



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, October 10, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Oct 12: FOMC meeting minutes (Sep 20/21)
- Oct 13: Jobless claims (weekly)
- Oct 14
  - Fed's Chair Yellen speaks
  - Retail sales (Sep)
  - UoM consumer confidence (Oct, p)

##### EUROZONE

- Oct 12: Industrial production (Aug)

##### GREECE

- Oct 10
  - Industrial production (Aug)
  - CPI/HICP (Sep)
- Oct 10: Eurogroup to decide on €2.8bn sub-tranche
- Oct 14: Sovereign credit rating review by Moody's

##### CYPRUS

- Oct 6: HICP (Sep)

#### SEE

##### BULGARIA

- Oct 10: Trade balance (Aug)
- Oct 12: CPI (Sep)

##### ROMANIA

- Oct 10
  - Trade balance (Aug)
  - Industrial sales (Aug)
  - 2.25% 2020 T-Bonds auction
- Oct 11: CPI (Sep)
- Oct 12: Industrial production (Aug)
- Oct 14: Current account deficit (Aug)

##### SERBIA

- Oct 12: CPI (Sep)
- Oct 13
  - 6.00% 2019 T-Bonds auction
  - MPC meeting

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The Mexican peso MXN and the CAD were among the main outperformers in FX markets in European trade on Monday on market perception that, following yesterday's second (out of three) parliamentary debate, Hillary Clinton is more likely than Donald Trump to win the November 8th Presidential election. Looking at this week's calendar, focus is on a number of Fed officials who are scheduled to speak including Chair Janet Yellen on Friday as well as the September FOMC minutes due on Wednesday. Fed Funds futures continue to assign a probability of around 65% for a 25bps rate hike by the Fed at the December monetary policy meeting, as was the case ahead of the release of the US' September non-farm payrolls report on Friday.

**GREECE:** The Eurogroup that convenes today will assess Greece's progress on the implementation of the pending milestones agreed during the first review of the country's economic adjustment programme. A positive assessment will open the way for the disbursement of the remaining €2.8bn from the total of €10.3bn granted under the first review. According to the Hellenic Statistical Authority (ELSTAT) the total value of imports-arrivals for the period from January to August 2016 presented no significant YoY change, but the corresponding change excluding oil products was +10.6%. The total value of exports-dispatches for the period January to August 2016 decreased by 6.3% YoY but, excluding oil products, fell by 0.5%YoY.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equity market remained in a positive ground last week, though its recent rally appeared to be losing momentum. Meanwhile, the local bond market remained relatively quiet with the corresponding government yield curve undertaking some slight steepening.

**ROMANIA:** The EUR/RON moved significantly higher last week as concerns mount over Parliament discussing a bill that could impose the conversion of the CHF loans at historical FX rates. Sentiment towards RON government bonds turned sour last week on a combination of domestic concerns over the CHF bill as well as regional and global bond selling.

**SERBIA:** The EUR/RSD remained little changed for most of last week, staying bound within a very tight range of 123.00 – 123.30.

