

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Oct 25: CB Consumer sentiment
- Oct 26: New home sales
- Oct 27
 - Jobless claims (weekly)
 - Durable goods orders (Sep)
 - Pending home sales (Sep)
- Oct 28
 - GDP (1st est, Q3)
 - Employment cost index (Q3)
 - UoM Consumer confidence

EUROZONE

- Oct 24: PMI manufacturing & services (Oct)
- Oct 25: DE: Ifo business climate (Oct)

GREECE

- Oct 24/25: Euroworking group
- Oct 28: Economic sentiment indicator (Oct)

SEE

BULGARIA

- Oct 28: Gross external debt (Aug)

ROMANIA

- Oct 24: 3.5% 2022 T-bond auction
- Oct 27: 1.35% 2019 T-bond auction

SERBIA

- Oct 25
 - 5.75% RSD 2023 T-bond auction
 - Real gross wages (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US Treasuries weakened and the USD remained in an upward trend on the back of increased expectations for a Fed rate hike in December following a new string of hawkish Fed comments and firmer than expected US data. Looking at the day ahead, focus is on ECB President Mario Draghi who is scheduled to give a speech while BoE Governor Mark Carney will be questioned by the House of Lords Economic Affairs Committee about the economic consequences of Brexit referendum outcome and the BoE's response. On the data front, major data releases include the US' Conference Board consumer sentiment index for October.

GREECE: The Euroworking Group that convened yesterday politically approved the release of the remaining €1.7bn sub-tranche and, thus, today the ESM is expected to "greenlight" the disbursement of the whole amount of €2.8bn pending from the 1st programme review, which should arrive in state coffers by the end of the week. According to the Bank of Greece data, travel receipts in August 2016, continued their declining course shrinking by 9.2%YoY (against -3.5%YoY in July 2016 and +9.9%YoY in August 2015). This is mainly due to decreased average expenditure per trip by 11.6%YoY given that arrivals rose by 1.8%YoY.

SOUTH EASTERN EUROPE

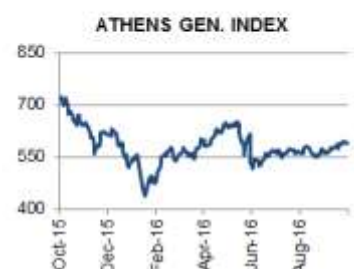
CESEE MARKETS: Most emerging market assets lost ground earlier on Tuesday on mounting expectations for a Fed rate hike this year. In the local debt markets, the Romanian finance ministry sold on Monday a planned RON 500mn (~€111mn) amount worth of 2022 T-Bonds at an average accepted yield of 2.65%, 12bps higher compared to that achieved at a prior tender of the same paper held in late September. Looking into today's calendar, the Central Bank meeting in Hungary takes centre stage.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Risk sentiment improved on the back of positive data from both sides of the Atlantic. The Markit survey of US manufacturing rose in October to a one-year high of 53.2 with key components including new orders and output improving significantly. In a similar positive note, the euro area flash competitive PMI surprised on the upside rising to 52.9 in October, surpassing market expectations for a relatively smaller increase to 52.6 from 52.6 in the prior month. The October improvement was driven by both manufacturing and services, pointing to continuing, albeit modest, economic recovery. The improved performance of major equity markets in early European trade on Tuesday, dented the safe haven appeal of the majority of major government bonds. The 10-yr Bund yield was hovering around 0.24% at the time of writing after falling to a three-week low of 0.20% at some point in the prior session while the 10-yr Treasury was yielding levels close to 1.761% following Tuesday's 1.724% session low. In FX markets, the USD remained in an upward trend on the back of increased expectations for a Fed rate hike in December following a new string of hawkish Fed comments and firmer than expected US data. Fed Funds futures currently assign a c. 70% probability for a 25bps in December compared to around 66% a week earlier. Against this background, the DXY index hit a fresh eight-month peak of 98.831 earlier today, around 1% higher on a weekly basis. On the flipside, the EUR remained under pressure hovering around 1.0880/85 against the USD at the time of writing, failing to capitalise much on positive euro area data. However, as market participants remain cautious about the outcome of the November 8th US elections, range-trading will likely prevail in the next couple of weeks. Looking at the day ahead, focus is on ECB President Mario Draghi who is scheduled to give a speech on stability, equity and monetary policy while BoE Governor Mark Carney will be questioned by the House of Lords Economic Affairs Committee about the economic consequences of Brexit referendum outcome and the BoE's response. On the data front, major data releases include the US' Conference Board October consumer sentiment index.

