

# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 11, 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:** Wall Street closed in the black overnight, with the energy sector leading the gains. Asian equity markets traded mixed on Tuesday, with Japan's Nikkei 225 index rising on a weaker JPY. In FX markets, the DXY dollar index hit an 11-week-high earlier today on rising expectations for an interest rate hike by the Fed before the end of the year. Elsewhere, the GBP/USD was falling for a fourth day in a row in European trade on renewed "hard-Brexit" woes. The data calendar is fairly light today, with the German ZEW survey expected to take centre stage.

**GREECE:** The Eurogroup that convened yesterday approved the release of €1.1bn for debt servicing needs and postponed the release of the remaining €1.7bn for public sector arrears clearance for later in October when data on the clearance of net arrears until the end of September 2016 will have been collected. According to ELSTAT, CPI inflation in September 2016 was -1.0% against -1.7% in September 2015. In the twelve-month period from October 2015 to September 2016, compared with the period from October 2014 to September 2015, the annual average rate of change of the CPI was -0.9%. The Production Index in Industry (IPI) in August 2016 fell by 0.3%YoY while the seasonally adjusted IPI for the same month increased by 0.4%YoY.

### SOUTH EASTERN EUROPE

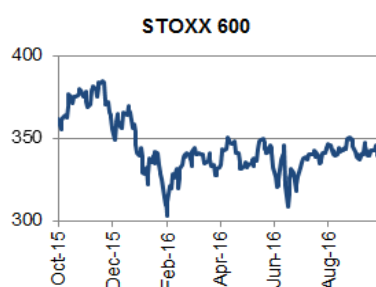
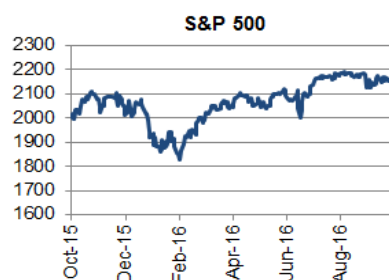
**ROMANIA:** The finance ministry sold at an auction on Monday a planned amount of RON 600mn (~€ 133.8mn) worth of February 2020 T-bonds at an average accepted yield of 1.82%.

**CESEE MARKETS:** Emerging Market assets came under pressure earlier on Tuesday weighed down by increased expectations for a Fed rate hike this year.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Wall Street closed in the black overnight, with the energy sector leading the gains. WTI oil rose 3.1% yesterday, trading near 15 month highs, following Russia President Vladimir Putin's and Saudi Arabia Energy Minister Khalid Al-Falih's statements at the World Energy Congress in Istanbul that they are willing to cooperate and join OPEC in order to limit output. Asian equity markets traded mixed on Tuesday, with Japan's Nikkei 225 index rising on a weaker JPY. In FX markets, the DXY dollar index hit an 11-week-high earlier today on rising expectations for an interest rate hike by the Fed before the end of the year. Chicago Fed President Charles Evans said on Tuesday that he "could be fine" with a tighter monetary policy by the Fed in December, but he has "yet to see clear and convincing" signs that inflation is moving towards to the 2% medium-term target. Future contracts currently assign a 68% probability for a Fed rate hike in the December FOMC meeting, versus a 60% probability a week ago. Elsewhere, the GBP/USD was falling for a fourth day in a row, declining by 0.6% to 1.2280 at the time of writing in European trade on renewed "hard-Brexit" woes, while New Zealand's dollar fell to its lowest level since late July against the greenback following statements by a Central Bank official that further interest rate cuts may be warranted to give boost to inflationary pressures. The data calendar is fairly light today, with the German ZEW survey expected to take centre stage.

