

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- October 26: New Home Sales (Sep)
- October 27
 - Durable Goods Orders (Sep)
 - Cons Conf CB (Oct)
 - Markit PMI Comp & Services (Oct,p)
- October 28: FOMC interest rate decision
- October 29:
 - Q3 GDP (adv estimate)
 - Jobless Claims (weekly)
- October 30:
 - Pers Inc, PCE (Sep)
 - Mich Cons Sent (Oct,f)

EUROZONE

- October 27: M3 (Sep)
- October 29: Economic Sentiment Indicator (Oct)
- October 30:
 - CPI (Oct)
 - Unempl Rate (Sep)

GREECE

- October 26: Deposits, Credit Aggregates (Sep)
- October 30: PPI (Sep)

SEE

BULGARIA

- October 26
 - T-Bonds auction
 - External debt (Aug)
- October 30: Budget balance (Sep)

ROMANIA

- October 26: 2. 5% 2019 T-Bonds auction
- October 30: ILO unemployment (Sep)

SERBIA

- October 26: Real gross wages (Sep)
- October 27: T-Bonds auction
- October 30
 - IP (Sep)
 - Trade balance (Sep)
 - GDP (nsa, Q3, p)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Taking their cue from the negative tone in the majority of Asian bourses, major European equity markets opened lower on Tuesday pressured by lingering concerns about a more profound than previously expected slowdown in China. Market anxiety ahead of the FOMC's two-day policy meeting which concludes on Wednesday, also weighed. US government bond prices were higher favored by weaker-than-expected September's new home sales data while in FX markets, the USD was modestly lower pressured by global equity markets' lackluster performance.

GREECE: The new bank recapitalization framework is reportedly finalized and, after consultation with the relevant domestic and EU authorities, it is expected to be submitted to Parliament by the end of this week. This will take place ahead of the publication of the stress test results reportedly expected on Saturday, October 31.

SOUTH EASTERN EUROPE

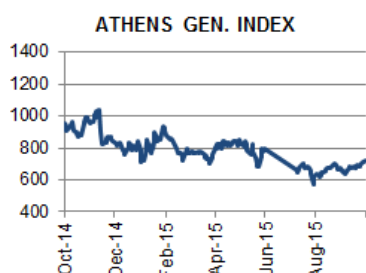
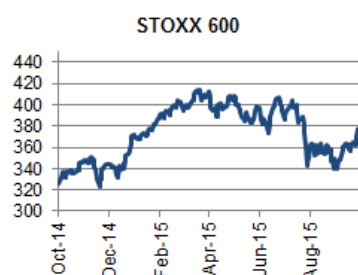
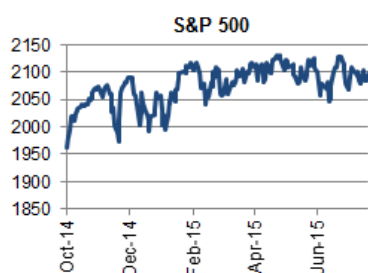
BUGLARIA: In an unexpected move, the Ministry of Finance revised its official target for the consolidated government deficit in 2015 to 3.3% of GDP up from an initial 3%.

ROMANIA: The consolidated government surplus came at RON4.2bn or 0.9% of projected GDP in the 9M-2015 up from a RON0.4bn surplus or 0.05% of GDP in the same period last year.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Taking their cue from the negative tone in the majority of Asian bourses, major European equity markets opened lower on Tuesday pressured by lingering concerns about a more profound than previously expected slowdown in China. Market anxiety ahead of the FOMC's two-day policy meeting which concludes on Wednesday, also weighed. The majority of market participants expect the FOMC to stay put on interest rates on the view that the Central Bank may prefer to wait for more data, especially upcoming labor market and inflation indicators, before it decides to embark on a rate tightening cycle. The September's non-farm payrolls report came in weaker-than-expected and recent inflation data suggest that, though underlying price pressures have somewhat increased, core PCE index - the Fed's preferred indicator for gauging inflation - remains well below the 2.0% long-term target (September reading at 1.3%YoY). In the absence of a press conference after the conclusion of this week's FOMC policy meeting, investors are expected to scrutinize closely the official policy statement, which is anticipated to keep all options open for the next meeting in December 15-16. Elsewhere, US government bonds were higher favored by disappointing September's new home sales data released yesterday while in FX markets, the USD was modestly lower pressured by global equity markets' lackluster performance. The EUR/USD was hovering around 1.1050/55 in European trade at the time of writing after hitting fresh multi-week lows of 1.0987 in the prior session, with investors awaiting the FOMC policy statement for further direction.

