



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, November 21, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Nov 22: Exist home sales (Oct)
- Nov 23
  - Dur goods orders (Oct)
  - New home sales (Oct)
  - FOMC Nov meeting minutes
  - Cons Sent (U. of Mich, Nov)
- Nov 24: Jobless claims (weekly)

##### EUROZONE

- Nov 21: Mario Draghi presents ECB annual report to the EU parliament
- Nov 22: Consumer confidence (Nov,a)
- Nov 23: PMI Markit indices (Nov,p)

##### SEE

##### ROMANIA

- November 21: Auction 2021 T-Bonds
- November 24: M3 Money Supply (October)

##### SERBIA

- November 21: Current Account (September)
- November 25: Real Gross Wages (October)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The US 10yr Treasury yield moved modestly lower in early European trade on Monday following a recent string of stronger than expected US data and hawkish comments by Fed Chair Janet Yellen. In FX markets, the US dollar moved slightly lower. On the political front in Europe, former French prime minister Francois Fillon had the largest share of votes on Sunday in Paris in the first round of the centre-right primary elections, while Chancellor Angela Merkel of Germany announced that she will seek a fourth term as the country's leader in the 2017 presidential election.

**GREECE:** Talks between Greek government officials and the institutions in the context of the 2nd programme review continued throughout the weekend without, however, succeeding in closing all open items. The labour market reform and the medium term fiscal strategy remain open while the 2017 Budget has reportedly been agreed and is expected to be submitted to Parliament later today. According to data released by the Hellenic Statistical Authority the disposable income of households and non-profit institutions serving households (NPISH) was reduced by 4.5% in 2015 compared to 2014, from 120.3 billion euro to 114.8 billion euro.

### SOUTH EASTERN EUROPE

**BULGARIA:** Assets came under pressure last week on Prime Minister Borissov's resignation

**ROMANIA:** Local markets mostly followed regional and global moves in the past week

**SERBIA:** The dinar remained relatively resilient against the Euro compared to other regional currencies in the past week

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## Latest world economic & market developments

### GLOBAL MARKETS

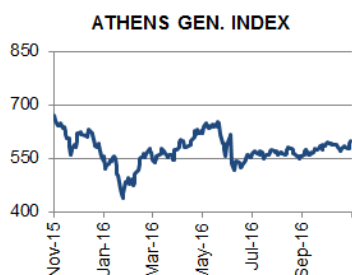
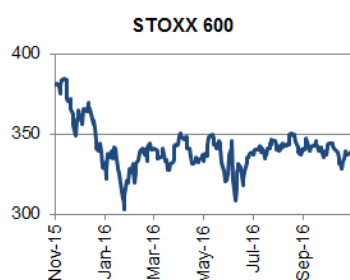
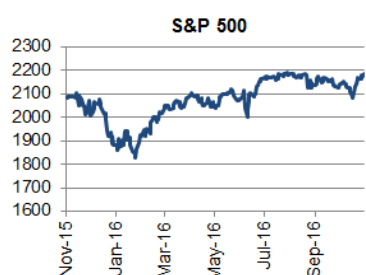
The US 10yr Treasury yield moved modestly lower in early European trade on Monday trading close to 2.32% at the time of writing, after rising to a one-year high of 2.36% on Friday following a recent string of stronger than expected US data and hawkish comments by Fed Chair Janet Yellen. The UST-Bund yield spread was hovering around 203bps close to Friday's peak of 208bps, the widest since 1989. An interest rate hike by the Fed in the December monetary policy meeting is almost fully priced in, with the Fed Funds futures currently assigning a probability of 98%, compared to 80% a week ago. In FX markets, the US dollar moved slightly lower, with the DXY dollar index hovering around levels of 101.00 after surging to a 13.5 year high of 101.50 on Friday on the predominant view that US President-elect's policies of substantial fiscal stimulus and trade protectionism will lead to increased inflationary pressures. Against this background, the EUR/USD gained some ground, hovering around levels of 1.0635 in European trade at the time of writing, after falling to a year-to-date low of 1.0569 on Friday. On the political front in Europe, former French prime minister Francois Fillon had the largest share of votes on Sunday in Paris in the first round of the centre-right primary elections, while Chancellor Angela Merkel of Germany announced that she will seek a fourth term as the country's leader in the 2017 presidential election. This week's US calendar includes, among others, existing home sales (October) on Tuesday, as well as durable goods orders and new home sales (October) on Wednesday. In the euro area, ECB chief Mario Draghi presents the ECB's annual report later in the day to the European Parliament, while consumer confidence (October) on Tuesday and PMI indices (preliminary November reading) on Wednesday are also expected to lure market attention.

