

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Nov 15
  - Retail sales (Oct)
  - Empire state index (Oct)
- Nov 16
  - Industrial production (Oct)
  - NAHB index (Nov)
- Nov 17
  - Jobless claims (weekly)
  - CPI (Oct)
  - Housing starts (Oct)
  - Building permits (Oct)
  - Philly Fed (Nov)

#### EUROZONE

- Nov 17
  - HICP (Oct, f)
  - ECB Oct meeting minutes
  - ECB Draghi speaks

#### GREECE

- Nov 14: GDP (Q3, A)
- Nov 15: Mission heads return to Athens to resume discussions with Greek authorities on 2<sup>nd</sup> review
- Nov 18: Turnover Index in Industry (Sep)

#### CYPRUS

- Nov 15: GDP (Q3, p)

#### SEE

##### BULGARIA

- Nov 14: CPI (Oct)
- Nov 15
  - GDP (Q3, p)
  - U/E rate (Oct)
- Nov 16: Current account balance (Sep)

##### ROMANIA

- Nov 14
  - IP (Sep)
  - Current account balance (Sep)
  - 1.35% 2019 T-bonds auction
- Nov 15: GDP (Q3, A)
- Nov 17: 3.25% 2024 T-bonds auction

##### SERBIA

- Nov 14: HICP (Oct)
- Sovereign credit rating review by Moody's

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** US Treasury yields remained in an upward trend in European trade on Monday on the view over higher inflation pressures and wider budget deficits assuming that US President-elect's proposals on fiscal policy will be implemented. Higher US Treasury yields favored the USD with the DXY index hitting a nine-month high slightly above 100.00 earlier today. Focus this week is on US retail sales, CPI and Fed Chair Yellen's testimony which all have the potential to push Treasury yields and the USD even higher.

**GREECE:** According to a number of local media, an informal agreement is in place between the IMF and the German side regarding the Fund's financial participation in Greece's new bailout programme,, which reportedly entails the following milestones: a) a political agreement in principle for the conclusion of the 2nd programme review on the December 5 Eurogroup, fulfillment of all prior actions by end January 2017 and disbursement of the attached loan tranche in one or more sub-tranches, b) financial participation of the IMF to the programme with funds up to €6bn, c) a debt sustainability analysis by the IMF in December which will take into consideration the short-term debt relief measures that the ESM will have finalised by then as well as a clearer description of the medium-term measures without them having to be implemented at that point, and d) inclusion of Greece into the ECBs quantitative easing (QE) programme.

### SOUTH EASTERN EUROPE

**BULGARIA:** The domestic equity market continued to gain ground last week, while the local currency sovereign debt yield curve steepened further and Eurobonds underperformed.

**ROMANIA:** The tone in Romanian assets last week was primarily set by developments in the US election. On the data front, CPI came in at +0.4% MoM/-0.4% YoY in October vs. -0.1% MoM/-0.6% YoY in September driven by monthly increases in all three main consumer basket components.

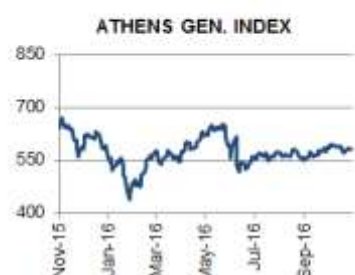
**SERBIA:** The EUR/RSD held steady around 123.0 last week, trading in quite a limited range on low volumes. As was broadly anticipated by market participants, NBS kept its policy rate unchanged, at 4.00% at its MPC meeting on Thursday.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasury yields remained in an upward trend in European trade on Monday on the view over higher inflation pressures and wider budget deficits assuming that US President-elect's proposals on fiscal policy will be implemented. Long-dated US Treasuries underperformed with the 10-yr yield rising to a ten-month high of 2.23%, marking a weekly increase of around 40bps, the highest since mid-2013. Short-dated US Treasury yields also moved higher, albeit by a lesser extent. Against this background, the 2/10-yr US Treasury yield curve undertook some further bearish steepening with the corresponding spread widening to around 125bps earlier today, the highest in nearly a year. Intense selling pressures on US Treasuries took the 10-yr US-Bund yield spread close to 192bps at the time of writing, the widest in in over two years. Higher US Treasury yields favored the USD with the DXY index hitting a nine-month high slightly above 100.00 earlier today. The EUR/USD was hovering around 1.0800 at the time of writing after marking session lows near 1.0720 earlier in the day, the lowest in about 10 months amid worries over potential implications of Donald Trump's victory on upcoming elections in a number of euro area countries in the coming months. This week's calendar includes, among other key releases and events, US retail sales (October) and CPI (Thursday) both for the month of October while Fed Chair Yellen is scheduled to testify on Thursday on the US economic outlook before the Joint Economic Committee of Congress. Expectations are for an increase in both the US CPI headline and retail sales while the Fed Chair's comments' are expected to reaffirm market expectations for a December rate hike, having all the potential to push US Treasury yields and the USD even higher.

