



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 22, 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: Brent crude oil price moved higher amid increased expectations for a final agreement over an oil production cut at next week's OPEC meeting. Global equity markets were firmer. In FX markets, the USD gave back some ground retaining though the majority of its recent hefty gains. The GBP/USD hit multi-session highs after UK President Theresa May gave the impression that the government will seek a transitional Brexit deal to avoid a "cliff edge" into uncertain trading conditions when the country leaves the European Union.

GREECE: The 2nd round of negotiations in the context of the 2nd programme review was concluded yesterday with the institutions reportedly submitting their proposal to the Greek authorities, which reveals that differences remain in a number of issues including the labour market reform, the medium term fiscal strategy, the resolution of NPLs and certain details pertaining to the NOME type auctions in the electricity market. The 2017 Budget that was tabled to Parliament yesterday foresees growth -0.3% and 2.7% for 2016 and 2017 respectively (same as in the draft Budget 2017 that was submitted in October 2016) but upward revised primary budget balances of 1.1%-of-GDP in 2016 and 2.0%-of-GDP in 2017 (from 0.63% and 1.83% in the draft Budget 2017 submitted in October).

SOUTH EASTERN EUROPE

SERBIA: According to the latest NBS data, the current account deficit declined by 22.2% YoY in January-September 2016.

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Latest world economic & market developments

GLOBAL MARKETS

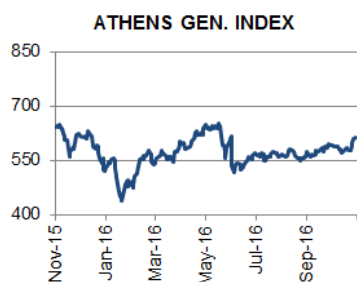
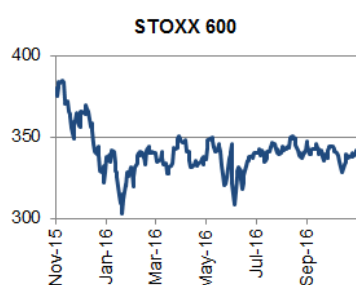
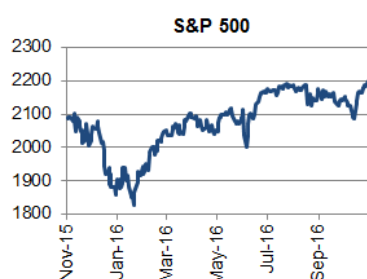
Taking their cue from the positive tone in Wall Street overnight, Asian bourses ended higher on Tuesday and major European equity markets were firmer in early trade supported by firmer oil prices. Brent crude oil price was hovering slightly above \$49/br earlier today, marking gains of 0.4% and 4.6% on a daily and weekly basis respectively amid increased expectations for a final agreement over an oil production cut at next week's OPEC meeting. Speaking at a news conference, Russian President Vladimir Putin was quoted saying that freezing crude production is not an issue for Russia and that he assigns a "high probability" for a deal at the November 30th OPEC meeting. After ending at a multi-month peak of 2.34% on Monday for the second session in a row, the 10-yr Treasury yield moved slightly lower hovering around 2.30% at the time of writing. In spite of today's down move, it remained well above levels around 1.80% that prevailed ahead of the November 8th US presidential election amid expectations for increased inflation pressures assuming that the US President-elect's policies for a stimulus fiscal programme will eventually be enacted. In FX markets, the USD gave back some ground retaining though the majority of its recent hefty gains as investors await the appointment of Donald Trump's economic team. The US President-elect outlined plans for his first day in office that include, among others, investigating abuses of work visa programs and US withdrawal from the Trans-Pacific Partnership (TPP), a trade agreement among twelve of the Pacific Rim countries that was signed in early February 2014 and was awaiting Congress approval to enter into force. The the GBP/USD hit a multi-session high slightly above 1.2500 earlier today after UK President Theresa May gave the impression that the government will seek a transitional Brexit deal to avoid a "cliff edge" into uncertain trade conditions when the country leaves the European Union.

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GREECE

The 2nd round of negotiations in the context of the 2nd programme review was concluded yesterday with the institutions reportedly submitting their proposal to the Greek authorities, which reveals that differences remain in a number of issues including the labour market reform, the medium term fiscal strategy, the resolution of NPLs and certain details pertaining to the NOME type auctions in the electricity market. As a result, a political in principle agreement at the December 5 Eurogroup will not be easy to achieve and, as per a number of press reports, an extraordinary Eurogroup may not be ruled out. Meanwhile, the 2017 Budget that was tabled to Parliament yesterday foresees GDP growth -0.3% and 2.7% for 2016 and 2017 respectively (same as in the draft Budget 2017 that was submitted in October 2016) but upward revised primary budget balances of 1.1%-of-GDP in 2016 and 2.0%-of-GDP in 2017 (from 0.63% and 1.83% in the draft Budget 2017 submitted in October). The 2017 Budget is to be voted by Parliament until December 10. According to data released yesterday by the Bank of Greece, in September 2016, the current account balance improved by €104mn YoY recording a surplus of €1.0bn, as a result of an increase of €255mn in the balance of goods and services surplus, which reached €1.1bn. More specifically, total exports of goods and services grew faster (12.6%) than the corresponding imports (9.1%) while the primary and secondary income accounts deteriorated. Travel receipts rose 2.3%YoY in September 2016, but for the period January – September 2016 they fell by 5.5% compared with the corresponding period of 2015.