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GREECE

The Euroworking Group that convened yesterday politically approved the release of the remaining €1.7bn sub-tranche and, thus, today the ESM is expected to "greenlight" the disbursement of the whole amount of €2.8bn pending from the 1st programme review, which should arrive in state coffers by the end of the week. Meanwhile, according to local press, the 2017 draft Budget is under scrutiny in the context of the 2nd programme review with a number of issues, including the tax free threshold and the social solidarity allowance, being at the centre of the debate between Greece and the institutions. According to the Bank of Greece data, travel receipts in August 2016, continued their declining course shrinking by 9.2%YoY (against -3.5%YoY in July 2016 and +9.9%YoY in August 2015). This is mainly due to decreased average expenditure per trip by 11.6%YoY given that arrivals rose by 1.8%YoY. Receipts from Euro area countries fell by 7.5%YoY while receipts from non-euro area countries within the EU28 rose by 9.7%, of which receipts from the UK rose 0.5%YoY, after a sharp decline of -35.6%YoY in July 2016, the first month after the Brexit referendum. Receipts from other countries also fell by 31.1%. For the period January – August 2016, receipts contracted 7.1% YoY while arrivals rose 1.3%YoY (against +8.8%YoY and +10.6%YoY respectively) for the same period in 2015. According to market sources, the significant declines in travel receipts are largely attributed to the special offers at reduced prices extended by tourism businesses in an effort to keep or increase their market shares.

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October 25, 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

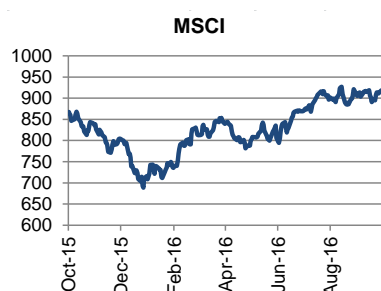
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Most emerging market assets lost ground earlier on Tuesday on mounting expectations for a Fed rate hike this year. In this context, the MSCI Emerging Markets index fell in Asian trade, pulling back from yesterday's 2-week intraday high. Bourses in the CESEE region treaded water in morning trade. Poland's WIG index was amongst the main outperformers to stand ca 0.6% higher at the time of writing. Similarly, the main Hungarian BUX index temporarily touched a new near decade high earlier today, continuing to be favored by recent upgrades on the country's sovereign credit ratings by Fitch and S&P in May and September, respectively, on improving macroeconomic fundamentals.

In FX markets, regional currencies were little changed despite a stronger US dollar. The Polish zloty led the gains after labour market data showed that unemployment dropped more than expected (market consensus at 8.4%) to 8.3% in September from a downwardly revised 8.4% print (from 8.5% initially reported in the prior month) in August. Against this backdrop, the EUR/PLN hovered around levels of 4.3065 at the time of writing, having slightly pulled back from a 1½ week trough of 4.3020 hit earlier on the day. On the flipside, the Turkish lira fell to a multi-session low near 3.0900/\$ weighed down by the stronger US dollar.

In the local debt markets, the Romanian finance ministry sold on Monday a planned RON 500mn (~€111mn) amount worth of 2022 T-Bonds. The average accepted yield came in at 2.65%, 12bps higher compared to that achieved at a prior tender of the same paper held in late September. The bid to cover ratio was at 1.6 yesterday. The security matures on December 19, 2022 and bears a coupon of 3.5%.

Looking into today's calendar, the Central Bank meeting in Hungary takes centre stage. The MNB is broadly anticipated to hold its key policy rate at the current record low level of 0.90%. In its previous MPC meeting in September, the MNB had also kept its policy rate unchanged but it had reduced the maximum volume offered at the three-month deposit instrument tenders by year-end, in a move aimed at supporting bank lending and purchases of government bonds. In that meeting's minutes, the Central Bank had signaled its readiness to proceed with further such action, if needed, in order for its 3.0% inflation target to be attained. Government bond auctions in Serbia, Ukraine and Turkey also lure market attention later on Tuesday. Further ahead, the updated Inflation Report in Turkey, Hungary's Central Bank Macroeprudential Report, Ukraine's MPC meeting are amongst the most notable releases this week.

