

DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, October 17, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Oct 17
 - Empire State index (Oct)
 - Industrial production (Oct)
- Oct 18
 - CPI (Sep)
 - NAHB Index (Oct)
- Oct 19
 - Housing starts (Sep)
 - Housing permits (Sep)
 - Fed's Beige Book
- October 20
 - Jobless claims (weekly)
 - Philly Fed (Oct)
 - Existing home sales (Sep)

EUROZONE

- Oct 17: HICP (Sep, f)
- Oct 20: ECB monetary policy meeting & press conference
- Oct 20/21: EU Summit

GREECE

- Oct 18: Official discussions on 2nd programme review expected to commence
- Oct 20
 - Turnover Index in Industry (Aug)
 - Fiscal Data for 2012-2015 (2nd notification)

CYPRUS

- Oct 21: Fitch sovereign credit rating review

SEE

BULGARIA

- Oct 17: Current account balance (Aug)

ROMANIA

- Oct 17: 3.25% 2024 T-bond auction
- Oct 20: 3.25% 2021 T-bond auction

SERBIA

- Oct 19: 3.75% EUR T-bond auction
- Oct 20: Current account balance (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD was stronger across the board in European trade on Monday and long-dated US Treasury yields remained close to recent multi-month highs following firmer than anticipated US data releases which supported expectations for a Fed rate hike by the end of this year. In terms of key events, focus this week on the third –and final- US Presidential debate on Wednesday ahead of Thursday's ECB monetary policy meeting while on Friday DBRS is due to announce its revision on Portugal's sovereign credit rating.

GREECE: The second programme review is scheduled to commence this week with the arrival of the institutions teams in Athens. Labour market reform is expected to be among the sticking issues of this review. According to the Memorandum of Understanding between Greece and its European partners, Greece is to design and implement a wide range of reforms in labour markets to ensure compliance with EU requirements and achieve European best practices particularly in the areas of collective bargaining, industrial action and collective dismissals. On the economic data front, the Greek Ministry of Finance published on Friday the preliminary data on budget execution, according to which – on a modified cash basis - Greece's central government registered a primary budget surplus of €5.4 billion in the nine months to September, beating its target for a primary budget surplus of €1.9 billion.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market ended little changed last week in the absence of any significant news and relevant triggers. A similar picture was witnessed in the local bond and Eurobonds markets.

ROMANIA: Market movements last week remained dominated by concerns over the bill that could impose the conversion of the CHF loans at historical FX rates, as Parliament postponed voting for this week.

SERBIA: Ongoing Central Bank (NBS) interventions last week held the EUR/RSD bound around 123.00/20. In other news, the Public Debt Administration sold late last week RSD 19.2bn (ca. €156mn) worth of 3Y RSD denominated bonds at an average accepted yield of 4.79%, 21 bps lower compared to the yield achieved on previous reopening (on August 11).

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Latest world economic & market developments

GLOBAL MARKETS

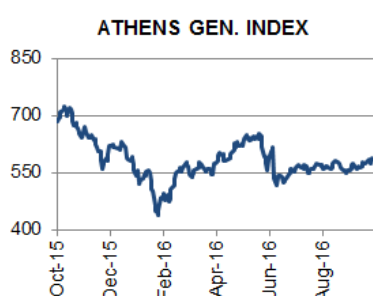
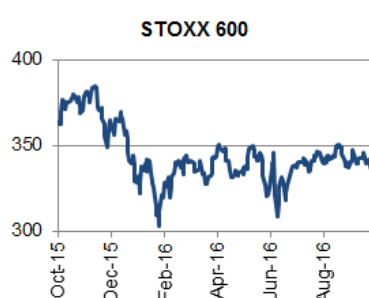
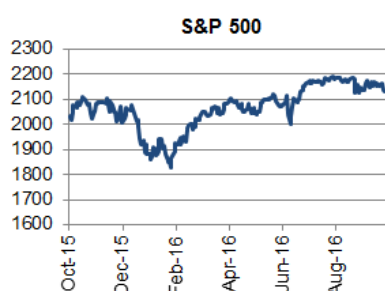
The USD was stronger across the board in European trade on Monday and long-dated US Treasury yields remained close to recent multi-month highs following firmer than anticipated US data releases which supported expectations for a Fed rate hike by the end of this year. After declining by 0.2%MoM in August, retail sales rebounded in September rising by 0.6%MoM amid higher motor vehicle sales. In addition, core retail sales which correspond more closely to the consumer spending component of GDP edged up by 0.1%MoM offsetting fully August's 0.1%MoM decline. Separately, PPI index increased by 0.3%MoM after being unchanged in August taking the annual rate at 0.7%, the biggest rise since December 2014. Fed Funds futures are currently assigning a 66% probability for a 25bps rate hike at the Fed December monetary policy meeting with N.Y. Fed President William Dudley saying in a speech late last week that both the November and December meetings are a live possibility for raising interest rates. The DXY index retested levels above 98.00 earlier today for the first time since mid-March with the EUR/USD hitting a 2 ½ month low of 1.0962 ahead of Thursday's ECB monetary policy meeting. The ECB is widely expected to stay put on its monetary policy while President Mario Draghi is anticipated to stress in the post-meeting press conference that QE will be continued on the same scale of €80bn per month until price stability is ensured, in contrast to a recent media report that was perceived as suggesting that the Central Bank is about to scale down its monthly bond purchases over the next few months. Besides the ECB meeting, focus this week is on China's Q3 GDP and the third –and final– US Presidential debate on Wednesday while on Friday DBRS is due to announce its revision on Portugal's sovereign credit rating. Note that DBRS is the only one out of the four ratings agencies recognized by the Eurosystem which assigns Portugal's' sovereign an investment-grade rating (one-notch above junk).

