

Friday, November 18, 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: A new bulk of firmer than expected US data and hawkish comments by Fed Chair Janet Yellen exerted renewed upward pressure on US Treasury yields taking the 10-yr UST/Bund yield spread to the widest since 1990. In France, the centre-right party Les Republicains, will hold primary elections on Sunday to elect the candidate for presidential election, scheduled for March/April 2017.

GREECE: According to local press, the Greek government plans to table to Parliament in the following days 12 bills pertaining to the labour market reform, undeclared income, plastic money, public servants mobility and out-of-court workout. If all goes as planned, a deal may be reached on short-term debt relief which will reportedly entail a relief package of c. €65bn instead of €40bn as was initially planned. The privatisations programme has come to a temporary halt due to the delay in the appointment of the new Chairman of the Hellenic Republic Asset Development Fund (TAIPED), after its former head Stergios Pitsiorlas was designated Deputy Minister of Economy and Development.

SOUTH EASTERN EUROPE

ROMANIA: The finance ministry sold on Thursday less than an initially planned amount of RON 1544mn (~€34.1mn) of 2024 T-Bonds at an average accepted yield of 3.13%, above 2.86% achieved at a prior auction in October.

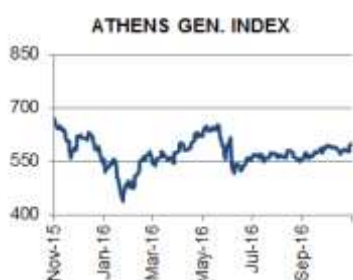
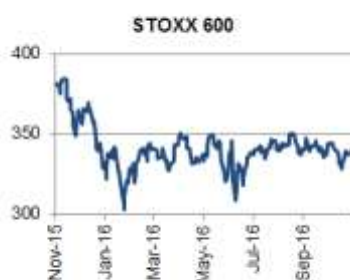
CESEE MARKETS: Emerging market assets broadly fell earlier on Friday amid mounting expectations for a Fed rate hike this year. CESEE focus today is on reviews on Serbia's and Hungary's sovereign credit ratings by Moody's and Fitch, respectively.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

A new bulk of firmer than expected US data and hawkish comments by Fed Chair Janet Yellen exerted renewed upward pressure on US Treasury yields. The 10-yr yield hit a fresh year to day peak of 2.34% compared to levels around 1.74% ahead of the US Presidential election on the prevailing view of increased inflation pressures assuming that US President-elect's policies on trade protectionism and sizable fiscal stimulus will be eventually enacted. The above development widened the UST-Bund yield spread to levels above 200bps, the widest since 1990. US CPI rose in October from 2.1%YoY to a two-year high of 2.2% YoY mainly due to energy base effects, initial jobless claims fell by a higher than expected 19k to 235k, the lowest in nearly 43 years and housing starts rose to a higher than anticipated 1.323mn units last month, the highest in nine years. Meanwhile, during her Congressional testimony yesterday, Fed Chair Janet Yellen said that the election of Donald Trump as the new US President has done nothing to change the Fed's plan for a rate hike "relative soon" on the assumption that upcoming economic data will keep pointing to an improving labor market and rising inflation. Higher Treasury yields pushed the US currency even higher with the DXY index hitting a 13 ½ year peak of 101.370 earlier today, marking cumulative post-US election gains of 3.6%. Against this background, the EUR/USD tested levels below 1.0600 today for the first time so far this year with the next support level standing at 1.0540 (Dec, 4 2015 low). Political jitters also continued to exert a negative impact on the common currency amid concerns over potential repercussions of the US Republican sweep victory at upcoming elections in a number of Eurozone countries. In France, the centre-right party Les Republicains will hold primary elections on Sunday to elect the candidate for presidential elections, scheduled for March/April 2017. If no candidate obtains at least 50% of the vote in the first round, a second one will be held on November 27. Looking at the day ahead, ECB President Mario Draghi and President of Bundesbank Jens Weidmann will speak at the Euro Finance Week in Frankfurt.

