

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Oct 31
 - Personal income/spending (Sep)
 - Core PCE deflator (Sep)
 - Chicago PMI (Oct)
- Nov 1
 - ISM manufacturing (Oct)
 - Auto sales (Oct)
- Nov 2
 - ADP employment (Oct)
 - FOMC interest rate decision
- Nov 3
 - Jobless claims (weekly)
 - ISM non-manuf (Oct)
- Nov 4
 - Non-farm payrolls (Oct)
 - Trade balance (Sep)
 - U/E rate (Oct)
 - Average hourly rate (Oct)

EUROZONE

- Oct 31: GDP (Q3, flash)
- Nov 2: PMI manufacturing (Oct, f)
- Nov 2-10: EC autumn forecasts

GREECE

- Oct 31: Retail sales (Aug)
- Nov 1: PMI manufacturing (Oct)

CYPRUS

- Nov 3: CPI (Oct)

SEE

BULGARIA

- Oct 31-Nov 3: Budget valance (Sep)
- Nov 6: Presidential elections

ROMANIA

- Nov 1: International reserves (Oct)
- Nov 2: PPI (Sep)
- Nov 3: ILO U/E rate (Sep)
- Nov 4: MPC meeting

SERBIA

- Oct 31
 - Trade balance (Sep)
 - Retail sales (Sep)
 - Industrial output (Sep)
 - GDP (Q3, p)
- Nov 4: EUR 1% 2018 T-bond auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD gave back some of its recent gains and major European equity markets opened lower on Monday amid market anxiety ahead of the November 8th US presidential elections. Elsewhere, major government bonds continued to face selling pressures while oil prices remained in a downward trend amid lingering oversupply woes.

GREECE: The first round of negotiations with official lenders in the context of the 2nd programme review was concluded last Thursday and talks are expected to be resumed in mid-November. A number of issues remain open particularly with regard to the medium term fiscal strategy, the legal framework for out-of-court workout of NPLs and labour market reform. According to the ESM Managing Director Klaus Regling, the ESM is working on the short-term debt relief measures while as regards the medium and long-term debt relief measures, the commitment of the May 2016 Eurogroup to continue supporting Greece as long as the country implements the agreed reforms is strong, markets understand that and therefore, further specification of these measures is not yet necessary.

SOUTH EASTERN EUROPE

BULGARIA: The local equity market recovered ground over the last few days, with the main SOFIX index surging by 3.67% on a weekly basis to a new 2-year high. Meanwhile, local currency and external government bonds were little changed last week as caution prevails ahead of the presidential elections due on Sunday.

ROMANIA: The EUR/RON seems to have stabilized around the 4.5000 psychological level last week, after the prior weeks' up-move. The money market is seeing some pressure as the excess RON liquidity witnessed for most of the year is slowly drained away. In government debt markets, selling continued for local currency paper of long maturity.

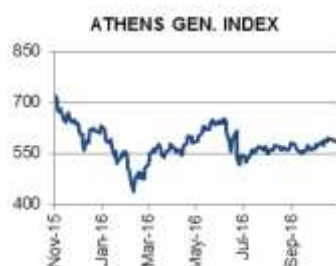
SERBIA: Despite prevailing downside pressures last week, the EUR/RSD remained bound within a range of 123.00-123.30 amid renewed Central Bank interventions in the FX markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD gave back some of its recent gains and major European equity markets opened lower on Monday amid market anxiety ahead of the November 8th US presidential elections. Recent news suggested that the FBI reopened a probe into Democratic presidential candidate Hillary Clinton's emails from a private server used when she was Secretary of State. In addition, the most recent national polls suggested that Clinton's recent lead over Republican candidate Donald Trump has shrunk. Favored by a broadly weaker US currency, the EUR/USD was hovering around 1.0950/60 in early European trade after marking a session low of 1.0889 on Friday following firmer than expected US data suggesting that Q3 GDP growth accelerated from 1.4% QOQ annualized in the prior quarter to 2.9%QoQ annualized, the highest in two years, mainly supported by net trade and a rebound in inventory investment. Elsewhere, major government bonds remained under pressure on the prevailing view that major central banks will likely step back from the aggressive stimulus measures delivered in recent years in the way of relatively higher oil prices and last week's stronger than anticipated GDP growth data from the US and the UK. In other news, oil prices remained in a downward trend with the Brent crude standing close to \$49.55/bbl at the time of writing, the lowest in nearly a month, amid lingering oversupply woes. Looking ahead, this week will be busy in terms of economic data and central bank meetings. On the data front, we expect, inter alia, the euro area's preliminary Q3 GDP report and the flash CPI estimate for October (Monday) ahead of the US's ADP survey (Thursday) and the US non-farm payrolls report (Friday). The series of central bank meetings (BoJ and RBA on Tuesday, Fed on Wednesday and BoE on Thursday) are unlikely to deliver surprising outcomes and are thus not expected to have a material impact on markets.

