



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 27, 2016

### 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 (1<sup>st</sup> 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:** Wall Street pared earlier losses to close in a modestly negative territory overnight on better-than-expected Markit PMI releases. Mirroring the negative tone in Wall Street, most Asian equity indices closed in the red on Thursday. On the flipside, major European bourses opened higher snapping a three-day losing streak amid positive earnings' results from some of Europe's biggest banks. In FX markets, the EUR/USD consolidated around yesterday's levels of 1.0910 at the time of writing, while waning expectations for an interest rate cut by the Bank of England next week have provided some support to the British pound. On the data calendar, US weekly jobless claims, September durable goods orders and pending home sales are expected to lure market attention today.

**GREECE:** According to the final State Budget Execution data for January – September 2016, the budget balance recorded a surplus of ca €0.59 bn, €3.62 bn narrower relatively to the respective 2016 Budget target. The primary balance recorded a surplus of ca €5.44 bn, significantly outperforming the 2016 Budget target.

### SOUTH EASTERN EUROPE

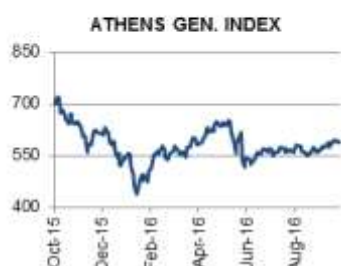
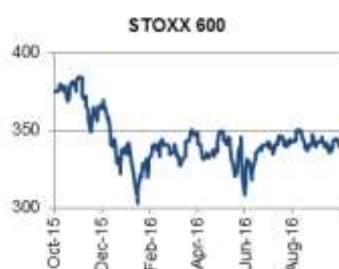
**BULGARIA:** The government unveiled yesterday the main parameters of next year's budget framework, which envisages a consolidated government deficit of 1.4% of GDP down from a recently projected balanced position in 2016.

**CESEE MARKETS:** Most emerging market assets remained under pressure for the third consecutive session earlier on Thursday on waning risk appetite. Bourses in the CESEE region were mixed on Thursday morning, while regional currencies were broadly weaker against a stronger US dollar.

#### DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Wall Street pared earlier losses to close in a modestly negative territory overnight on better-than-expected Markit PMI releases. In more detail, both the Markit PMI Services and Composite indices rose at a one-year high of 54.8 and 54.9, respectively, in October from 52.3 in September. Mirroring the negative tone in Wall Street, most Asian equity indices closed in the red on Thursday. The slowdown in Chinese industrial firms' profit growth in September to 7.7%YoY from 19.5%YoY in August might also have had a negative impact. On the flipside, major European bourses opened higher on Thursday snapping a three-day losing streak amid positive earnings' results from some of Europe's biggest banks. In FX markets, the EUR/USD consolidated around yesterday's levels of 1.0910 at the time of writing as market participants remain cautious ahead of the key October nonfarm payrolls report and the upcoming FOMC meeting, both due next week. Elsewhere, waning expectations for an interest rate cut by the Bank of England next week have provided some support to the British pound, with the GBP/USD rebounding to ca. 1.2240 in European trade at the time of writing from Tuesday's three-week trough of 1.2083. On the data calendar, US weekly jobless claims, September durable goods orders and pending home sales are expected to lure market attention today.

[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

### GREECE

According to the final State Budget Execution data for January – September 2016, the budget balance recorded a surplus of ca €0.59 bn, €3.62 bn narrower relatively to the respective 2016 Budget (B16) target. The primary balance recorded a surplus of ca €5.44 bn, significantly outperforming the B16 target. Ordinary budget net revenue for January – September 2016 amounted to ca €35.25 bn, higher by ca €1.48 bn or 4.4% compared with the monthly B16 target. Direct taxes and VAT revenues increased by 3.3% and 3.0% respectively compared to their B16 targets. VAT revenues from tobacco and all other goods increased by 0.6% and 4.9%, respectively, in comparison with their B16 targets, as a result of: (i) the planned increase on the tobacco products' indirect taxes from January 2017 onwards; (ii) the VAT rate hike decided on May 2016; (iii), the abolition of lower VAT rates on a series of Greek islands; and (iv) the improved use of electronic means of payment. However, ordinary budget expenditure for January-September 2016, amounted to ca €34.55 bn, undershooting the respective B16 target by ca €2.47 bn or -6.7%. The first round of official discussions in the context of the 2nd review between the Greek officials and the heads of the ECB/EC/IMF/ESM mission will end today. The mission will return in mid-November with an intention to have the review completed by the December 5th Eurogroup. Labor market reforms constitute one of the main sticking issues in the negotiation process. In other news, the Council of State, Greece's top administrative court, ruled that the recent TV licenses' auction conducted in early September 2016 was unconstitutional.