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GREECE

According to local press, the Greek government plans to table to Parliament in the following days 12 bills pertaining to the labour market reform, undeclared income, plastic money, public servants mobility and out-of-court workout. If all goes as planned, a deal may be reached on short-term debt relief which will reportedly entail a relief package of €65bn instead of €40bn as was initially planned. Timewise, Greece aims to seal a staff level agreement at the November 28 Euroworking Group which will allow for an in principle political agreement at the December 5 Eurogroup. Meanwhile, the privatisations programme has come to a temporary halt due to the delay in the appointment of the new Chairman of the Hellenic Republic Asset Development Fund (TAIPED), after its former head Stergios Pitsiorlas was designated Deputy Minister of Economy and Development. The delay has put a number of privatisations on hold, including those of ELPE, DEPA, EYATH, EYDAP, Trainose and PPC. At the same time, no agreement between Greece and its official lenders has yet been reached on the Board of Directors of the New Privatisation and Investment Fund, which according to the bailout programme should be fully operational at the beginning of 2017. In other news, the Minister of Energy approved the technical study for a quarrying investment of the company Hellas Gold in Northern Greece, which may signal a more investment – friendly approach by the new leadership of the said Ministry.

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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

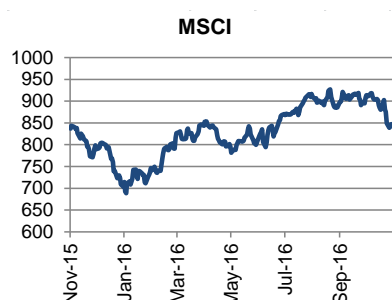
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The finance ministry sold on Thursday less than an initially planned amount of RON 154mn (~€34.1mn) of 2024 T-Bonds. The government earlier sought to sell RON 300mn (€66.5mn) of the paper, but bids totaled RON 239mn, while the average accepted yield came in at 3.13%, above 2.86% achieved at a prior auction in October when the paper was last sold. The bid to cover ratio stood at 1.55 yesterday and the issue, which bears an annual coupon of 3.25%, matures on April 29, 2024. 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. Indicatively, Romania's 10-year government bond yield has risen by more than 40bps since the US election. A couple of days after the US election, the Romanian government rejected all bids at a tender for 2031 paper citing "unacceptable" price offers, while an auction of 2019 paper held earlier in the week also resulted to a lower than earlier planned amount sold and higher yields.

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CESEE MARKETS

Emerging market assets broadly fell earlier on Friday amid mounting expectations for a Fed rate hike this year. The MSCI Emerging Markets index retreated by 0.4% on the day in Asian trade, poised to mark the fourth consecutive weekly decline. A similar picture was evidenced in the CESEE region, with Poland's WIG leading the way lower with a 1.0% daily drop in European markets. Serbia's BELEX15 bucked the negative trend to stand in the black (+0.7%) ahead of a Moody's review on the country's sovereign credit ratings. An upgrade today is on the cards as Moody's changed its outlook on Serbia to positive in mid-March, affirming the B1 rating, while the corresponding ratings by S&P and Fitch currently stand one notch higher, at BB-. The recent improvement in the country's domestic macro fundamentals has not gone unnoticed by the rating agencies. Following a wave of rating downgrades in 2012-2014, Fitch was the first agency to upgrade Serbia's long-term sovereign rating in mid-June, to BB- from B+, with stable outlook. Furthermore, S&P revised Serbia's outlook to stable from negative in January. Provided that the current drive for structural reforms and fiscal consolidation is maintained, further credit rating moves should not be excluded in the foreseeable future.

Today's focus is also on Hungary's sovereign credit rating review by Fitch. Hungary's ratings have also been on an upward trend, with all three main agencies having revised the country's ratings to investment grade this year on the back of improving fundamentals, such as fiscal position and growth outlook as well as narrowing external imbalances. Fitch was the first agency to proceed with such action in May, assigning a BBB- rating on the country with Stable outlook. A similar move followed in September by S&P, which also upgraded its rating to BBB-, while Moody's rating was revised higher to Baa3 in November.

Elsewhere, most CESEE currencies and government bonds were weaker earlier today against a firmer US dollar and higher major global benchmark yields. In FX markets, the Turkish lira underperformed its regional peers sliding to a new record low near 3.4080/\$ in late Asian trade. The currency has been under additional pressure over recent weeks amid mounting concerns about the country's economic growth prospects and heightened domestic political risks.

