



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Friday, November 11, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Nov 8: Presidential elections
- Nov 10: Jobless claims (weekly)
- Nov 11 UoM consumer sentiment (p, Nov)

##### EUROZONE

- Nov 7: Eurogroup/Ecofin meetings
- Nov 9: EC autumn forecasts

##### GREECE

- Nov 9: Industrial production (Sep)
- Nov 10
  - U/E rate (Aug)
  - CPI/HICP (Oct)

##### CYPRUS

- Nov 8: HICP (Oct)
- Nov 7-11: reunification talks
- Nov 11: Moody's sovereign rating review

##### SEE

##### BULGARIA

- Nov 8
  - Retail sales (Sep)
  - Industrial production (Sep)
- Nov 9: Trade balance (Sep)

##### ROMANIA

- Nov 7
  - Retail sales (Sep)
  - Net wages (Sep)
  - 2.25% T-bonds auction
- Nov 9: Trade balance (Sep)
- Nov 10: 3.65% 2031 T-bonds auction
- Nov 11
  - Industrial sales (Sep)
  - CPI (Oct)
  - MPC meeting minutes

##### SERBIA

- Nov 10: MPC meeting

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The initial risk off reaction to Republican Donald Trump's presidential election victory has significantly tempered mostly due to the conciliatory tone the US President-elect adopted in his victory speech. Risk sentiment improved and major government bonds came under pressure reflecting the prevailing market view over the likelihood of higher inflation pressures assuming that the new US government's election proposal for a large fiscal stimulus will be enacted.

**GREECE:** In an interview, the Governor of the Bank of Greece (BoG) Yannis Stournaras appeared confident that the Greek government will swiftly conclude the 2nd programme review, which will allow the implementation of the short-term debt relief measures, the specification of the medium-term debt relief measures and the inclusion into the ECBs QE programme and added that the BoG is already preparing another package of measures for the further relaxation of capital controls as liquidity conditions have improved. IMF spokesman Gerry Rice stated that it is important for the IMF to assess medium-term debt relief measures and their impact on the Greek debt now whilst they do not have to be implemented in advance. CPI inflation in October 2016 eased slightly to -0.5% against -0.9% in October 2015 and -1.0% in September 2016.

### SOUTH EASTERN EUROPE

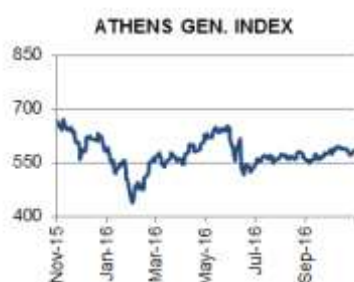
**BULGARIA:** The IMF annual article IV report on Bulgaria upgraded the growth projection of 2016 to 3.3% in 2016 and 2.9% in 2017.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The initial risk off reaction to Republican Donald Trump's presidential election victory has significantly tempered mostly due to the conciliatory tone the US President-elect adopted in his victory speech. Meanwhile there is high uncertainty over whether Donald Trump will follow through on the full extent of his campaign proposals. Risk sentiment improved. Both the S&P 500 and Dow Jones indices gained ground overnight with the latter hitting a fresh record closing high supported by comments by the incoming US President's spokesman that Dodd-Frank Wall Street Reform and Consumer Protection Act will be replaced by new policies aiming to boost economic growth and job creation. Giving back post-US election gains, major government bonds came under pressure reflecting the prevailing market view over the likelihood of higher inflation pressures assuming that the new US government's election proposal for a large fiscal stimulus will be enacted. The 10-yr US Treasury yield hit 2.15% ten-month high earlier today, up by 40bps from multi-session intraday lows marked in Asian trade while the 2-yr US bond marked multi-session highs near 0.92% after falling to a 2 ½ month low close to 0.71% in the prior session amid increased expectations for higher interest rates at the December 13-14 FOMC monetary policy meeting. Fed Funds futures are currently assigning a 80% probability for a 25bps Fed rate hike next month compared to around 50% shortly after news over a sweeping election victory for the Republican party. In FX markets, assisted by higher US bond yields, the USD gained ground against most of major currency peers. The DXY index was hovering not far from Thursday's multi-month peak of 99.081, having recovered by some 3% from a four-week low two sessions ago on Donald Trump's presidential election victory. Today, S&P is scheduled to publish a review of Italy's sovereign credit rating while, on the data front, we expect the US UM consumer sentiment index for November which is anticipated to improve from 87.2 in October.

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### GREECE

In an interview, the Governor of the Bank of Greece (BoG) Yannis Stournaras appeared confident that the Greek government will swiftly conclude the 2nd programme review, which will allow the implementation of the short-term debt relief measures, the specification of the medium-term debt relief measures and the inclusion of Greece into the ECBs QE programme. He pointed out that for the country to be eligible for the QE programme concrete progress on debt relief measures will be required. With regard to capital controls, Mr. Stournaras said that the BoG is already preparing another package of measures for their further relaxation as liquidity conditions have improved but stressed that their full lift will only be possible once confidence towards the Greek economy has been fully restored. With regard to Non Performing Exposures (NPEs), the Governor stated that they now stand at 45% of the banks' total loan portfolios and that the BoG is close to giving out six licenses to companies that are interested in acquiring or managing non-performing loans. He added that the target of decreasing NPLs by 40% by 2019 is realistic and will be underpinned by the expected economic recovery. Meanwhile, IMF spokesman Gerry Rice welcomed the intention of European partners to discuss the medium term debt relief measures at the December 5 Eurogroup adding that it is important for the IMF to assess those measures and their impact on the Greek debt whilst they do not have to be implemented in advance. He also spoke of a potential settlement whereby these measures could be applied conditional on the implementation of certain targets, particularly ones linked to reforms. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), CPI inflation in October 2016 eased slightly to -0.5% against -0.9% in October 2015 and -1.0% in September 2016.