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Source: Reuters, Bloomberg, Eurobank Research

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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

SERBIA

According to the latest NBS data, the current account deficit narrowed by 22.2% YoY down to €880.9mn in January-September 2016 compared to a deficit of €1,133mn in the same period a year ago. As a percentage of projected GDP, the current account deficit came in at 2.6% in gM-2016 down from 3.4% in gM-2015. The decline in the current account deficit was mainly driven by a lower trade deficit and a higher services surplus. Weaker imports than exports dynamics (+5.1% YoY (+10.6% YoY respectively) resulted in the decline of the trade deficit to 7.4% of GDP vs. 8.6% in the same period last year. In addition, the services surplus grew robustly by 38.1% YoY to €642mn, mirroring higher proceeds for IT and manufacturing sectors, climbing to 1.9% of GDP compared to 1.4% a year ago. Finally, the widening of the primary income gap by 10.7% YoY as a result of increased repatriation of dividends and the lower by 4.6% YoY secondary income account surplus mirroring declining remittances trimmed some of the BoP improvement.

From a financing point of view, capital flows recorded a net surplus of €402.3mn down by 50.2% YoY in gM-2016. Net FDI inflows remained robust at €1.2bn down by only 1.2% YoY. Yet public debt repayments resulted in net portfolio outflows of €683.7mn compared to €27.6mn inflow in the same period a year ago. Other investments posted a net outflow of €999.4mn in gM-2016 on the back of an increase in the acquisition of financial assets abroad.

In our recent trip note to Belgrade, we extensively analysed the role of FDI in the improving economic fundamentals performance of Serbia. Net FDI inflows have been driven by recent improvements in the domestic business environment as well as a generous subsidies scheme offered to foreign investors. Net FDI inflows account for around 5-6% of GDP in 2015-2016, a high ratio by both regional and emerging markets standards, providing more than full coverage to the current account deficit. As a result, Serbia ranks among those few economies in the region that have accomplished to reverse the declining trend in the investment expenditure to GDP ratio. This is an important development supporting optimism for the sustainability of Serbia's medium-term growth performance. The said ratio is projected to increase to 18.3% of GDP in 2016, from levels around 17.5% in the prior two years and a pre-crisis high of 30.3% reached in 2008.

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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	2198.18	0.7%	7.5%	EUR/USD	1.0644	0.1%	-2.0%	UST - 10yr	2.29	-2	2	GOLD	1219	0.4%	14.8%
Nikkei 225	18162.94	0.3%	-4.6%	GBP/USD	1.2482	-0.1%	-15.3%	Bund-10yr	0.24	-3	-39	BRENT CRUDE	50	1.4%	33.0%
STOXX 600	341.93	0.5%	-6.5%	USD/JPY	110.64	0.2%	8.5%	JGB - 10yr	0.03	0	-23	LMEX	2707	2.4%	22.9%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
BELIBOR				ROBOR				SOFIBOR			
T/N	304	0	1	O/N	0.5	0	-3	LEONIA	-0.30	0	-31
1-week	3.17	-1	-2	1-month	0.71	0	2	1-month	-0.15	0	-31
1-month	3.32	-1	-19	3-month	0.81	0	-21	3-month	-0.06	0	-32
3-month	3.48	0	-35	6-month	1.02	0	-32	6-month	0.11	0	-42
6-month	3.66	-1	-37	12-month	1.15	0	-37	12-month	0.43	0	-54
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	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	0.22	0	-38
5Y RSD	5.63	0	-148	5Y RON	2.44	-4	-36	5Y BGN	0.74	-2	-54
7Y RSD	5.70	2	-8	10Y RON	3.43	-8	-35	10Y BGN	2.09	0	-57
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	2.56	-2	-60	EUR Oct-25	2.33	-3	-23	EUR Jul-17	0.11	-10	4
USD Nov-24	6.49	-2	7	USD Jan-24	3.79	0	0	EUR Sep-24	2.05	-93	-37
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	208	0	-67	5-year	112	-2	-21	5-year	146	-2	-26
10-year	254	0	-85	10-year	156	0	-16	10-year	190	-3	-26
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	679.4	-0.06%	5.48%	BET	6855.9	0.22%	-2.12%	SOFIX	544.9	0.98%	18.23%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	123.35	-0.17%	-1.43%	EUR/RON	4.5101	0.02%	0.09%	USD/BGN	1.8376	0.14%	-2.03%

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:30 EET

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