

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: In line with market expectations, the ECB decided at yesterday's Governing Council meeting to keep its key interest rates unchanged as well as the parameters of the QE programme. However, speaking at the post-meeting press conference, President Mario Draghi left the door open for further policy stimulus at the December monetary policy meeting. Reacting to his comment that the ECB did not discuss tapering the QE programme, the EUR moved lower while German Bunds firmed. Focus today is on DBRS's review on the Portugal's sovereign credit rating which is currently set one-notch above junk (BBB low) with a stable outlook.

GREECE: The negotiations with official lenders in the context of the 2nd programme review are scheduled to commence today with a number of high-level meetings between the institutions and Greek officials. The Hellenic Statistical Authority (ELSTAT) announced yesterday the 2012-15 fiscal data, in the context of the second Excessive Deficit Procedure (EDP) notification of 2016. The 2015 general government deficit in ESA 2010 terms is estimated at €13.2 bn or 7.5% of GDP, while the gross consolidated General Government debt at year-end 2015 is estimated at € 311.7 bn or 177.4% of GDP.

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Latest world economic & market developments

GLOBAL MARKETS

In line with market expectations, the ECB decided at yesterday's Governing Council meeting to keep unchanged its key interest rates and the parameters of the QE programme. However, speaking at the post-meeting press conference, President Mario Draghi left the door open for further policy stimulus at the December monetary policy meeting, when the new staff metronomic projections will be published and the Eurosystem committees will present the options that ensure the smooth implementation of the QE programme until March 2017, or beyond, if necessary. Mario Draghi stressed that there are no signs yet of a convincing upward trend in underlying inflation and reiterated that the Governing Council is committed "to act, if warranted, by using all the instruments available within our mandate" to secure a sustained convergence of inflation towards the medium term inflation target. Responding to relevant questions in the Q&A session, the ECB President revealed that the Governing Council did not discuss either extending the QE programme or reducing the monthly pace of asset purchases and that these issues will probably be on the agenda of the December meeting. Mario Draghi's comment that the ECB did not discuss tapering the QE programme pushed the EUR lower with the EUR/USD hitting a seven-month low of 1.0894 earlier in Asia before recovering modestly to levels around 1.0905/10 in European trade at the time of writing. On the flip side, German Bunds firmed after the ECB press conference with the long-end of the curve outperforming. Looking at the day ahead, focus is on DBRS's review on Portugal's sovereign credit rating which is currently set one-notch above junk (BBB low) with a stable outlook. A potential downgrade would strip Portuguese sovereign bonds of their eligibility for the ECB's QE programme and refinancing operation as DBRS is the only one, out of the four rating agencies recognized by the Eurosystem that assigns an investment-grade rating to the Portuguese sovereign.

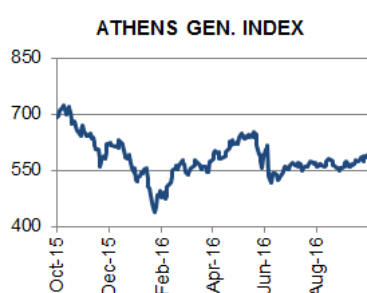
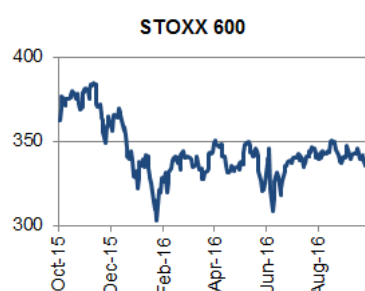
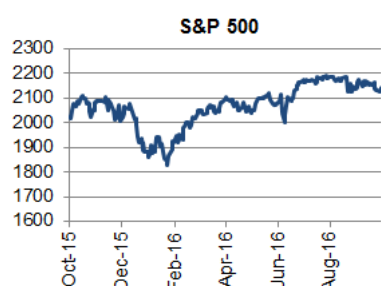
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GREECE

The negotiations with official lenders in the context of the 2nd programme review are scheduled to commence today with the issues on the agenda today reportedly being state arrears (MinFin Euclid Tsakalotos will inform the institutions on the progress of state arrears clearance in order to have the disbursement of the remaining €1.7bn approved by the EuroWorking Group on Monday, 24 October), education, corruption and energy. On the sidelines of the European Council in Brussels the Greek PM met yesterday with European Parliament President Martin Schulz to discuss the issue of debt relief, while today he is expected to meet with Angela Merkel, Francois Hollande and Jean Claude Juncker on same topic. Following the ECB Governing Council meeting yesterday, President Mario Draghi stated that discussions about Greece's debt sustainability are continuing and there are concerns about it. When the time comes, the Governing Council will assess in an independent way the debt sustainability but "until then it is premature to speculate about purchasing bonds". The Hellenic Statistical Authority (ELSTAT) announced yesterday the 2012-15 fiscal data, in the context of the second Excessive Deficit Procedure (EDP) notification of 2016. The 2015 general government deficit in ESA 2010 terms is estimated at €13.2 bn or 7.5% of GDP, while the gross consolidated General Government debt at year-end 2015 is estimated at € 311.7 bn or 177.4% of GDP. Under the first EDP notification (April 2014) the respective figures for the 2015 general government deficit and debt in ESA 2010 terms were at -7.2% and 176.9% of GDP, respectively. The direction of the revision was mainly due to the incorporation of new information on 2015 that became available from April 2016 onwards and the revision of the nominal GDP for 2015. As a result of the downward revision in the ESA 2010 deficit, the 2015 primary surplus in programme (MoU) terms is expected to be revised downwards from 0.7% currently to 0.2% of GDP, conditional on no further changes on the adjustments needed to transform the primary balance from ESA2010 terms to MoU terms.

