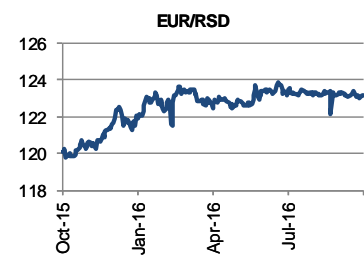
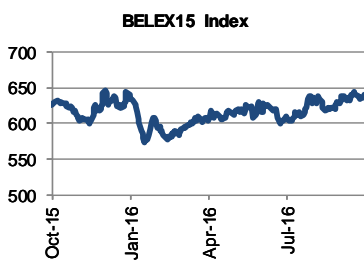
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	241	1	-99

STOCKS

	Last	ΔD	ΔYTD
BELEX15	645.3	0.76%	0.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.13	0.00%	-1.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-10
1-month	0.55	1	-14
3-month	0.69	0	-33
6-month	0.92	0	-42
12-month	1.09	1	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.40	1	-53
5Y RON	2.14	3	-66
10Y RON	2.88	2	-90

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	3	-90
USD Jan-24	2.80	10	-98

CDS

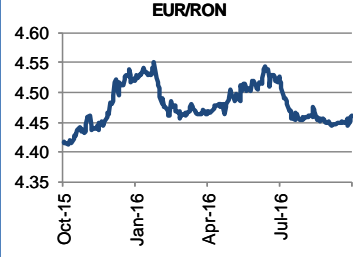
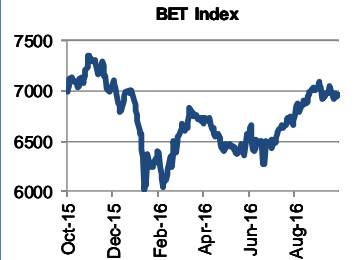
	Last	ΔDbps	ΔYTD bps
5-year	103	3	-31
10-year	147	0	-25

STOCKS

	Last	ΔD	ΔYTD
BET	6957.3	-0.35%	-0.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4626	-0.10%	1.15%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-31
1-month	-0.15	1	-30
3-month	-0.05	0	-31
6-month	0.11	0	-42
12-month	0.41	0	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.18	1	-42
5Y BGN	0.55	0	-73
10Y BGN	1.86	0	-80

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-15	-3
EUR Sep-24	1.40	17	-103

CDS

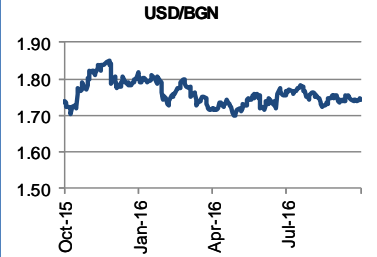
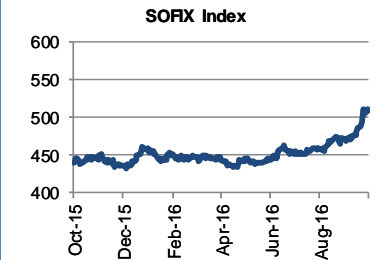
	Last	ΔDbps	ΔYTD bps
5-year	136	1	-36
10-year	177	1	-39

STOCKS

	Last	ΔD	ΔYTD
SOFIX	508.8	-0.14%	10.39%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7425	0.19%	3.32%



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

Data updated as of 13:00 EEST

October 5, 2016

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