



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 18, 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: Taking their lead from firmer Asian bourses, the majority of European equity markets moved higher in early trade on Tuesday supported by rebounding oil prices. Elsewhere, US Treasuries firmed helping Bunds and UK Gilts to gain some ground. In FX markets major currency peers remained within recent ranges. Looking at today's calendar, focus is on September inflation data from US and UK as well as the ECB's Bank Lending Survey for Q3 2016.

GREECE: The Greek government reportedly intends to have the 2nd programme review that is due to commence this week concluded as soon as possible, with a view to achieving a political agreement for debt relief as early as December 5th when the last Eurogroup of the year is scheduled to convene. The ultimate goal is the inclusion of the country in the ECB's QE programme before the end of 2016. ESM Management Board Member Kalin Anev Janse stated in an interview that the ESM is currently working on short-term debt relief measures and particularly repayment profile, average maturity, interest rate risk and a waiver of a jump in interest rates in 2017 for a small part of the Greek debt.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging Market assets broadly inched higher earlier on Tuesday. A recovery in commodity prices today provided additional support to related shares and currencies.

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October 18, 2016

Latest world economic & market developments

GLOBAL MARKETS

Taking their lead from firmer Asian bourses, the majority of European equity markets moved higher in early trade on Tuesday supported by rebounding oil prices on expectations for a final agreement over a cut in oil production at the November 30 OPEC meeting to a range between 32.5mn and 33mn barrels daily. Elsewhere, US Treasuries moved higher helping Bunds to gain some ground with the 10-yr Bund yield hovering around 0.292% in European trade at the time of writing after hitting a 3½ month peak of 0.353% in the prior session. In a similar note, the 10-yr Gilt was trading close to 1.112%, having retreated from a four-month peak OF 1.223% marked in the prior session while today's UK September inflation data are likely to extend renewed upward pressures. UK headline CPI is expected to rise to 0.8%YoY, the highest since November 2014, from 0.6%YoY in August mainly due to energy price base effects and GBP's post-referendum depreciation. Meanwhile, core CPI is projected to edge up to 1.4%YoY from 1.3%YoY, a development that is unlikely to prevent the BoE from further easing its monetary policy in the coming months. BoE Governor Mark Carney has repeatedly suggested that the Central Bank will focus on supporting economic growth through low interest rates and, against that background, it is willing to tolerate an inflation overshoot above the 2.0% inflation target. In FX markets major currency peers remained within recent ranges. The EUR/USD was hovering around 1.1014/18 at the time of writing, having recovered from Monday's three-month low of 1.0962. Technically, strong support stands at recent lows in the way to 1.0900/10 with investors awaiting Thursday's ECB monetary policy meeting where President Mario Draghi is expected to adopt a dovish stance confounding market talk for a potential reduction in the pace of monthly purchases under the QE programme any time soon. Besides UK inflation data, market participants are expected to closely follow today US CPI for September.

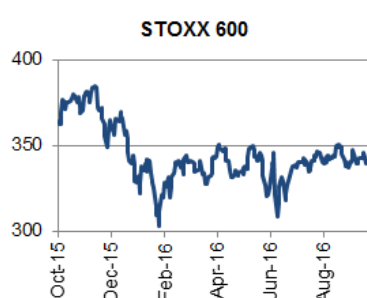
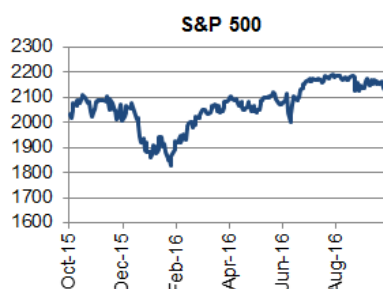
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GREECE