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### GREECE

The Eurogroup that convened yesterday acknowledged the progress by the Greek side in a number of areas such as the pension system, the energy sector, bank governance, the new independent Revenue Agency and privatisations. For this purpose, the Eurogroup approved the release of €1.1bn out of the €2.8bn sub-tranche, which is to be used for debt servicing. The Eurogroup also acknowledged that progress has been made towards the clearance of the public sector's (general government's) net arrears to the private sector during July and August. However, the data on arrears clearance for September will not be available until late October. Therefore, the remaining €1.7bn intended exclusively for arrears clearance will be released subject to a positive assessment of net arrears clearance at that time. The ESM Board of Directors is scheduled to convene in two weeks' time to give the green light for the disbursement of the €1.1bn and at that meeting it may also decide on the disbursement of the €1.7bn. With regard to the 2nd programme review, it will commence in mid-October 2016 when the institutions are expected to return to Athens. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), CPI inflation in September 2016 was -1.0% against -1.7% in September 2015. In the twelve-month period from October 2015 to September 2016, compared with the period from October 2014 to September 2015, the annual average rate of change of the CPI was -0.9%. The corresponding CPI annual average rate of change in the previous year (October 2014 to September 2015) was -2.0%. According to ELSTAT, the Production Index in Industry (IPI) in August 2016 fell by 0.3%YoY while the seasonally adjusted IPI for the same month increased by 0.4%YoY.

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October 11, 2016

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

### ROMANIA

The finance ministry sold at an auction on Monday a planned amount of RON 600mn (≈€ 133.8mn) worth of February 2020 T-bonds. The average accepted yield came in at 1.82%, almost in line with 1.80% achieved at a prior tender of same maturity paper held in September. The issue matures on February 26 2020 and bears a coupon of 2.25%. The tender's bid-to-cover ratio was at 1.8 yesterday. So far this year the Ministry of Finance has sold about RON 39bn of local currency bonds and €775mn of EUR-denominated paper. Last week, the government issued its longest-dated local currency paper, which matures on September 24 2031. Deputy Finance Minister Enache Jiru said yesterday that another sale of the said T-Bond may follow, despite a lower than planned amount raised last week.

### CESEE MARKETS

Emerging Market assets came under pressure earlier on Tuesday weighed down by increased expectations for a Fed rate hike this year. Renewed Brexit jitters and a correction in oil prices from recent peaks also added to EM woes. Along these lines, the MSCI Emerging Markets Index slid by 0.7% in Asian markets compared to Monday's settlement, with the decline led by South Korea's KOSPI index following news that Samsung halted the sales of its Note 7 phones and advised existing owners not to use the device while it investigates fire reports. Meanwhile, CESEE bourses and government bonds traded mixed in morning European trade.

In FX markets, most Emerging Market currencies fell earlier today against a stronger US dollar. The South African rand plummeted more than 3% at a 3-week trough of 14.2955/\$, following news that Finance Minister Pravin Gordhan has been charged with fraud and formally summoned by South African prosecutors to appear in court. In the CESEE region, the Romanian leu bucked the negative trend, with the EUR/RON easing towards 4.4800 from a 3-month peak of 4.5176 hit yesterday. As was expected, the budget and finance committees in parliament's lower house approved on Monday a bill on the conversion of CHF-denominated loans into RON at a fixed exchange rate (historic at the time of the loan origination). However, the legislation will apply only for loans on which repayments exceed half of borrowers' monthly income, in a development considered less adverse for the domestic banking sector outlook. That said, a final vote on the said bill is anticipated to clear parliament later on Tuesday, reportedly after 12:30GMT. This news overshadowed a weaker than anticipated inflation reading for September released earlier today that saw CPI at -0.6%YoY vs. a market's median forecast of -0.2%YoY.

Looking into the remainder of the week, CPI readings for September and Serbia's monetary policy meeting take centre stage. On the latter, the Central Bank is broadly anticipated to stay put on its monetary policy and maintain its key policy rate at the current record low of 4.00% as, despite currently weak inflation pressures, CPI is anticipated to gradually return within the 4.0±1.5% target tolerance band in the first half of 2017, on the back of increasing aggregate demand and base effects.