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### GREECE

According to a number of local media, an informal agreement is in place between the IMF and the German side regarding the Fund's financial participation in Greece's new bailout programme, which reportedly entails the following milestones: a) a political agreement in principle for the conclusion of the 2nd programme review on the December 5 Eurogroup, fulfillment of all prior actions by end January 2017 and disbursement of the attached loan tranche in one or more sub-tranches, b) financial participation of the IMF to the programme with funds up to €6bn, c) a debt sustainability analysis by the IMF in December which will take into consideration the short-term debt relief measures that the ESM will have finalised by then as well as a clearer description of the medium-term measures without them having to be implemented at that point, and d) inclusion of Greece into the ECBs quantitative easing (QE) programme. It should, however, be noted that the IMF reportedly puts forward a number of requirements that would secure its participation. These reportedly are: the abolishment of the "personal difference" in existing pensions, the decrease of the tax-free threshold, the abolishment of all tax exemptions and the increase of the number of workers who may be collectively dismissed to 10% of total workers (from 5% currently) for companies with more than 150 employees. Meanwhile, the institutions' heads are expected to return to Athens today in the context of the 2nd programme review, where among others, the issues that are expected to be challenging are reportedly the fulfillment of the primary surplus targets for 2017 and 2018, additional labour market reform, the management of NPLs and the legal framework for the out-of-court workout for companies with arrears to the public sector, banks, social security funds, suppliers and other entities.

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November 14, 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

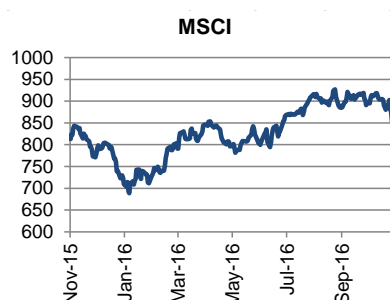
ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* 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 domestic equity market continued to gain ground last week on strong demand in Expat SOFIX ETF following news about a BGN 22mn investment flow from local pension funds. Along these lines, the main index SOFIX index closed 1.7% higher on a weekly basis at 539.13pts on Friday, having touched a new 2-year high of 558pts on Tuesday. The Bulgarian local currency sovereign debt yield curve continued to steepen further with yields on paper of mid-term maturity rising between 10 and 15bps. Eurobonds underperformed, trailing the international sell-off, with corresponding yields spiking by ca 30 and 55bps along the curve.

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### ROMANIA

The tone in Romanian assets last week was primarily set by developments in the US election. In this environment, the EUR/RON moved higher to trading as high as 4.5250 late on Friday (a fresh five-month peak) and closing around 4.5200, up from 4.4955 a week earlier. Near term RON rates were little changed amid ample market liquidity, with the 1W implied rate from swaps remaining largely unchanged around 0.50%. Rates above the very short tenors however rose quickly, with the 1M rate inching higher at 0.80% on Friday compared to 0.55% a week ago, while the 12M rate jumped 15 bps over the same time span to 1.00%. Government bonds have taken most of the hit from the outcome of the US election, with the corresponding benchmark yield curve shifting higher as well as bear steepening. In more detail, the 12M yield has moved 20 bps higher over the week to 0.80%, the 3Y increased 20 bps to 2.00% and the 5Y rose by 18 bps to 2.40%. Moves have been wide in the long end, with the 9Y and 11Y bonds jumping 30 bps each to 3.40% and 3.75% respectively.

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On the data front, inflation remained in a negative territory for the 16<sup>th</sup> month in a row on a YoY basis in October. CPI came in at +0.4% MoM/-0.4% YoY in October vs. -0.1% MoM/-0.6% YoY in September, slightly exceeding market expectations. The monthly dynamics of the CPI food component accelerated sharply in October driven by a spike of the volatile fruit and vegetables. As a result, food prices rose to +0.5% MoM/+0.5% YoY in October compared to -0.6% MoM/+0.5% YoY in September. Prices of non-food items expanded by +0.4% MoM/-0.8% YoY from +0.2% MoM/-1.0% YoY in the prior month, with their dynamics driven by another monthly spike in fuel prices and heating energy prices. Meanwhile, prices of services came in at +0.3% MoM/-1.1% YoY in October up from +0.0% MoM/-1.2% YoY in September. Overall, the October inflation reading suggests that the pace of deflation has slowed down. The adjusted Core2 CPI (excluding administered and volatile prices, alcohol and tobacco) stood at +0.6% YoY in October, in line with September's reading, but still depressed by the headline VAT rate cut effective from the beginning of the year (from 24% to 19%).

