

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, December 01, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- December 1: ISM manufacturing (Nov)
- December 2
  - Fed Chair Yellen speaks
  - Fed Beige Book
  - ADP employment (Nov)
- December 3
  - Fed Chair Yellen speaks
  - Jobless claims (weekly)
  - Industrial orders (Oct)
  - ISM non-manuf (Nov)
- December 4
  - NFP (Nov)
  - U/E rate (Nov)
  - Trade balance (Oct)

#### EUROZONE

- December 1: PMI manuf (Nov, f)
- December 2: HICP (fl, Nov)
- December 3
  - ECB MPC meeting
  - PMI services/ composite (Nov, f)

#### GREECE

- November 30: Retail sales (Sep)
- December 1: PMI manuf (Nov)

#### SEE

##### BULGARIA

- November 30: Budget balance (Oct)
- December 1: Reserve Assets (Nov)
- December 4: GDP (Q3, f)

##### ROMANIA

- December 2: International reserves (Nov)
- December 3
  - 3.25% 2018 T-bonds
  - Retail sales (Oct)
- December 4: GDP (Q3, f)

##### SERBIA

- November 30
  - GDP (Q3, f)
  - IP (Oct)
  - Trade balance (Oct)
  - Retail sales (Oct)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking their cue from the positive tone in Asian equity markets today, major European bourses were firmer in early trade on Tuesday assisted by tentative signs of stabilization in China, the world's second biggest economy. In FX markets, the USD retained a firm tone in European trade supported by lingering expectations for a rate hike at the upcoming FOMC meeting on December 15-16. On the data front, focus today is on US ISM-manufacturing for November where consensus is for a modest improvement to 50.5 from 50.1 in the prior month.

**GREECE:** Speaking at the American-Hellenic Chamber of Commerce conference in Athens yesterday, Greece's Minister of Finance Euclid Tsakalotos said that official discussions on additional debt relief measures to Greece should commence in February and the said issue should be resolved by the end of March when the Greek government will present to the institutions the new growth plan. Elsewhere, according to data released yesterday by the Hellenic Statistical Authority, the year-on-year growth of the retail trade volume index, including automotive fuel, fell by 3.2%YoY in September, recording the fourth consecutive annual decline. On the data front, the seasonally adjusted Markit Manufacturing Purchasing Managers' Index rose to 48.1 in November, the highest level in the last seven months.

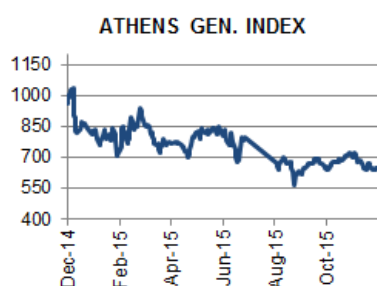
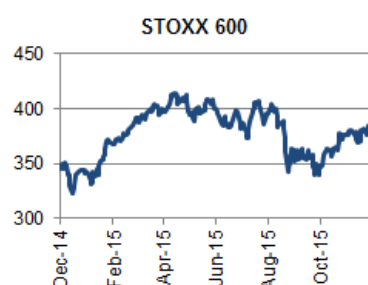
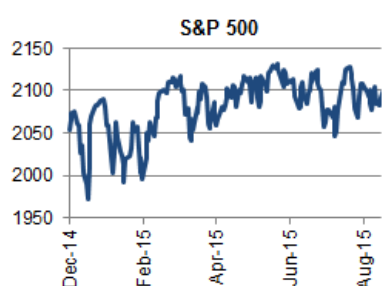
### SOUTH EASTERN EUROPE

**BULGARIA:** According to the Ministry of Finance, the government was still running a surplus in the first ten months of the year despite a hefty deficit recorded in October (BGN 557.6mn).

**SERBIA:** According to final national accounts data, economic activity slid back into contraction of 0.4%QoQ in Q315 on a seasonally adjusted basis, following a positive growth reading of 2.0%QoQ a quarter earlier. The year-on-year non-seasonally adjusted reading showed upwardly revised growth of 2.2% (revised from 2.0% previously reported).