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GREECE

The first round of negotiations with official lenders in the context of the 2nd programme review was concluded last Thursday and talks are expected to be resumed in mid-November while a number of issues remain open. Firstly, with respect to the medium term fiscal strategy 2017 – 2020, according to press reports, the institutions express concerns as to the Budget 2017 targets and the adequacy of funds for the Social Solidarity Income and request the decrease of the tax-free threshold to €5,000. The Greek side is pursuing the lowering of the primary surplus targets for 2019 and beyond. Secondly, with regard to NPLs, a number of technicalities pertaining to the legal framework for the out-of-court workout are outstanding and will be discussed in the following days. Thirdly, the labour market reform presents a number of challenges particularly in the areas of the minimum wage, industrial actions and the legal framework for trade unions. Finally, the changes in the Boards of Directors of the systemic banks have not yet been finalised. In the energy market reform front, the first auction under the NOME mechanism in the Greek electricity market was launched last week while as regards the sale of a 24% stake of the Independent Power Transmission Operator (ADMIE) from the Public Power Corporation (PPC) the highest bidder was State Grid Corporation of China, with an offer of €320 million. In other news, in an interview to a Greek newspaper, ESM Managing Director Klaus Regling mentioned that based on the Eurogroup May 2016 decisions, the short-term debt relief measures are to be implemented sometime between the completion of the first review and the conclusion of the programme and the ESM is working towards this direction. With respect to the medium and long-term debt relief measures, the commitment of the Eurogroup to continue supporting Greece as long as the country implements the agreed reforms is strong, markets understand that and therefore, further specification of these measures is not yet necessary.

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October 31, 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

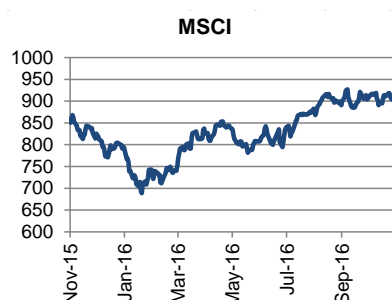
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The local equity market recovered ground over the last few days, with the main SOFIX index surging by 3.67% on a weekly basis to a new 2-year high of 526.28 points. Blue chips were well-bid as Expat SOFIX ETF continued to support the market. The weekly turnover increased to nearly EUR 1.6mn. Meanwhile, the local bond market remained relatively quiet with the benchmark yield curve undertaking some very slight steepening. A similar picture was also witnessed in the Eurobond market ahead of the presidential elections due on Sunday.

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ROMANIA

The EUR/RON seems to have stabilized around the 4.5000 psychological level last week, after the prior weeks' up-move. News that the government is challenging the CHF loan conversion law in Constitutional Court stirred some early optimism, pushing the rate to the week's low of 4.4875 on Tuesday. However, the market quickly bounced back following regional moves and the pair closed the week at 4.5070, near the previous Friday's settlement of 4.5095. The money market is seeing some pressure as the excess liquidity we've seen in RON for most of the year is slowly drained away. The main influence over the liquidity in this period comes from the MoF – very few maturities after August means we are getting positive primary market net issuance of around RON 3bn/month, while budget deficit spending is still low – traditionally in Romania most of the deficit spending comes in bulk late in December and 2016 will probably not be an exception. As a result the excess liquidity is temporary withdrawn from the market and will likely come back in late December. In swaps the implied RON rates for 1W and 1M increased to 0.60% from under 0.50% the previous week, while the 12M rate rose 5 bps to 0.85%. In government debt markets, selling continued for paper of long maturity, with the corresponding benchmark yield curve undertaking some additional bear steepening. The 12M yield rose 5bps from 0.55 to 0.60% over the week, the 5Y yield advanced 5bps to 2.20% and the 10Y inched up 10 bps to 3.08%.

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SERBIA

Despite prevailing downside pressures last week, the EUR/RSD remained bound within a range of 123.00-123.30 amid renewed Central Bank interventions in the FX markets. The NBS bought last week a total of RSD30mn, which brought its year-to-date purchases to RSD660mn. Near term risks for the pair currently appear to be skewed to the upside, with a move towards 124.00 seeming possible in the coming days/weeks. In support of the aforementioned is the prospect of higher Fed interest rates by the end of this year, persisting geopolitical uncertainties and potential fiscal slippages. Even so, even if one or more of those three scenarios develop, we don't see room for significant turbulence on EUR/RSD as renewed Central Bank intervention is anticipated to smooth out any potential significant FX fluctuations.