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### GREECE

Talks between Greek government officials and the institutions in the context of the 2nd programme review continued throughout the weekend without, however, succeeding in closing all open items. On the labour market reform front, differences remain with regard to the maximum monthly limit of collective dismissals for companies with more than 150 employees. The institutions want to raise the threshold to 10% from 5% currently and abolish the need for administrative approval. On the fiscal front, the 2017 Budget has reportedly been agreed and is expected to be submitted to the Hellenic Parliament later today. According to local press, it will foresee a primary surplus higher than 1.8%-of-GDP as was recorded in the draft 2017 Budget on the grounds that public revenue in 2016 has overperformed. The medium term fiscal strategy, however, remains a contentious issue as Greece's official lenders still see a gap of €600bn for 2018. Progress was achieved on the privatisations front with the appointment of Antonios Leoussis as Chairman of the Hellenic Republic Assets Development Fund (TAIPED), after the former Chairman Stergios Pitsiorlas undertook the position of Undersecretary at the Ministry of Economy and Development in the recent cabinet reshuffle. According to data released by the Hellenic Statistical Authority on the Annual Non-Financial Sector Accounts for the year 2015 and revision of the years 2013-2014, the disposable income of households and non-profit institutions serving households (NPISH) was reduced by 4.5% in 2015 compared to 2014, from 120.3 billion euro to 114.8 billion euro. The final consumption expenditure of households and NPISH was reduced by 1.8% in 2015 compared with 2014, from 125.1 billion euro to 122.8 billion euro. The saving rate (defined as gross savings divided by gross disposable income) of households and NPISH was -7.0% in 2015 compared with -4.0% in 2014.

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Source: Reuters, Bloomberg, Eurobank Research

November 21, 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

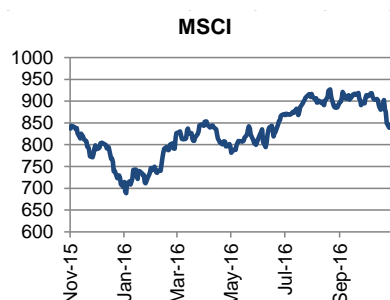
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Local stocks dropped into negative territory last week, losing steam over Presidential election results and Prime Minister Borissov's resignation. However, losses came on wide spreads and poor liquidity rather than selling pressure. The major index SOFIX closed 1.32% lower to 532.01 points. Meanwhile, the Bulgarian sovereign curve continued to steepen further with yields on mid-term papers rising between 10 and 20 bps. Eurobonds witnessed smaller deviations (up to +8bps) as investors stepped away on political uncertainty concerns.

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### ROMANIA

Local markets mostly followed regional and global moves in the past week. The EURRON remained range-bound, trading between 4.5080/4.5250 and closing the week almost flat at 4.5100. Near term RON rates remained calm as the money market still has plenty of liquidity, with the 1W implied rate from swaps unchanged around 0.50%. The 1M rate also moved back lower 10bps to 0.70%, while the 12M rate was unchanged on the week at 1.00%. Government bonds remained volatile, with buying and selling days alternating, while the overall bias is still bearish. Cumulated weekly moves were small than the previous week, with yields from 5Y on rising around 3-5 bps on average.