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Source: Reuters, Bloomberg, Eurobank Research

October 21, 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	2141.34	-0.1%	4.8%	EUR/USD	1.0895	-0.3%	0.4%	UST - 10yr	1.75	0	-52	GOLD	1263	-0.3%	19.0%
Nikkei 225	17184.59	-0.3%	-9.7%	GBP/USD	1.2244	-0.1%	-16.9%	Bund-10yr	0.01	1	-62	BRENT CRUDE	51	0.1%	37.9%
STOXX 600	344.29	0.2%	-5.9%	USD/JPY	103.93	0.0%	15.5%	JGB - 10yr	-0.05	1	-32	LMEX	2376	-0.7%	7.8%

CESEE MARKETS

SERBIA

Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	0	1
1-week	3.17	0	-2
1-month	3.33	1	-18
3-month	3.49	1	-34
6-month	3.66	1	-37

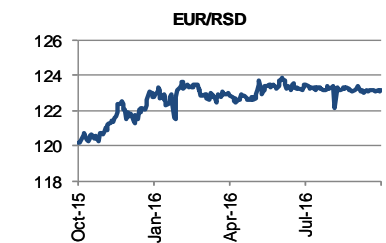
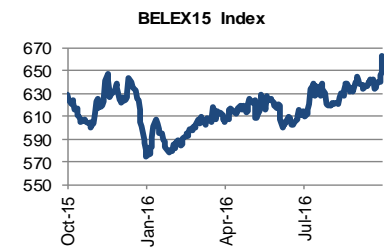
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	543
5Y RSD	4.33	-1	-80
7Y RSD	5.63	0	-207

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.27	0	-90
USD Nov-24	6.52	-2	10

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-75
10-year	244	0	-95

STOCKS			
	Last	ΔD	ΔYTD
BELEX15	663.2	2.18%	2.97%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	123.19	-0.02%	-1.30%



ROMANIA

Money Market			
ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	0	-9
1-month	0.57	0	-12
3-month	0.7	0	-32
6-month	0.94	0	-40
12-month	1.08	0	-44

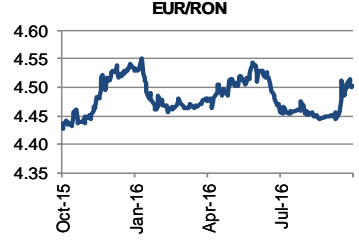
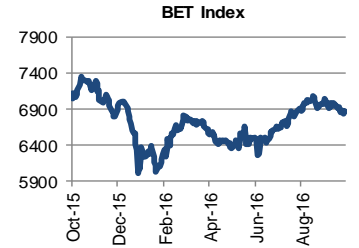
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.40	0	-53
5Y RON	2.15	0	-65
10Y RON	2.99	-1	-79

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.76	0	-80
USD Jan-24	2.95	4	-83

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	103	2	-30
10-year	147	1	-25

STOCKS			
	Last	ΔD	ΔYTD
BET	6906.1	-0.03%	-1.40%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.5025	-0.01%	0.26%



BULGARIA

Money Market			
SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	-9	-31
1-month	-0.15	0	-30
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.40	0	-57

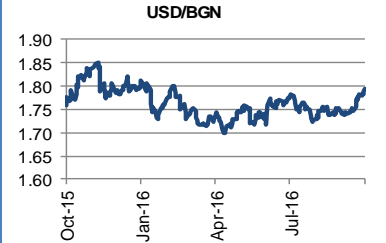
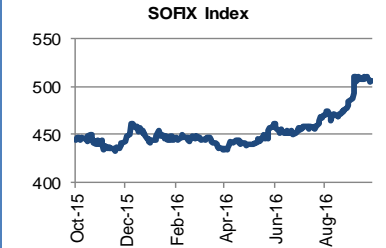
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.18	-1	-42
5Y BGN	0.54	-1	-74
10Y BGN	1.85	0	-81

BG Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.15	2	-22
EUR Sep-24	1.42	6	-100

CDS			
	Last	ΔDbps	ΔYTD bps
5-year	133	-1	-38
10-year	174	-1	-42

STOCKS			
	Last	ΔD	ΔYTD
SOFIX	505.7	-0.12%	9.72%

FOREX			
	Last	ΔD	ΔYTD
USD/BGN	1.7954	-0.32%	0.27%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 10:15 EEST

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