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GREECE

The second programme review is scheduled to commence this week with the arrival of the institutions teams in Athens. Labour market reform is expected to be among the sticking issues of this review. According to the Memorandum of Understanding between Greece and its European partners, Greece is to design and implement a wide range of reforms in labour markets to ensure compliance with EU requirements and achieve European best practices particularly in the areas of collective bargaining, industrial action and collective dismissals. The Greek government aims to reinstate the collective bargaining framework that was in place prior to the 2012 labour market reforms, while the IMF is pushing for ever more deregulation in accordance with international best practices. Recently, a group of Experts with the responsibility to make recommendations on the labour market reforms that Greece should undertake, released its report, which according to the European Commissioner for Employment Marianne Thyssen, is a good starting point for the upcoming negotiations. Meanwhile, according to press reports, German Finance Minister Wolfgang Schäuble noted that based on the Supplemental MoU, June 2016, a package of measures will automatically be implemented as soon as there is objective evidence of failure to meet the annual primary fiscal surplus targets in the programme. With regard to Greek public debt relief, he reiterated that first the programme will be implemented as planned until end-2018 and then the issue of debt will be dealt with. On the economic data front, the Greek Ministry of Finance published on Friday the preliminary data on budget execution, according to which – on a modified cash basis – Greece's central government registered a primary budget surplus of €5.4 billion in the nine months to September, beating its target for a primary budget surplus of €1.9 billion and above a primary surplus of €3.1bn recorded at the same period of the previous year.

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Source: Reuters, Bloomberg, Eurobank Research

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

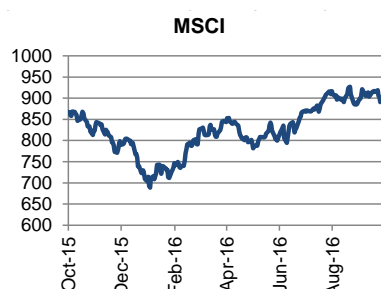
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 ended little changed last week in the absence of any significant news and relevant triggers. In more detail, the main SOFIX index added 0.47% on a weekly basis to end at 509.89 points on Friday, lacking clear direction. Flows came primarily from the retail sector except for some block deals, which lifted the weekly turnover to €1.5mn. Similarly, the local bond market ended little changed, except for an increase in yields of mid-term papers which inched up for a maximum of 9 bps. The Eurobonds market was even quieter.

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ROMANIA

Market movements last week remained dominated by concerns over the bill that could impose the conversion of the CHF loans at historical FX rates, as Parliament postponed voting for this week. After marking an intraday high of 4.4200 on Monday, slightly above its previous Friday close of 4.4150, the EUR/RON dropped as low as 4.4800 on Tuesday as the vote was being postponed. However the pair moved back higher over the rest of the week, closing on Friday at 4.5090. The RON money market was little changed last week as short term RON interest rates remained close to the central bank's deposit facility rate of 0.25%. The 1W implied rate from swaps remained unchanged around 0.30% while the 1M increased 5 bps to 0.50%. RON government bonds remained under pressure as global and local risks remain in focus. Yields up to 5Y remained roughly unchanged over the week, supported by cheap money market funding, while the long end 2027 yield jumped 8 bps higher to 3.35%.

