



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 15, 2016

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 2nd 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: The US dollar gave back some of its recent hefty gains while Treasury bond yields moved lower in European trade on Tuesday despite increased expectations for a Fed rate hike in December. In the rates market, the 10yr Treasury yield fell slightly to 2.22% in European trade on Tuesday after climbing to an eleven-month high of 2.30% on Monday. On the data front, focus today is the German ZEW for November and US retail sales for October. Furthermore, BoE Governor Mark Carney speaks at the Treasury Committee, while Fed speakers including Eric Rosengren and Stanley Fischer will also lure market attention.

GREECE: The heads of the institutions that are back in Athens to resume talks with the Greek government are scheduled to meet today with a number of Greek officials in the context of the 2nd programme review. Labour market reform stands at the top of the agenda while other priority issues include the medium term fiscal strategy, the progress in the implementation of the privatizations programme, the privatizations fund and the legal framework for the out-of-court workout. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) flash estimates published yesterday, real GDP growth stood at 0.5%/+1.5% QoQ/YoY in Q3 2016 (seasonally adjusted data) from an upward revised +0.3%/-0.6% QoQ/YoY in Q2 2016.

SOUTH EASTERN EUROPE

CYPRUS: In contrast to market expectations Moody's left unchanged on Friday the sovereign credit rating of Cyprus at B1. Nevertheless, it changed the outlook from stable to positive.

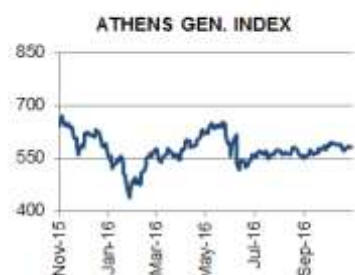
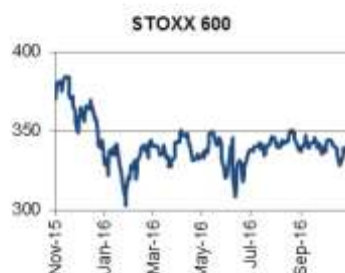
ROMANIA: The finance ministry sold on Monday RON 160mn (€35.5mn) of 2019 T-Bonds, less than an initially planned amount of RON 400mn (€88.7mn). The average accepted yield came in at 1.36%, a tad above 1.22% achieved at a prior auction of the paper held in October.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The US dollar weakened against most of its major currency peers, while Treasury bond yields moved lower in European trade on Tuesday despite increased expectations for a Fed rate hike in December. In more detail, the DXY dollar index retreated to levels around 99.600 in early European trade at the time of writing, after rising to an eleven-month high of 100.22 in the prior session on increasing expectations that US President-elect's proposal for an expansionary fiscal policy will boost inflation expectations. On that note, the EUR/USD advanced marginally to 1.0794 earlier today after falling to its lowest level in nearly 12 months of 1.0709 on Monday, amid concerns over potential consequences of Donald Trump's presidency in several euro area countries where elections/referendums are scheduled to take place in the coming months. In the rates market, the 10yr Treasury yield fell slightly to 2.22% in European trade on Tuesday after climbing to an eleven-month high of 2.30% on Monday. The two-day sell-off last week has reportedly wiped out more than \$1 trillion across global bond markets, the worst flight in almost 1.5 years. On the data front, focus today is the German ZEW for November and US retail sales for October. Furthermore, BoE Governor Mark Carney speaks at the Treasury Committee, while Fed speakers including Eric Rosengren and Stanley Fischer will also lure market attention.

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GREECE

The heads of the institutions that are back in Athens to resume talks with the Greek government are scheduled to meet today with a number of Greek officials in the context of the 2nd programme review. Labour market reform stands at the top of the agenda with the Greek side reportedly pursuing the reinstatement of collective bargaining, the extension of sectoral agreements, the protection of the current maximum threshold for collective dismissals and keeping the ban on lock-outs. Other priority issues include the medium term fiscal strategy, the progress in the implementation of the privatizations programme, the privatizations fund and the legal framework for the out-of-court workout. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) flash estimates published yesterday, real GDP growth stood at 0.5%/+1.5% QoQ/YoY in Q3 2016 (seasonally adjusted data) from an upward revised +0.3%/-0.6% QoQ/YoY in Q2 2016. According to the preliminary State Budget Execution data for January-October 2016 the fiscal surplus was at €1.306mn, against a targeted deficit of €3.499mn in the 2016 Budget and a deficit of €793mn in the respective period of 2015. The State Budget Primary Balance recorded a surplus of €6.497mn, against a targeted primary surplus of €1.791 in the 2016 Budget. Ordinary Budget net revenues over-performed their target by €2.398mn while Ordinary Budget expenditures were lower by €2.373mn compared to their 2016 Budget target.