[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

October 27, 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

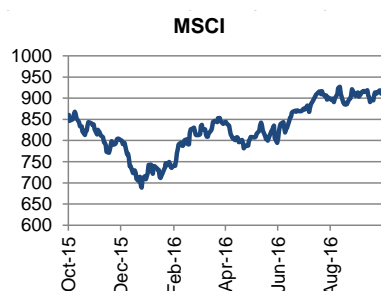
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

L-T ccy	Credit Ratings		
	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 government unveiled yesterday the main parameters of next year's budget framework. The budget of 2017 envisages a consolidated government deficit of 1.4% of GDP down from a recently projected balanced position in 2016. The budget of 2016 was built upon an initial consolidated government deficit target of 2.0% down from a realized -2.9% in 2015. Real GDP growth is expected to slow down slightly to 2.5% in 2017 from a projected 2.6% print in 2016 on weaker net exports, before accelerating to 2.7% in 2018-2019, with private consumption and investment seen as the main drivers. The consolidated budget surplus had reached 3.7% of GDP in January – September 2016, compared to a 0.3% deficit in the same period a year ago. Total revenue expanded by 6.4% YoY, to BGN25.7bn over the said period, increasing significantly faster than the 2.5% growth projected in the 2016 budget. The revenues outperformance took place despite the slowdown in EU transfers as a result of the initiation of the new programming period 2014-2020. On the other hand, total expenditure declined by 5.2% YoY in the same period, to BGN22.3bn as EU funds related expenditure plummeted by 69.7% in the first eight months according to the latest available data.

[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

### CESEE MARKETS

Most emerging market assets remained under pressure for the third consecutive session earlier on Thursday on waning risk appetite. Disappointing earnings from Apple and a firmer US dollar weighed on investor sentiment. In China, industrial profit growth slowed down last month, while news that China's offshore yuan eased to new 6-year lows near 6.7924/\$ after the Central Bank set a lower midpoint at 6.7736/\$, compared to 6.7705/\$ on Wednesday, also had a negative impact on market sentiment.

Nevertheless, bourses in the CESEE region were mixed on Thursday morning, receiving some support from firmer main European stock markets. Indicatively, the main indices in Serbia, Poland and Romania stood in the black at the time of writing, registering gains to the tune of ca 0.2-0.3% each. At the same time, other indices in the region fell. In FX markets, regional currencies were broadly weaker against a stronger US dollar. The Turkish lira was the most hit with the USD/TRY hovering around levels of 3.0955 at the time of writing, compared to 3.0798 on Wednesday's settlement, having somewhat eased from a 1-week peak of 3.1060 hit in late Asian trade. During the presentation of the Central Bank's (CBT) updated Inflation Report earlier today, Governor Murat Cetinkaya said that simplification of monetary policy has been largely achieved, adding that a cautious stance will be maintained in terms of future MPC decisions, which will be largely dependent on the inflation outlook. Furthermore, the CBT revised higher its CPI forecast for end-2017 to 6.5% from 6.0% previously, while keeping its 7.5% projection for this year unchanged and penciling in a 5.0% print for 2018. With respect to economic activity, the Central Bank Governor noted that preliminary indicators point to a pick-up in Q4 2016, adding that recent government incentive packages will likely have a positive impact on growth next year.