The Greek government reportedly intends to have the 2nd programme review that is due to commence this week concluded as soon as possible, with a view to achieving a political agreement for debt relief as early as December 5th when the last Eurogroup of the year is scheduled to convene. The ultimate goal is the inclusion of the country in the ECB's QE programme before the end of 2016. European Commissioner for Economic and Financial Affairs Pierre Moscovici proceeded yesterday to yet another supportive statement towards Greece, stressing the need for an agreement for Greece's public debt as a necessary condition for the country to restore confidence towards its economy and eventually regain market access. On the same wavelength, the Governor of the Bank of Greece, Yannis Stournaras, emphasized the importance of debt relief both in the long- and in the short-term, because unless Greece's public debt is deemed sustainable, the country will not be able to access the markets in 2018. Furthermore, the Governor reminded that official lenders have committed to grant some form of debt relief to Greece since 2012, reaffirmed this commitment in May 2016 but have not yet seen it through. Meanwhile in an interview in the German newspaper *Börsen-Zeitung*, on 15 October 2016 ESM Management Board Member Kalin Anev Janse stated that the ESM is currently working on short-term debt relief measures but there is still a lot of work to be done and since it is a political process there has been no conclusion yet. He added that there are three elements they are looking into: "The first is to smooth the repayment profile. The average maturity now is at 28 years. We can raise this to 32.5 years to adjust the repayments and avoid a few big jumps in the repayment profile. Secondly, we're looking at measures to reduce the interest rate risk. And thirdly, there is the waiver of a jump in interest rates in 2017 for a small part of the Greek debt".

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Source: Reuters, Bloomberg, Eurobank Research

October 18, 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

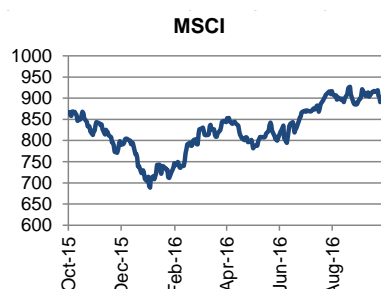
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging Market assets broadly inched higher earlier on Tuesday. A recovery in commodity prices today provided additional support to related shares and currencies. In **equity markets**, the MSCI Emerging Markets index rose by 0.8% in Asian trade compared to the prior session's settlement, in a move that more than fully offset the prior day's 0.3% losses. Regional bourses trailed behind with Turkey's BIST 100 index firming by 0.7% in early morning trade, while Romania's BETI bucked the positive trend to stand ca 0.4% lower ahead of a vote in Parliament that envisions the conversion of CHF-denominated loans to leu at historical rates and has fanned worries over the profitability of the domestic banking sector.

A modestly weaker US dollar favored **emerging market currencies** today. In more detail, the Polish zloty recovered some ground after coming under pressure over the last few days. The EUR/PLN hovered around levels of at the time of writing 4.3070 having slid from a 1-month peak of 4.3364 hit yesterday. The Turkish lira also pulled back from recent lows with the USD/TRY trading near 3.0910, though remaining not too far from a record trough of 3.1130 hit late last week amid increased domestic political woes. The Romanian leu remained under pressure ahead of the parliamentary vote on loans conversion, which is expected to take place today. The EUR/RON hit a 1-week high at 4.5147 moving anew towards last week's 3-month peak of 4.5176.

In the **local debt markets**, government bonds were mixed. With respect to issuance, the Romanian finance ministry sold on Monday RON 283mn (~€62.7mn) of 2024 T-bonds, a tad less than an initially planned amount of RON 300mn (~€66.5mn). The auction's average accepted yield came in at 2.86%, slightly above 2.74% achieved at a prior tender of similar maturity paper held on September 12 as market participants sought higher yields. The security expires on April 29, 2024 and bears a coupon of 3.25%. The tender's bid to cover ratio came in at 1.18 yesterday.

Looking into this week, the calendar is relatively light in the CESEE region. The Central Bank monetary policy meeting in Turkey takes centre stage. The market's median forecast is for the MPC to reduce by 25bps its overnight lending rate to 8.00% and maintain unchanged the overnight borrowing and key policy (repo) rates at 7.25% and 7.50% respectively. Despite persistently above target inflation, the CBT is anticipated to slash the overnight lending rate for the 6th consecutive time as it anticipates inflation to decline in the short term while economic activity is poised for a slowdown this year. The vote on CHF loans conversion today in Romania is also at the top of the events agenda, with Parliament broadly anticipated to pass the bill. Furthermore, the National Bank of Poland publishes the minutes from its latest monetary policy meeting on Thursday, while several bond auctions (Poland, Hungary, Ukraine, Romania and Serbia) are also in focus in the coming days.