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### SERBIA

The EUR/RSD held steady around 123.0 during the whole of last week, trading in quite a limited range on low volumes. The Serbian FX market is still oversupplied with euros, but pressure on the EUR/RSD is reduced after decisive interventions of the National Bank of Serbia (NBS) earlier this month. Last week the NBS bought only €10mn, which takes the total amount of EUR purchases to €730mn so far this year. As broadly anticipated by market participants, NBS kept its policy rate unchanged, at 4.00%. The decision was guided by the effects of past rate cuts, as well as a revision of the inflation target to from 4.0% to 3.0% ± 1.5 percentage points. The NBS also noted that monetary policy caution is mandated by uncertainties in the international financial market concerning future measures by the Fed and the ECB, and their potential impact on global capital flows.

November 14, 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	2164.45	-0.1%	5.9%	EUR/USD	1.0754	-0.9%	-0.9%	UST - 10yr	2.23	8	-4	GOLD	1225	-0.2%	15.4%
Nikkei 225	17672.62	1.7%	-7.2%	GBP/USD	1.2492	-0.8%	-15.2%	Bund-10yr	0.36	5	-27	BRENT CRUDE	45	-0.1%	19.9%
STOXX 600	340.43	0.9%	-6.9%	USD/JPY	107.83	-1.1%	11.3%	JGB - 10yr	-0.01	1	-27	LMEX	2696	-1.3%	22.4%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
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	-150
7Y RSD	5.72	-4	-6

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.71	4	-46
USD Nov-24	6.56	2	14

**CDS**

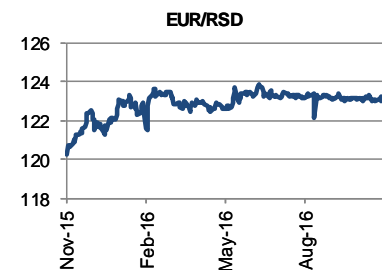
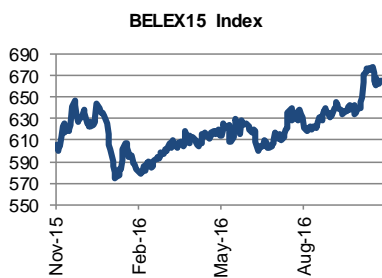
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	244	0	-95

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	665.8	0.15%	3.36%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.07	0.21%	-1.21%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-1	2
1-month	0.68	4	-1
3-month	0.8	6	-22
6-month	0.99	4	-35
12-month	1.13	3	-39

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.52	5	-41
5Y RON	2.43	7	-37
10Y RON	3.44	6	-34

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.34	15	-22
USD Jan-24	3.95	19	16

**CDS**

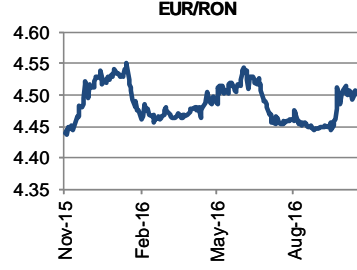
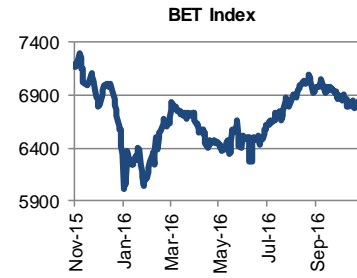
	Last	ΔDbps	ΔYTD bps
5-year	106	-3	-27
10-year	152	0	-20

**STOCKS**

	Last	ΔD	ΔYTD
BET	6855.2	0.08%	-2.13%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.5145	0.18%	-0.01%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.23	7	-24
1-month	-0.15	0	-30
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.41	0	-57

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	2	-36
5Y BGN	0.59	3	-68
10Y BGN	2.01	0	-65

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.24	-7	17
EUR Sep-24	2.06	-162	-37

**CDS**

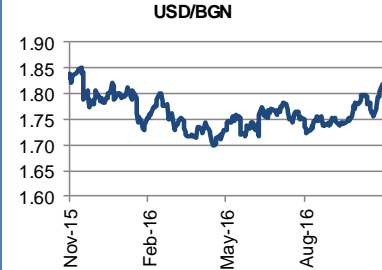
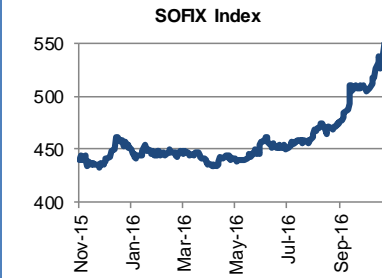
	Last	ΔDbps	ΔYTD bps
5-year	145	3	-27
10-year	189	3	-27

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	534.4	-0.88%	15.94%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8185	-0.93%	-1.00%



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

Data updated as of 12:15 EET



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