GREECE

The new bank recapitalization framework is reportedly finalized and, after consultation with the relevant domestic and EU authorities, it is expected to be submitted to Parliament by the end of this week. This will take place ahead of the publication of the stress test results reportedly expected on Saturday, October 31 at 11.30 a.m. (Athens time). Speaking to reporters after his meeting yesterday with Minister of Finance Euclid Tsakalotos and Minister of Economy, Development and Tourism Giorgos Stathakis, European Commission Vice-President Valdis Dombrovskis urged the Greek government to speed up implementation of the prior actions envisaged in the existing MoU so as to secure further official financing. The EU Commissioner also said that the 1st programme review will have to be completed by November 15 so as to ensure that the bank recapitalization will have been concluded by year-end. Meanwhile, the Euro Working Group (EWG) is scheduled to convene on Thursday, October 29 to debate, among others, Greece's compliance with the programme milestones required for the release of the next ESM loan installment (€2bn) that was initially planned for mid-October. The said amount represents the first installment of the €3bn outstanding sub-tranche pertaining to the €26bn loan disbursement agreed in mid-August.

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October 27, 2015

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	1.8	2.2
CPI (pa, yoy %)	-1.4	0.3	1.2
Budget Balance/GDP*	-3.7	-2.5	-2.4
Current Account/GDP	0.9	2.0	1.5
EUR/BGN (eop)	1.9558		
	2014	current	2015f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014e	2015f	2016f
Real GDP growth %	-2.3	0.4	1.4
HICP (pa, yoy %)	-0.3	-0.8	0.9
Budget Balance/GDP*	-8.8	-1.1	-0.1
Current Account/GDP	-5.1	-3.9	-4.2

* ESA 2010

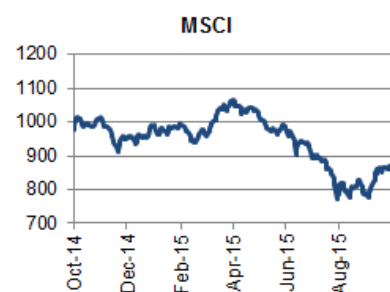
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	0.0	1.5
CPI (pa, yoy %)	2.1	2.2	3.8
Budget Balance/GDP	-6.7	-5.3	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	123.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

In an unexpected move, the Ministry of Finance revised its official target for the consolidated government deficit in 2015 to 3.3% of GDP up from an initial 3%. The revision was announced alongside the release of the 2016 budget draft which is complemented with an updated medium term fiscal framework of the period 2016-2018. The updated fiscal framework envisages that the consolidated government deficit will decline to 2% in 2016. According to the Ministry of Finance, “the increased EU funds absorption rate as a result of the closing of the 2007-2013 programming period, as well as other additional costs under autonomous budgets included in the consolidated budget are exerting the most significant additional pressure on budget spending”. In our view, the revision implies a significant spending increase by the end of 2015 given that the budget execution was improved in the first nine months of the year and a more swift and ambitious consolidation in 2016. According to the preliminary and unofficial data, the consolidated budget surplus had reached 0.7% of GDP in Jan-Sep2015 compared to a -1.8% deficit in the same period a year ago. The full-year consolidated government deficit in cash terms had widened to 3.8% of GDP in 2014-which translates in 5.8% of GDP in ESA2010 terms surpassing the Maastricht threshold for the first time since 2010-up from 1.8% in 2013, primarily reflecting spending slippages from the electoral cycle and the bail-out costs from the banking sector. At this point it is still unclear if the deficit in ESA2010 terms will overshoot the 3% threshold for a second consecutive year in 2015 which could result in the activation of the Excessive Deficit procedure by the European Commission.

ROMANIA

The consolidated government surplus came at RON4.2bn or 0.9% of projected GDP in the 9M-2015 up from a RON0.4bn surplus or 0.05% of GDP in the same period last year. Total revenues (24% of projected GDP) were still over performing the full year budget target of 3.4%, expanding by 8% yoy in the 9M-2015. Impressive VAT revenue growth (+12.5% yoy), Income tax (+13.6% yoy) as a result of the consumption rally and improved tax compliance were the main drivers behind the stellar performance of revenues, compensating partially for lower social contributions (-1.4% yoy) as a result of the 5pps decrease since last autumn). On the other hand, total expenditure (23.1% of GDP) was up by 5.1% yoy. Contained procurement related expenditure (+3.9% yoy) and debt servicing costs (+1.3% yoy) plus the rise in personnel expenditure (+5.2% yoy) were the main culprits on the expenditure side. Overall, even though the fiscal overperformance recorded in the first months of the year is fading away, the reading implies that the achievement of the full year target- agreed with official lenders-a consolidated budget deficit of 1.8% of GDP in 2015 marginally down from 2014- is not at risk. Yet, the tax-cuts induced by the amended Fiscal Code and the wide-spread public sector wage rises threaten to push the fiscal deficit close to 3% of GDP in 2016 compared to an updated forecast of 2.5% by the Ministry of Finance.