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November 11, 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

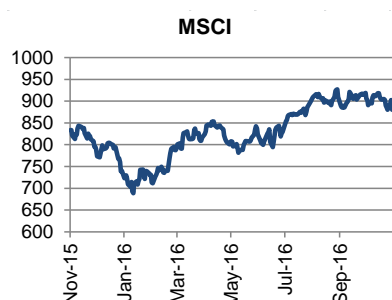
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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 IMF board concluded its annual article IV report for Bulgaria on a follow-up from the mission statement back in mid-September. The IMF board report acknowledged the resilience of the Bulgarian economy to multiple shocks in recent years and described the latest macroeconomic developments as encouraging. From that point of view, the GDP growth forecast of 2016 was further revised to 3.3% up from 3% previously in the mission conclusions and only 2.3% in the previous World Economic Outlook (WEO) report of April 2016. IMF now expects GDP growth to be equally robust at 2.9% in 2017 driven by domestic demand. The fiscal deficit on a cash basis is projected to end at only 0.7% of GDP in 2016 down from 2.9% in 2015. Yet, the IMF report identified the poor performance of state-owned enterprises (SOEs), the weak finances of subnational governments, and concerns regarding the viability of Pillar 2 private pension funds as the main threats to the fiscal accounts. Moreover, the IMF stressed that acceleration in structural reforms is required in order to boost the growth potential of the economy and thus speed up income convergence with the EU-28 average. Finally, IMF praised the new BNB leadership for the progress in restoring financial sector stability by addressing shortcoming in banking supervision and resolution. In that direction, the IMF urged authorities to continue strengthening the institutional framework of the financial system.

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November 11, 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	2167.48	0.2%	6.0%	EUR/USD	1.0884	-0.1%	0.3%	UST - 10yr	2.15	0	-12	GOLD	1257	-0.1%	18.4%
Nikkei 225	17374.79	0.2%	-8.7%	GBP/USD	1.2643	0.7%	-14.2%	Bund-10yr	0.32	4	-31	BRENT CRUDE	46	-0.2%	22.8%
STOXX 600	339.38	0.1%	-7.2%	USD/JPY	106.31	0.5%	12.9%	JGB - 10yr	-0.02	2	-29	LMEX	2732	2.2%	24.0%

**CESEE MARKETS**

**SERBIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	304	-1	1
1-week	3.16	-1	-3
1-month	3.31	0	-20
3-month	3.47	-1	-36
6-month	3.63	-1	-40

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-34
5Y RSD	5.61	0	-149
7Y RSD	5.76	0	-2

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.56	23	-61
USD Nov-24	6.53	3	11

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	244	0	-95

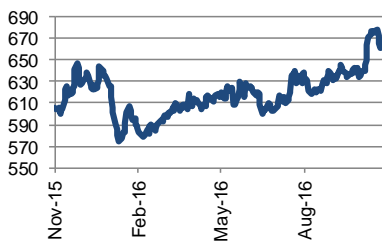
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	664.8	-0.04%	3.21%

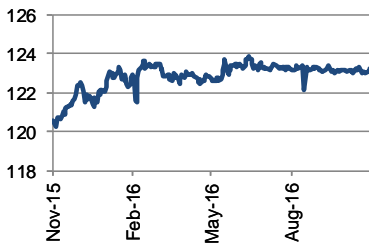
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.16	0.03%	-1.28%

BELEX15 Index



EUR/RSD



**ROMANIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.56	1	3
1-month	0.64	0	-5
3-month	0.74	0	-28
6-month	0.95	1	-39
12-month	1.1	1	-42

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.42	4	-51
5Y RON	2.30	3	-50
10Y RON	3.31	11	-47

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.19	9	-38
USD Jan-24	3.59	14	-19

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	109	5	-24
10-year	152	6	-19

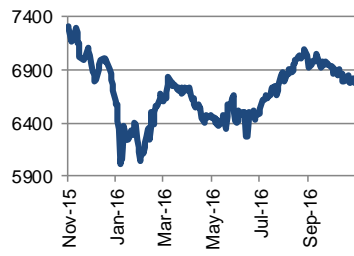
**STOCKS**

	Last	ΔD	ΔYTD
BET	6855.6	0.15%	-2.12%

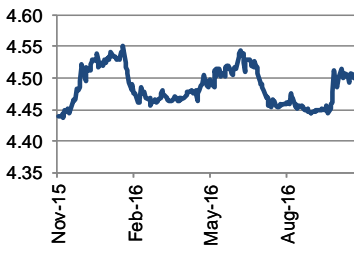
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5122	-0.15%	0.04%

BET Index



EUR/RON



**BULGARIA**

**Money Market**

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	0.40	0	-57

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	4	-38
5Y BGN	0.56	5	-71
10Y BGN	1.95	0	-71

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.15	-10	8
EUR Sep-24	1.55	-7	-87

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	142	4	-29
10-year	185	4	-31

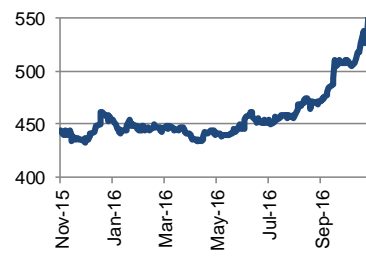
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	540.3	-0.21%	17.24%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7969	-0.06%	0.19%

SOFIX Index



USD/BGN



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

Data updated as of 11:40 EET

November 11, 2016

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