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Source: Reuters, Bloomberg, Eurobank Research

## Latest world economic & market developments

### GLOBAL MARKETS

Taking their cue from the positive tone in Asian equity markets today, major European bourses were firmer in early trade assisted by tentative signs of stabilization in China, the world's second biggest economy. China's Caixin/Markit China Manufacturing Purchasing Managers' Index (PMI) surprised positively rising to 48.6 in November against expectations for an unchanged reading at the prior month's level of 48.3. Data showing that China's official PMI stood at a three-year low of 49.6 in November from 49.8 in the prior month, was shrugged off. In FX markets, the USD retained a firm tone in European trade supported by ongoing expectations for a rate hike at the upcoming FOMC meeting on December 15-16. The EUR/USD was hovering around 1.0590/95 in European trade at the time of writing, not far from a 7 ½ month trough of 1.0565 recorded in the prior session. Technically, support stands at recent lows in the way to year-date-low of 1.0455 hit in mid-March. On the data front, focus today is on US ISM-manufacturing for November where consensus is for a modest improvement to 50.5 from 50.1 in the prior month. Barring any major negative surprise in this week's US key releases, the USD's positive momentum is expected to remain intact as we head into the upcoming FOMC meeting.

### GREECE

Speaking at the American-Hellenic Chamber of Commerce conference in Athens yesterday, Greece's Minister of Finance Euclid Tsakalotos said that official discussions on additional debt relief measures to Greece should commence in February and the issue should be resolved by the end of March when the Greek government will present to the institutions the new growth plan. He warned that a decision on the issue should be reached fast since any delays would jeopardize the growth prospects of the domestic economy. On his part, the head of the European Commission mission to Greece, Declan Costello, suggested that any debt relief will come with certain terms and conditions including full implementation of the new bailout programme and the adoption of clear long-term policies. Elsewhere, the seasonally adjusted Markit Manufacturing Purchasing Managers' Index rose to 48.1 in November, the highest level in the last seven months from 47.3 in October. Production fell further in November but at a slight lower pace and incoming new orders dropped, remaining in a declining trend since September 2014. Separately, according to data released by the Hellenic Statistical Authority, the year-on-year growth of the retail trade volume index, including automotive fuel, fell by 3.2%YoY in September, recording the fourth consecutive annual decline.

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BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.1	2.5
CPI (pa, yoy %)	-1.4	0.2	0.8
Budget Balance/GDP*	-3.7	-2.0	-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	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

\* ESA 2010

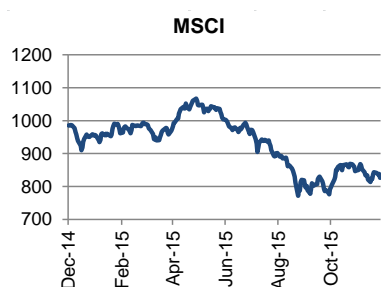
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

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

## Latest world economic & market developments in the CESEE region

### BULGARIA

According to the Ministry of Finance, the government was still running a surplus in the first ten months of the year despite a hefty deficit recorded in October (BGN 557.6mn). As a result, the consolidated budget surplus came at BGN 63mn in Jan-Oct compared to a BGN 1.8bn deficit in the corresponding period of 2014. As a percentage of projected GDP, the consolidated budget surplus stood at 0.1% in the first ten months, up from a 2.1% deficit a year ago. The increased EU funds absorption rate as a result of the closing of the 2007-2013 programming period was the main reason behind the fiscal performance in October.

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### SERBIA

According to final national accounts data, economic activity slid back into contraction of 0.4%QoQ in Q315 on a seasonally adjusted basis, following a positive growth reading of 2.0%QoQ a quarter earlier. The year-on-year non-seasonally adjusted reading showed upwardly revised growth of 2.2% (revised from 2.0% previously reported). The latter, which is the highest pace of increase since Q413, follows growth of 0.9%YoY in Q215 and marks the second consecutive quarter in the black after five quarters running in contraction.

Vindicating our expectations, the breakdown of the data showed that the recent growth pattern, led by gross fixed capital formation and exports, continued during the July-September period. Investment activity accelerated to 10.1%YoY in Q315 from 8.7%YoY in Q215, remaining in expansion for the third quarter running and marking the highest rate of increase since Q312. Meanwhile, exports' growth picked up pace to 8.8%YoY from 8.4%YoY in the prior quarter. Surprisingly, public expenditure rose mildly by 0.8%YoY despite ongoing fiscal restraint, a development that is unlikely to be sustained in the coming quarters. Fiscal tightening kept growth in private spending in a negative territory of 0.6%YoY in Q315, though the pace of decline somewhat eased from the prior quarter's 1.3%YoY drop possibly on the back of somewhat improving labour market conditions. On the latter, note that the Q315 labour force survey, also released yesterday, indicated a decline to 16.7% in the rate of unemployment from 17.9% in Q215. Likewise, imports growth of 5.4%YoY in Q315 came in above a timid 2.0%YoY rise in Q215, but remained well subdued relative to the strong start witnessed in the beginning of the year.