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November 15, 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

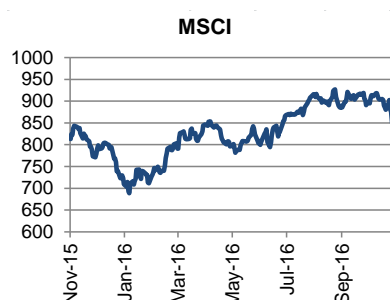
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

In contrast to market expectations Moody's left unchanged on Friday the sovereign credit rating of Cyprus at B1. Nevertheless, it changed the outlook from stable to positive. Behind its decision, the agency cited the small and relatively undiversified economy, the ongoing weakness of the domestic banking sector and very high levels of public and private debt. Moody's decision comes in contrast to the recent upgrades by S&P and Fitch. In more detail, Fitch upgraded in late October the sovereign credit rating of Cyprus by one notch (from B+ to BB-) with a positive outlook. The decision came on top of an S&P upgrade in late September (from BB- to BB with a positive outlook). The upgrades reflect the strong progress in the aftermath of the 2013 banking crisis, the exit from the economic adjustment program last March in the context of outperformance of fiscal and economic program targets, the success at lifting capital controls, and steps taken to restructure the banking sector. Despite rating agencies' aggressive upgrading, government bonds have not reached investment grade status yet. After the recent S&P and Fitch moves, two and three more notches are required in their respective grading systems, while four would be still required by Moody's. As a result, ECB's waiver for government bonds eligibility for Euro system financing has been lifted as of April 1st and Cyprus no longer qualifies for QE. The waiver allowed these instruments to be used in Euro system monetary policy operations despite the fact that they did not fulfill minimum credit rating requirements.

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ROMANIA

The finance ministry sold on Monday RON 160mn (€35.5mn) of 2019 T-Bonds, less than an initially planned amount of RON 400mn (€88.7mn). The average accepted yield came in at 1.36%, a tad above 1.22% achieved at a prior auction of the paper held in October. Government bond yields have moved broadly higher over the last few days, in line with the trend in major global benchmarks, amid increased expectations for Fed rate tightening in the near future under president-elect Trump's policies. A couple of days after the US election, the Romanian government rejected all bids at a tender for 2031 paper citing "unacceptable" price offers. Yesterday's bid to cover ratio stood at 3.4. The issue bears an annual coupon of 1.35% and matures on February 25, 2019.

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November 15, 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

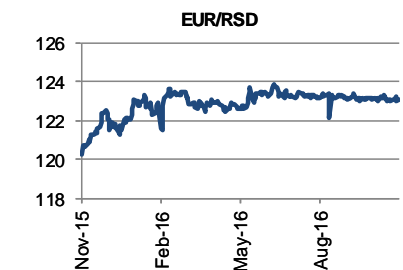
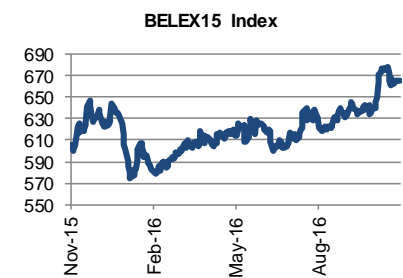
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	244	0	-95

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

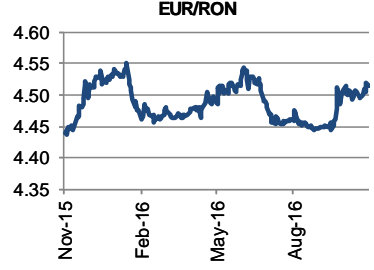
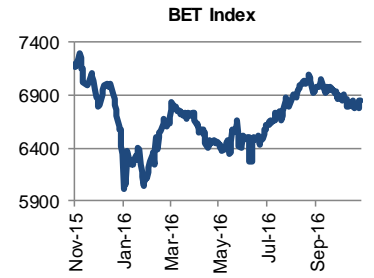
	Last	ΔDbps	ΔYTD bps
5-year	106	-3	-27
10-year	152	0	-20

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

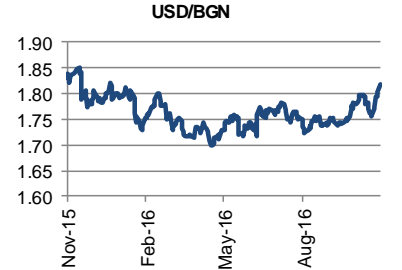
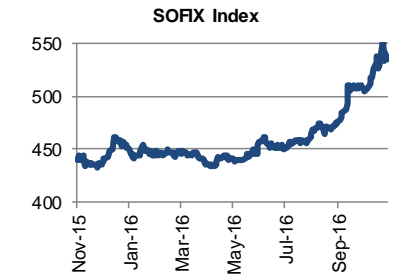
	Last	ΔDbps	ΔYTD bps
5-year	145	3	-27
10-year	189	3	-27

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 of previous session

November 15, 2016

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