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October 27, 2015

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	2071.18	-0.2%	0.6%	EUR/USD	1.1053	0.0%	-8.6%	UST - 10yr	2.04	-1	-13	GOLD	1166	0.3%	-1.6%
Nikkei 225	18777.04	-0.9%	7.6%	GBP/USD	1.5348	0.0%	-1.5%	Bund-10yr	0.49	-1	-5	BRENT CRUDE	47	-0.7%	-17.7%
STOXX 600	375.89	-0.4%	9.7%	USD/JPY	120.44	0.5%	-0.6%	JGB - 10yr	0.31	-1	-2	LMEX	2354	-0.3%	-19.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	-1	-688
1-week	3.18	-1	-683
1-month	3.58	-1	-647
3-month	3.91	-2	-594
6-month	4.12	-2	-567

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.46	-1	-462
5Y RSD	6.57	-2	-361
7Y RSD	6.70	0	-537

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.05	0	-121
USD Nov-24	6.42	0	-17

CDS

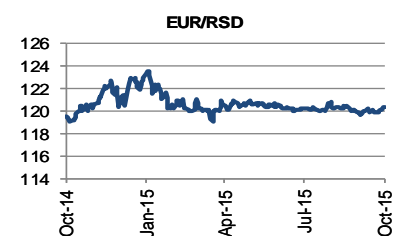
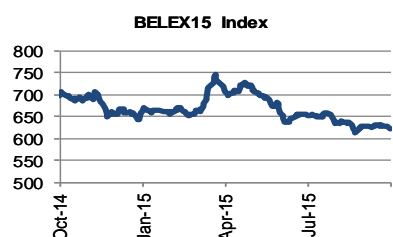
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	337	-1	-19

STOCKS

	Last	ΔD	ΔYTD
BELEX15	621.1	-0.46%	-6.88%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.36	-0.05%	0.82%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.09	0	52
1-month	1.14	0	23
3-month	1.28	0	-42
6-month	1.52	0	-49
12-month	1.64	0	-38

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	-3	-72
5Y RON	2.03	0	-68
10Y RON	3.40	-1	-26

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.22	0	-51
USD Aug-23	3.50	-1	-11

CDS

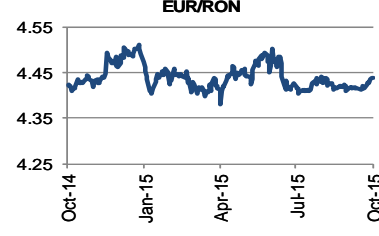
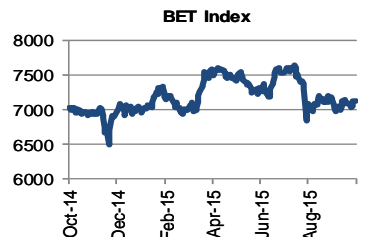
	Last	ΔDbps	ΔYTD bps
5-year	127	-1	-16
10-year	168	-1	-19

STOCKS

	Last	ΔD	ΔYTD
BET	7133.4	0.07%	0.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4373	-0.02%	1.04%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.32	0	-12
6-month	0.58	0	-21
12-month	1.15	0	-35

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.29	4	-75
5Y BGN	0.58	0	-87
10Y BGN	2.09	0	-66

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.34	0	-82
EUR Sep-24	2.53	5	-34

CDS

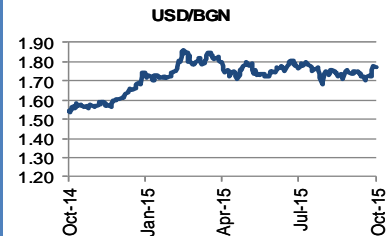
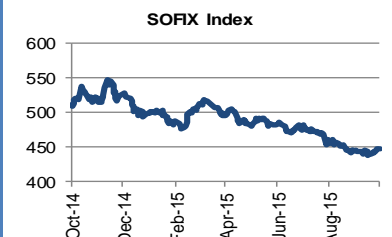
	Last	ΔDbps	ΔYTD bps
5-year	166	1	-25
10-year	211	0	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	447.4	0.15%	-14.30%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7695	-0.04%	-8.65%



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

Data updated as of 10:10 EEST

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