Government bond auctions in Hungary and Romania, the Hungarian Central Bank's Macroprudential Report release and Ukraine's MPC meeting lure market attention later on the day.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

October 27, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities												
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD							
S&P 500	2139.43	-0.2%	4.7%	EUR/USD	1.0916	0.1%	0.6%	UST - 10yr	1.82	2	-45	GOLD	1270	0.2%	19.6%
Nikkei 225	17336.42	-0.3%	-8.9%	GBP/USD	1.2228	-0.2%	-17.0%	Bund-10yr	0.13	5	-50	BRENT CRUDE	50	0.6%	34.9%
STOXX 600	340.23	-0.4%	-7.0%	USD/JPY	104.64	-0.2%	14.7%	JGB - 10yr	-0.05	1	-32	LMEX	2435	0.1%	10.5%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	0	1
1-week	3.18	1	-1
1-month	3.31	0	-20
3-month	3.48	-1	-35
6-month	3.65	-4	-38

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	-104
5Y RSD	4.32	-1	-80
7Y RSD	5.61	0	-209

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.33	4	-84
USD Nov-24	6.52	0	11

**CDS**

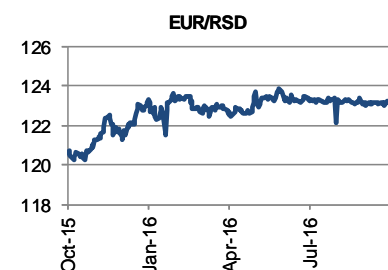
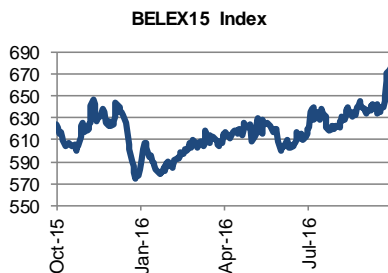
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-75
10-year	244	0	-95

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	669.0	-1.11%	3.86%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.20	0.00%	-1.31%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.62	-1	9
1-month	0.65	1	-4
3-month	0.73	1	-29
6-month	0.95	0	-39
12-month	1.09	1	-43

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.39	0	-54
5Y RON	2.14	2	-66
10Y RON	3.01	2	-77

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.77	1	-80
USD Jan-24	2.90	-1	-89

**CDS**

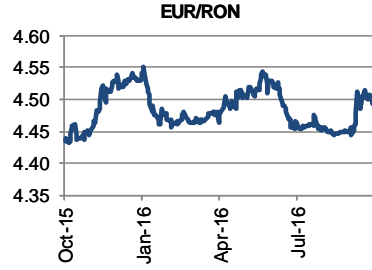
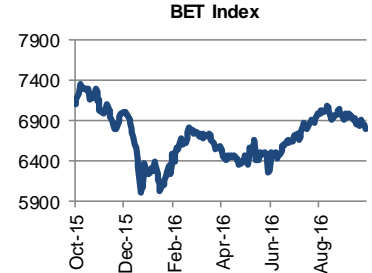
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-30
10-year	146	0	-25

**STOCKS**

	Last	ΔD	ΔYTD
BET	6799.6	0.25%	-2.92%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5027	-0.11%	0.25%



**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	0.17	0	-43
5Y BGN	0.51	-2	-76
10Y BGN	1.88	0	-78

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.18	-10	-25
EUR Sep-24	1.41	2	-101

**CDS**

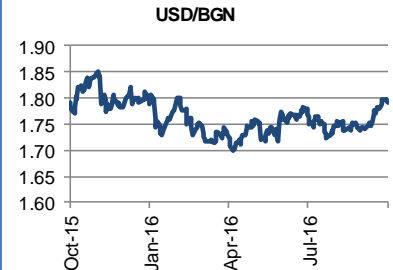
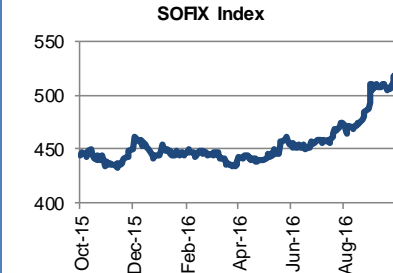
	Last	ΔDbps	ΔYTD bps
5-year	135	2	-36
10-year	176	3	-40

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	518.2	0.03%	12.43%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7915	0.08%	0.49%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 12:20 EEST

October 27, 2016

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

**Theodoros Stamatiou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylianos Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

Eurobank Economic Analysis and Financial Markets  
Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