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November 18, 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	2187.12	0.5%	7.0%	EUR/USD	1.0603	-0.2%	-2.3%	UST - 10yr	2.31	1	4	GOLD	1206	-0.8%	13.7%
Nikkei 225	17967.41	0.6%	-5.6%	GBP/USD	1.2409	-0.1%	-15.8%	Bund-10yr	0.30	2	-33	BRENT CRUDE	46	-0.6%	24.0%
STOXX 600	339.85	-0.2%	-7.1%	USD/JPY	110.63	-0.5%	8.5%	JGB - 10yr	0.04	3	-23	LMEX	2666	0.6%	21.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	305	0	2
1-week	3.17	-1	-2
1-month	3.32	-1	-19
3-month	3.47	1	-36
6-month	3.65	0	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	-1	-35
5Y RSD	5.63	0	-148
7Y RSD	5.70	0	-8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.60	7	-56
USD Nov-24	6.50	-1	9

CDS

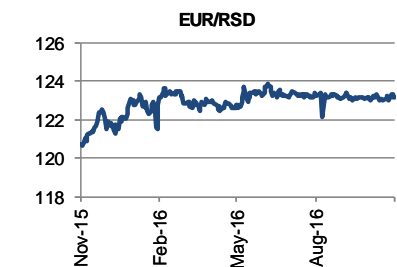
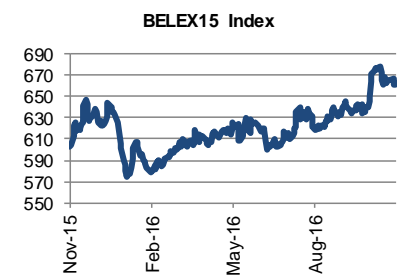
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	255	0	-84

STOCKS

	Last	ΔD	ΔYTD
BELEX15	668.8	0.92%	3.83%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.20	-0.03%	-1.31%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	-1	-5
1-month	0.68	0	-1
3-month	0.81	0	-21
6-month	1.02	1	-32
12-month	1.15	1	-37

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.53	2	-40
5Y RON	2.47	3	-33
10Y RON	3.53	6	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.37	5	-20
USD Jan-24	3.77	9	-1

CDS

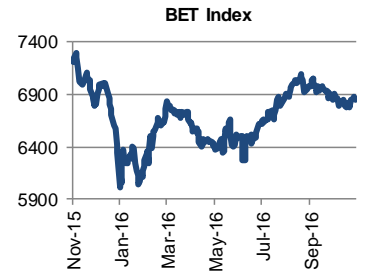
	Last	ΔDbps	ΔYTD bps
5-year	113	6	-21
10-year	157	6	-15

STOCKS

	Last	ΔD	ΔYTD
BET	6830.5	-0.42%	-2.48%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5169	-0.05%	-0.06%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-31
1-month	-0.15	0	-31
3-month	-0.05	0	-31
6-month	0.11	0	-42
12-month	0.43	0	-54

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	-2	-36
5Y BGN	0.73	0	-54
10Y BGN	2.07	0	-59

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.01	10	-8
EUR Sep-24	1.94	36	-48

CDS

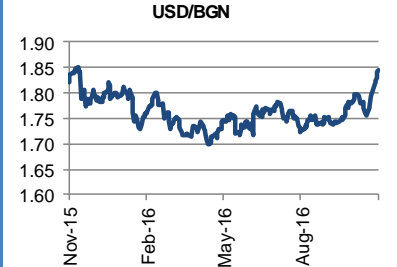
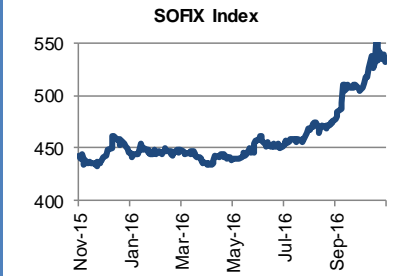
	Last	ΔDbps	ΔYTD bps
5-year	147	1	-25
10-year	192	1	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	531.9	-0.31%	15.40%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8448	-0.22%	-2.41%



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

Data updated as of 12:05 EET

November 18, 2016

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