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SERBIA

Ongoing Central Bank (NBS) interventions last week held the EUR/RSD bound around 123.00/20. Although flows confirm a potentially of stronger dinar, the National Bank of Serbia counterweighted any EUR/RSD downside attempt. In more detail, the Central Bank appeared on Wednesday and Friday purchasing roughly €40 million euros in total, increasing the year-to-date amount of EUR purchases to €570mn. In other news, the Public Debt Administration sold late last week RSD 19.2bn (ca. €156mn) worth of 3Y RSD denominated bonds (fifth reopening from initial introduction on February 18, 2016). Investors grabbed the paper at an average accepted yield of 4.79%, 21 bps lower compared to the yield achieved on previous reopening (on August 11).

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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	2132.98	0.0%	4.4%	EUR/USD	1.0983	0.1%	1.2%	UST - 10yr	1.81	1	-46	GOLD	1253	0.1%	18.0%
Nikkei 225	16900.12	0.3%	-11.2%	GBP/USD	1.2166	-0.2%	-17.4%	Bund-10yr	0.10	4	-53	BRENT CRUDE	52	-0.3%	38.9%
STOXX 600	338.70	-0.4%	-7.4%	USD/JPY	104.19	0.0%	15.2%	JGB - 10yr	-0.05	0	-32	LMEX	2400	-0.5%	8.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	-1	-3
1-week	3.14	-2	-5
1-month	3.32	0	-19
3-month	3.50	4	-33
6-month	3.69	4	-34

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.60	5.43	-104
5Y RSD	4.35	0	-77
7Y RSD	5.64	0	-206

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.38	2	-78
USD Nov-24	6.56	3	14

CDS

	Last	ΔDbps	ΔYTD bps
5-year	199	1	-75
10-year	244	4	-95

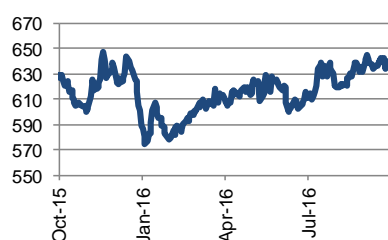
STOCKS

	Last	ΔD	ΔYTD
BELEX15	639.9	-0.04%	-0.65%

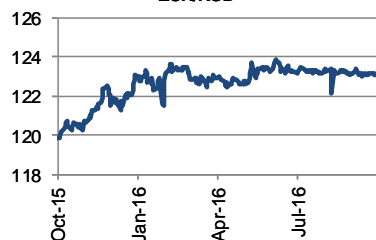
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.10	0.05%	-1.23%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	1	-8
1-month	0.56	1	-13
3-month	0.7	2	-32
6-month	0.93	1	-41
12-month	1.08	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.42	0	-51
5Y RON	2.17	0	-63
10Y RON	3.02	1	-76

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.78	1	-78
USD Jan-24	3.00	1	-79

CDS

	Last	ΔDbps	ΔYTD bps
5-year	103	1	-30
10-year	147	1	-24

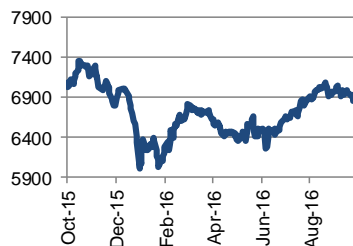
STOCKS

	Last	ΔD	ΔYTD
BET	6876.6	-0.30%	-1.82%

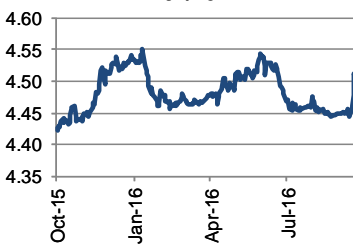
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5079	0.03%	0.14%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.20	10	-21
1-month	-0.15	0	-30
3-month	-0.05	-1	-31
6-month	0.09	0	-43
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.15	0	-45
5Y BGN	0.60	-2	-68
10Y BGN	1.92	-1	-74

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.15	7	-22
EUR Sep-24	1.45	11	-97

CDS

	Last	ΔDbps	ΔYTD bps
5-year	140	4	-32
10-year	182	4	-34

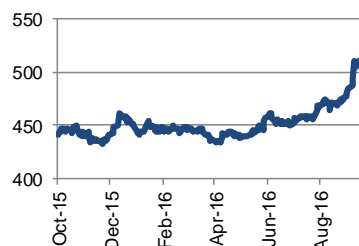
STOCKS

	Last	ΔD	ΔYTD
SOFIX	508.7	0.00%	10.37%

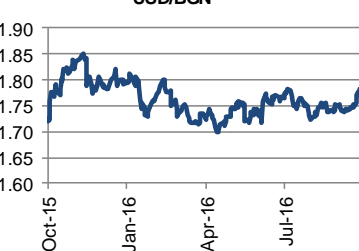
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7809	0.11%	1.09%

SOFIX Index



USD/BGN



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

Data updated as of 11:30 EEST

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