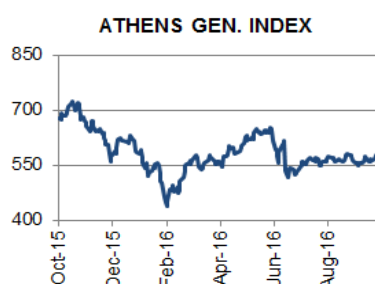
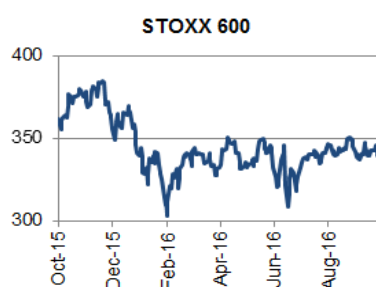
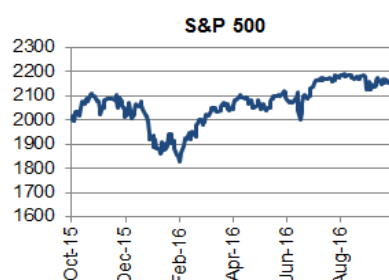
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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The Mexican peso MXN and the CAD were among the main outperformers in FX markets in European trade on Monday on market perception that, following yesterday's second (out of three) parliamentary debate, Hillary Clinton is more likely than Donald Trump to win the November 8th Presidential election. In particular, Republican nominee Donald Trump's trade agenda envisions, among others, increased tariffs on imports from certain countries as well as renegotiations on the North American Free Trade Agreement (NAFTA), a particularly negative development for Mexico and Canada. Elsewhere, the USD/JPY was trading close to 103.15/20 at the time of writing, not much changed compared to Friday's settlement as the US' non-farm payrolls report failed to exert a material impact. The headline rose by a slightly lower than expected 156k in September, a development that was eventually offset by an upward revision in the August figure to 167k from 151k initially reported. In addition, average hourly earnings rose by 0.2%MoM in September from 0.1%MoM in August taking the annual rate up to 2.6%. The unemployment rate unexpectedly rose to 5.0% against market consensus for an unchanged reading at 4.9% but that was due to a 354k increase in household employment. Fed Funds futures continue to assign a probability of around 65% for a 25bps rate hike by the Fed at the December monetary policy meeting, as was the case ahead of the release of the US employment data. Looking at this week's calendar, focus is on a number of Fed officials who are scheduled to speak including Chair Janet Yellen on Friday as well as the September FOMC minutes due on Wednesday. On the data front, the main releases include Germany's ZEW index for October on Tuesday and US September retail sales on Friday. With respect to new debt supply, the US Treasury will sell \$24bn in 3-yr notes, \$20bn in 10-yr notes and \$12bn in 30-yr bonds. The US bond market is closed on Monday for the Columbus Day holiday.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

### GREECE

The Eurogroup that convenes today will assess Greece's progress on the implementation of the pending milestones agreed during the first review of the country's economic adjustment programme. A positive assessment will open the way for the disbursement of the remaining €2.8bn from the total of €10.3bn granted under the first review. The institutions are also expected to inform the Eurogroup on the progress achieved in arrears clearance and on the way forward regarding the second review of the programme. With regard to the participation of the IMF in the Greek programme, the picture remains unclear. European partners desire the Fund's participation in the programme but oppose debt relief measures and the lower primary-surplus targets that the IMF requests in order for "the numbers to add up" and Greek public debt to become sustainable. According to press reports, a potential formula would be for the IMF to participate in the programme as a special advisor whereby the Fund would remain fully engaged and have increased responsibilities in the negotiations and preparation of agreements between Greece and the European institutions without, however, contributing financially. In any case, an IMF mission is expected to arrive in Athens on October 17 and remain until the end of the month in order to work on the 2nd programme review. In other news, the Hellenic Statistical Authority (ELSTAT) released last Friday the provisional data on the commercial transactions of Greece for August 2016 according to which, the total value of imports-arrivals for the period from January to August 2016 presented no significant YoY change, but, excluding oil products, the corresponding change was +10.6%. The total value of exports-dispatches for the period January to August 2016 decreased by 6.3% YoY but, excluding oil products, fell by 0.5%YoY.

[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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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

### BULGARIA

The domestic equity market remained in a positive ground last week, though its recent rally appeared to be losing momentum. In more detail, the main SOFIX index added just 0.6% on a weekly basis to end at 507.51 points on Friday, following an impressive 4.1% gain a week earlier. Meanwhile, the local bond market remained relatively quiet with the corresponding government yield curve undertaking some slight steepening. There is still no information regarding upcoming auctions on the primary market. Elsewhere, Eurobond yields increased in the long-end of the curve for a maximum of 6 bps.