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October 18, 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	2132.98	0.0%	4.4%	EUR/USD	1.1004	0.3%	1.4%	UST - 10yr	1.78	-2	-49	GOLD	1255	0.3%	18.2%
Nikkei 225	16900.12	0.3%	-11.2%	GBP/USD	1.2164	-0.2%	-17.5%	Bund-10yr	0.07	1	-56	BRENT CRUDE	52	0.3%	39.8%
STOXX 600	337.76	-0.6%	-7.7%	USD/JPY	103.95	0.2%	15.5%	JGB - 10yr	-0.05	0	-32	LMEX	2400	-0.5%	8.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	1	-2
1-week	3.16	2	-3
1-month	3.32	0	-19
3-month	3.48	-2	-35
6-month	3.65	-4	-38

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	-79
USD Nov-24	6.56	3	14

CDS

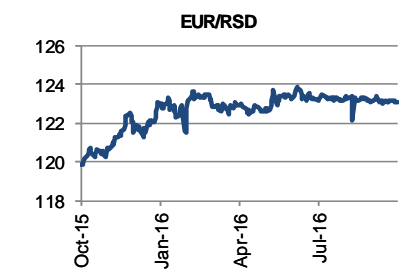
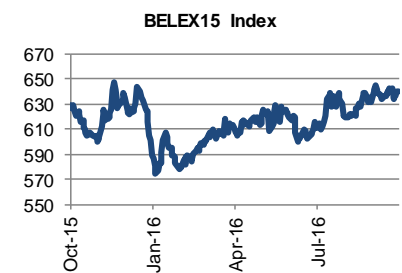
	Last	ΔDbps	ΔYTD bps
5-year	199	1	-75
10-year	244	4	-95

STOCKS

	Last	ΔD	ΔYTD
BELEX15	640.3	0.03%	-0.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.13	0.02%	-1.26%



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	2.18	1	-62
10Y RON	3.04	3	-74

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.78	1	-78
USD Jan-24	3.05	6	-74

CDS

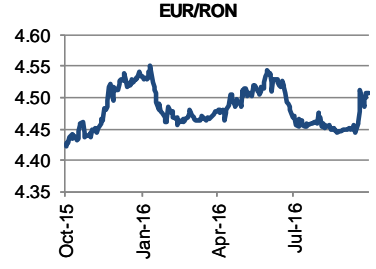
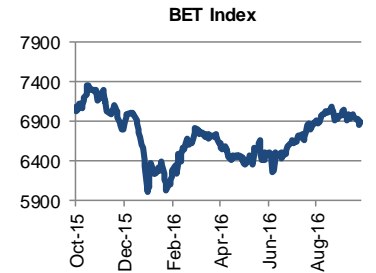
	Last	ΔDbps	ΔYTD bps
5-year	103	1	-30
10-year	147	1	-24

STOCKS

	Last	ΔD	ΔYTD
BET	6882.3	-0.22%	-1.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.508	0.03%	0.13%



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	0.19	4	-42
5Y BGN	0.56	-6	-71
10Y BGN	1.90	0	-75

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.15	7	-22
EUR Sep-24	1.44	18	-98

CDS

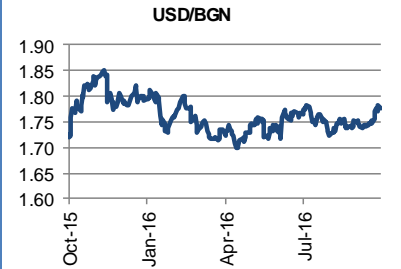
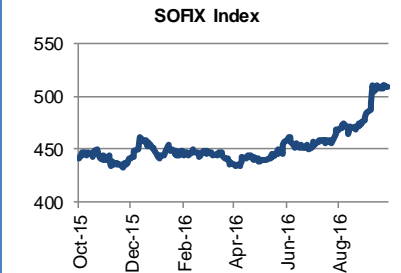
	Last	ΔDbps	ΔYTD bps
5-year	140	4	-32
10-year	182	4	-34

STOCKS

	Last	ΔD	ΔYTD
SOFIX	508.7	0.01%	10.38%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7774	0.31%	1.29%



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

Data updated as of 16:00 EEST of previous session

October 18, 2016

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