Higher frequency data, also released yesterday, signaled that the rebound in domestic economic activity continued in Q415. Firstly, industrial production growth remained robust in October coming in at 7.8%YoY on a non-seasonally adjusted basis, with the slowdown from 13.8%YoY in the prior month probably driven by the waning favourable impact of base effects. Moreover, retail sales rose by 2.4%YoY in October, nearly in line with the prior month's reading of 2.3%YoY, suggesting a modest improvement in private expenditure. Looking ahead, we retain our 1.0% GDP growth forecast for this year and 2.0% for the next supported by accommodative monetary policy conditions, low commodity prices and economic recovery in the Euro Area, a key trade partner for Serbia. The waning impact of fiscal consolidation measures is likely to provide additional support next year.

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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	2087.03	-0.1%	1.4%	EUR/USD	1.0575	-0.2%	-12.6%	UST - 10yr	2.21	-1	4	GOLD	1063	0.5%	-10.3%
Nikkei 225	19747.47	-0.7%	13.2%	GBP/USD	1.5047	0.1%	-3.4%	Bund-10yr	0.47	1	-7	BRENT CRUDE	45	1.3%	-20.8%
STOXX 600	384.94	0.3%	12.4%	USD/JPY	123.15	-0.3%	-2.8%	JGB - 10yr	0.31	0	-2	LMEX	2141	-2.0%	-26.6%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	0	-684
1-week	3.23	-1	-678
1-month	3.55	0	-650
3-month	3.89	0	-596
6-month	4.09	0	-570

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.73	-1	-535
5Y RSD	5.06	1	-512
7Y RSD	7.40	0	-142

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.01	0	-125
USD Nov-24	6.39	0	-20

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

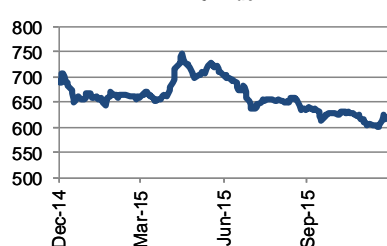
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	618.3	-0.33%	-7.31%

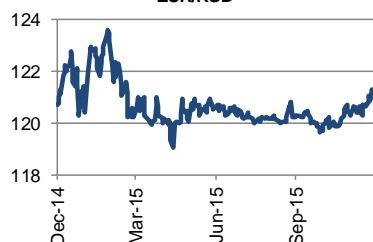
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.21	-0.04%	0.11%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.62	0	5
1-month	0.78	0	-13
3-month	1.07	0	-63
6-month	1.4	0	-61
12-month	1.53	0	-49

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	0	-85
5Y RON	1.95	0	-76
10Y RON	3.52	0	-14

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.08	0	-66
USD Aug-23	3.54	-4	-7

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	1	-9
10-year	175	0	-12

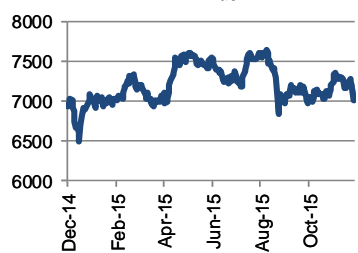
## STOCKS

	Last	ΔD	ΔYTD
BET	7018.1	-1.87%	-0.92%

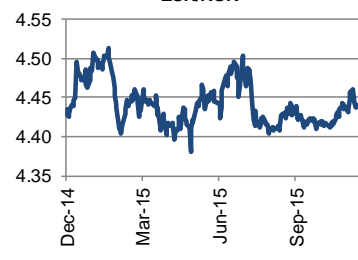
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4566	-0.13%	0.60%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.30	0	-13
6-month	0.57	0	-23
12-month	1.06	-1	-45

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	-5	-80
5Y BGN	0.46	-9	-98
10Y BGN	1.92	1	-83

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.22	4	-94
EUR Sep-24	2.35	26	-51

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	169	2	-21
10-year	217	2	-23

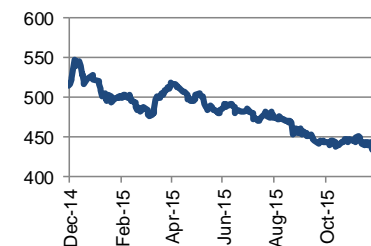
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	435.6	-0.51%	-16.58%

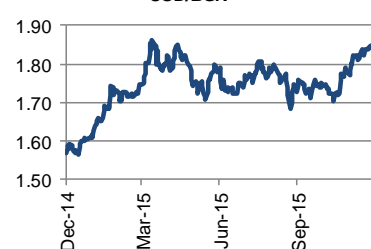
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8496	-0.18%	-12.60%

SOFIX Index



USD/BGN



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

Data updated as of 17:45 EET of previous session

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