[VBoteva@postbank.bg](mailto:VBoteva@postbank.bg)

### ROMANIA

The EUR/RON moved significantly higher last week as concerns mount over Parliament discussing a bill that could impose the conversion of the CHF loans at historical FX rates. The pair breached the upper bound of its recent 4.4400/600 range and moved up to a 3-month high of 4.5150 on Friday's close, marking a 1.25% bounce compared to the previous Friday's close. Separately, the RON money market was little changed with the short term RON interest rates remaining close to the Central Bank's deposit facility rate of 0.25%. The 1W implied rate from swaps remained unchanged at around 0.30% and the 1M stayed at 0.45%. Sentiment towards RON government bonds turned sour last week on a combination of domestic concerns over the CHF bill as well as regional and global bond selloff. Yields up to 5Y maturities increased around 5 bps over the week, while the long end jumped even more in a bear steepening move. The 5Y yield closed the week at 2.17% up from 2.12% the previous Friday and the 10y (2027) yield ended around 3.27% up from 3.10% the previous week.

[Bogdan.Radulescu@bancpost.ro](mailto:Bogdan.Radulescu@bancpost.ro)

### SERBIA

The EUR/RSD remained little changed for most of last week, staying bound within a very tight range of 123.00 – 123.30. Over the next one to three months, we still believe that local demand could push the pair modestly higher. However, the move is likely to be capped by National Bank of Serbia intervention which, in our view, will come in at around 124.00.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)

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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	2153.74	-0.3%	5.4%	EUR/USD	1.1179	-0.2%	3.0%	UST - 10yr	1.72	0	-55	GOLD	1263	0.5%	19.0%
Nikkei 225	16860.09	-0.2%	-11.4%	GBP/USD	1.2399	-0.3%	-15.9%	Bund-10yr	0.02	4	-61	BRENT CRUDE	52	-0.8%	38.1%
STOXX 600	339.64	-0.9%	-7.2%	USD/JPY	103.05	-0.1%	16.5%	JGB - 10yr	-0.06	0	-32	LMEX	2436	0.2%	10.6%

**CESEE MARKETS**

SERBIA				ROMANIA				BULGARIA			
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>			
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps
T/N	301	0	-2	O/N	0.43	0	-10	LEONIA	-0.30	0	-31
1-week	3.16	3	-3	1-month	0.55	0	-14	1-month	-0.15	0	-30
1-month	3.32	3	-19	3-month	0.69	0	-33	3-month	-0.05	0	-31
3-month	3.48	2	-35	6-month	0.92	0	-42	6-month	0.10	0	-43
6-month	3.65	0	-38	12-month	1.08	0	-44	12-month	0.40	0	-57
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	1.20	-131.17	-115	3Y RON	1.43	0	-50	3Y BGN	0.19	0	-41
5Y RSD	4.34	-1	-78	5Y RON	2.18	0	-62	5Y BGN	0.56	0	-72
7Y RSD	5.66	0	-203	10Y RON	2.96	0	-82	10Y BGN	1.87	0	-79
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	2.25	0	-91	EUR Oct-25	1.72	0	-85	EUR Jul-17	-0.01	0	-6
USD Nov-24	6.53	-1	11	USD Jan-24	2.87	0	-91	EUR Sep-24	1.44	0	-98
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	198	0	-76	5-year	101	0	-32	5-year	135	1	-37
10-year	240	0	-100	10-year	145	0	-26	10-year	175	1	-41
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	639.9	-0.36%	-0.65%	BET	6943.5	-0.01%	-0.87%	SOFIX	507.5	-0.35%	10.11%
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	123.39	-0.25%	-1.47%	EUR/RON	4.5128	0.01%	0.03%	USD/BGN	1.7498	-0.10%	2.89%

**BELEX15 Index**

**BET Index**

**SOFIX Index**

**EUR/RSD**

**EUR/RON**

**USD/BGN**

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 09:00 EEST

October 10, 2016

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatiou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 3371228

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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