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### SERBIA

The dinar weakened against the EUR but not as much as other currencies in the region (HUF, RON, PLN). The resilience lies in stock piles of hard currency that banks keep in position as they see unofficial floor at 123.00 pretty safe (as long NBS keeps protecting dinar from over appreciation). Under these circumstances banks have waited an opportunity to off-load those surpluses at more favorable price. That moment came on Monday after investors flee to safety in the wake of Donald Trump victory. The bounce lasted for a short period of time as locals remain extremely offered around 123.45. The pair originally hit a high of 123.30/50 before pulling back to 123.10/30. We believe that pressure on the domestic currency will persist as expectations of rate hike looming in USA. After local positions dry-up, we expect to see a correction to 124.00 till year end.

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November 21, 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	2181.90	-0.2%	6.7%	EUR/USD	1.0637	0.5%	-2.0%	UST - 10yr	2.32	-4	5	GOLD	1216	0.7%	14.6%
Nikkei 225	18106.02	0.8%	-4.9%	GBP/USD	1.2317	-0.3%	-16.4%	Bund-10yr	0.29	1	-34	BRENT CRUDE	47	1.3%	27.3%
STOXX 600	336.78	-0.8%	-7.9%	USD/JPY	110.71	0.2%	8.4%	JGB - 10yr	0.03	-1	-24	LMEX	2645	-0.8%	20.0%

## CESEE MARKETS

SERBIA				ROMANIA				BULGARIA						
<b>Money Market</b>				<b>Money Market</b>				<b>Money Market</b>						
<b>BELIBOR</b>	Last	ΔDbps	ΔYTD bps	<b>ROBOR</b>	Last	ΔDbps	ΔYTD bps	<b>SOFIBOR</b>	Last	ΔDbps	ΔYTD bps			
T/N	304	-1	1	O/N	0.5	2	-3	LEONIA	-0.30	0	-31			
1-week	3.18	1	-1	1-month	0.71	3	2	1-month	-0.15	0	-31			
1-month	3.33	1	-18	3-month	0.81	0	-21	3-month	-0.06	0	-32			
3-month	3.48	1	-35	6-month	1.02	0	-32	6-month	0.11	0	-42			
6-month	3.67	2	-36	12-month	1.15	0	-37	12-month	0.43	0	-54			
<b>RS Local Bonds</b>				<b>RO Local Bonds</b>				<b>BG Local Bonds</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps			
3Y RSD	5.07	0	-34	3Y RON	1.52	0	-41	3Y BGN	0.23	-1	-38			
5Y RSD	5.63	0	-148	5Y RON	2.47	1	-33	5Y BGN	0.73	-2	-54			
7Y RSD	5.70	0	-8	10Y RON	3.51	-1	-27	10Y BGN	2.06	0	-60			
<b>RS Eurobonds</b>				<b>RO Eurobonds</b>				<b>BG Eurobonds</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
USD Nov-17	2.59	0	-58	EUR Oct-25	2.38	0	-19	EUR Jul-17	0.12	-10	5			
USD Nov-24	6.50	-1	9	USD Jan-24	3.75	-6	-3	EUR Sep-24	1.93	1	-49			
<b>CDS</b>				<b>CDS</b>				<b>CDS</b>						
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps			
5-year	208	0	-67	5-year	114	1	-19	5-year	148	1	-24			
10-year	254	-1	-85	10-year	156	0	-16	10-year	192	1	-24			
<b>STOCKS</b>				<b>STOCKS</b>				<b>STOCKS</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
BELEX15	674.4	0.16%	4.70%	BET	6841.2	0.25%	-2.33%	SOFIX	531.1	0.03%	15.22%			
<b>FOREX</b>				<b>FOREX</b>				<b>FOREX</b>						
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD			
EUR/RSD	123.20	0.07%	-1.31%	EUR/RON	4.5089	0.10%	0.11%	USD/BGN	1.8388	0.38%	-2.09%			
<b>BELEX15 Index</b>				<b>BET Index</b>				<b>SOFIX Index</b>						
<b>EUR/RSD</b>				<b>EUR/RON</b>				<b>USD/BGN</b>						

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 11:50 EET

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