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October 31, 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	2126.41	-0.3%	4.0%	EUR/USD	1.0956	-0.3%	0.9%	UST - 10yr	1.85	0	-42	GOLD	1273	-0.2%	20.0%
Nikkei 225	17425.02	-0.1%	-8.5%	GBP/USD	1.2167	-0.2%	-17.4%	Bund-10yr	0.17	0	-46	BRENT CRUDE	50	-0.3%	32.9%
STOXX 600	338.93	-0.5%	-7.3%	USD/JPY	104.97	-0.2%	14.4%	JGB - 10yr	-0.05	-1	-31	LMEX	2487	1.1%	12.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	-3	-2
1-week	3.16	-2	-3
1-month	3.31	0	-20
3-month	3.54	6	-29
6-month	3.71	6	-32

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	-104
5Y RSD	4.33	-1	-80
7Y RSD	5.61	0	-209

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.39	2	-78
USD Nov-24	6.51	0	9

CDS

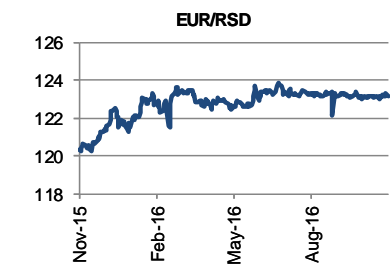
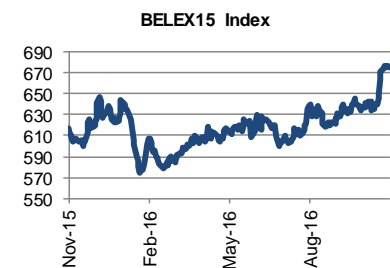
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-75
10-year	244	0	-95

STOCKS

	Last	ΔD	ΔYTD
BELEX15	674.5	-0.30%	4.72%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.13	0.17%	-1.26%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	10
1-month	0.66	1	-3
3-month	0.73	0	-29
6-month	0.95	0	-39
12-month	1.09	0	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.37	1	-56
5Y RON	2.18	0	-62
10Y RON	3.04	0	-74

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.84	0	-72
USD Jan-24	2.97	0	-82

CDS

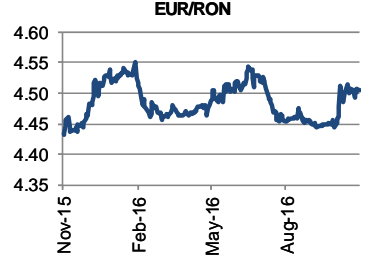
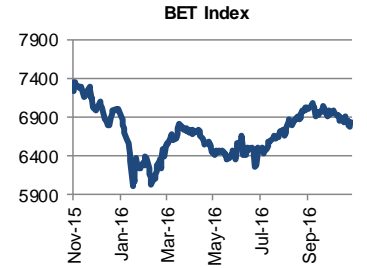
	Last	ΔDbps	ΔYTD bps
5-year	108	5	-26
10-year	152	5	-20

STOCKS

	Last	ΔD	ΔYTD
BET	6818.7	-0.15%	-2.65%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5063	-0.01%	0.17%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.20	10	-21
1-month	-0.15	0	-30
3-month	-0.06	-1	-32
6-month	0.10	0	-43
12-month	0.41	0	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	0	-40
5Y BGN	0.49	-4	-78
10Y BGN	1.89	0	-77

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.39	7	-46
EUR Sep-24	1.44	-4	-98

CDS

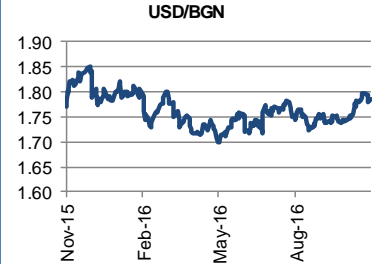
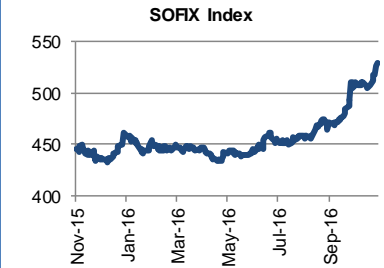
	Last	ΔDbps	ΔYTD bps
5-year	135	0	-36
10-year	176	0	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	528.8	0.48%	14.73%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7854	-0.30%	0.83%



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

Data updated as of 11:45 EET

October 31, 2016

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