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October 25, 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	2151.33	0.5%	5.3%	EUR/USD	1.0891	0.1%	0.3%	UST - 10yr	1.76	0	-51	GOLD	1270	0.4%	19.6%
Nikkei 225	17365.25	0.8%	-8.8%	GBP/USD	1.2234	0.0%	-17.0%	Bund-10yr	0.02	-1	-61	BRENT CRUDE	52	0.6%	38.8%
STOXX 600	345.16	0.3%	-5.6%	USD/JPY	104.44	-0.2%	15.0%	JGB - 10yr	-0.07	-1	-33	LMEX	2383	0.5%	8.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	3	1
1-week	3.18	1	-1
1-month	3.31	-2	-20
3-month	3.49	2	-34
6-month	3.66	0	-37

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	543
5Y RSD	4.34	0	-79
7Y RSD	5.63	0	-207

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.28	0	-89
USD Nov-24	6.52	0	11

CDS

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

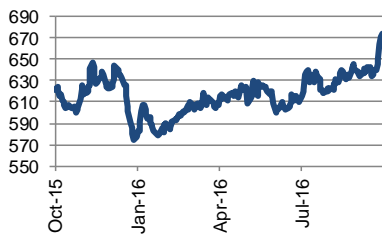
STOCKS

	Last	ΔD	ΔYTD
BELEX15	671.3	-0.27%	4.23%

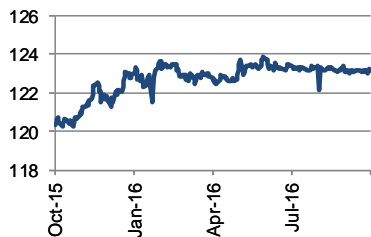
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.21	0.01%	-1.32%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	1	-1
1-month	0.58	-1	-11
3-month	0.69	-1	-33
6-month	0.93	-1	-41
12-month	1.08	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.39	0	-54
5Y RON	2.12	-2	-68
10Y RON	2.97	-2	-81

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.75	0	-82
USD Jan-24	2.87	0	-91

CDS

	Last	ΔDbps	ΔYTD bps
5-year	102	0	-31
10-year	145	0	-26

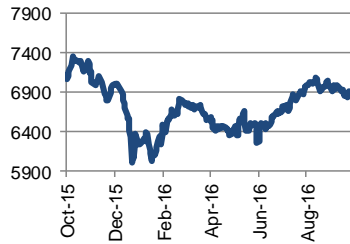
STOCKS

	Last	ΔD	ΔYTD
BET	6849.6	-0.06%	-2.21%

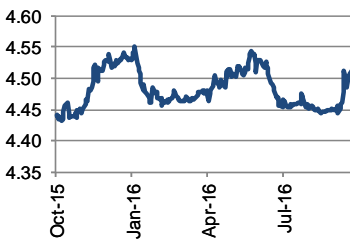
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.489	0.37%	0.56%

BET Index



EUR/RON



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	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	1	-41
5Y BGN	0.55	0	-72
10Y BGN	1.87	0	-79

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.18	0	-25
EUR Sep-24	1.44	-16	-99

CDS

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

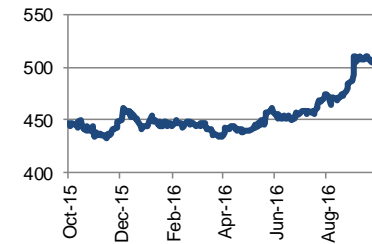
STOCKS

	Last	ΔD	ΔYTD
SOFIX	512.6	0.07%	11.21%

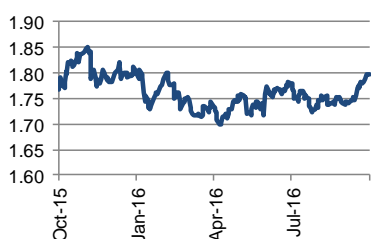
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7958	0.11%	0.25%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EEST

October 25, 2016

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