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October 11, 2016

## 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	2163.66	0.5%	5.9%	EUR/USD	1.1109	-0.3%	2.3%	UST - 10yr	1.77	5	-50	GOLD	1257	-0.2%	18.4%
Nikkei 225	17024.76	1.0%	-10.6%	GBP/USD	1.2296	-0.5%	-16.6%	Bund-10yr	0.05	-1	-58	BRENT CRUDE	53	-0.7%	41.5%
STOXX 600	341.72	-0.1%	-6.6%	USD/JPY	103.85	-0.2%	15.6%	JGB - 10yr	-0.05	1	-31	LMEX	2465	1.2%	11.9%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	0	-2
1-week	3.16	0	-3
1-month	3.31	0	-20
3-month	3.48	0	-35
6-month	3.66	0	-37

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	1.11	-156.36	-91
5Y RSD	4.35	0	-77
7Y RSD	5.67	0	-203

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.32	1	-84
USD Nov-24	6.56	3	14

#### CDS

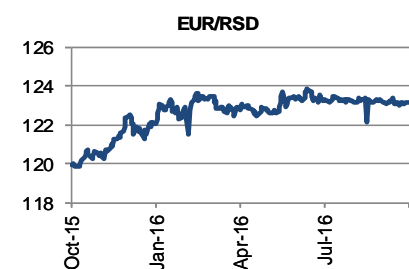
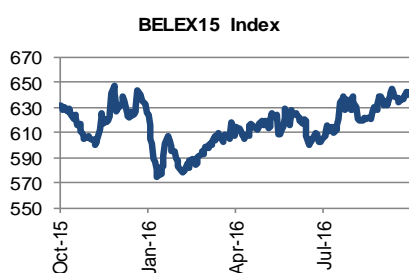
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	240	0	-100

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	641.4	-0.14%	-0.42%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.15	0.03%	-1.27%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	1	-9
1-month	0.55	-1	-14
3-month	0.69	0	-33
6-month	0.93	0	-41
12-month	1.08	0	-44

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.43	0	-50
5Y RON	2.17	-1	-63
10Y RON	2.97	0	-81

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.71	0	-86
USD Jan-24	2.90	0	-88

#### CDS

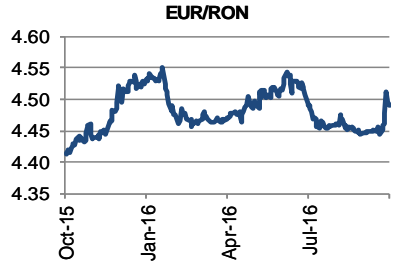
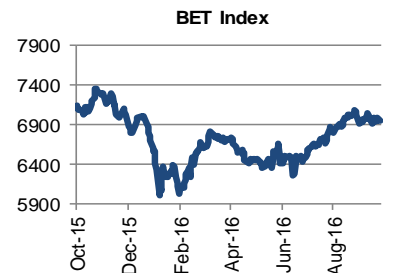
	Last	ΔDbps	ΔYTD bps
5-year	100	-1	-33
10-year	145	0	-26

#### STOCKS

	Last	ΔD	ΔYTD
BET	6902.2	-0.13%	-1.46%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.489	0.14%	0.56%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-31
1-month	-0.15	0	-30
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.41	0	-57

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	0	-41
5Y BGN	0.54	0	-73
10Y BGN	1.85	0	-80

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.17	8	-24
EUR Sep-24	1.44	-13	-98

#### CDS

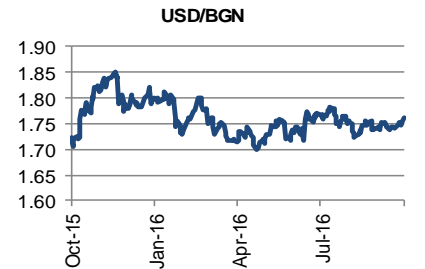
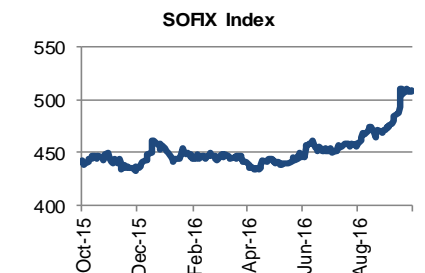
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-36
10-year	176	0	-40

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	508.4	0.14%	10.30%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7608	-0.27%	2.24%



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

Data updated as of 13:00 EEST

October 11, 2016

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