

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 10, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- November 12: Jobless Claims
- November 13
  - Retail sales (Oct)
  - UoM sent.(Nov, p)

#### EUROZONE

- November 9: OECD Economic Outlook
- November 11: ECB President Draghi speaks

#### GREECE

- November 9: Eurogroup
- November 11: EC/ECB/IMF/ESM mission heads reportedly expected to arrive in Athens

#### CYPRUS

- November 10: HICP (Oct)
- November 13: Conclusion of 8<sup>th</sup> programme review
- November 14: GDP (Q3, p)

#### SEE

##### BULGARIA

- November 9
  - Trade balance (Sep)
  - Ind. production (Sep)
  - Retail sales (Sep)
  - T-bonds auction
- November 12: CPI (Oct)
- November 13
  - GDP (Q3, p)
  - U/E rate (Oct)

##### ROMANIA

- November 9
  - Trade balance (Sep)
  - T-bonds auction
- November 10: Industrial production (Sep)
- November 11: CPI (Oct)
- November 13
  - GDP (Q3, A)
  - CAD (Sep)
- November 3: Retail sales (Sep)

##### SERBIA

- November 12
  - HICP (Oct)
  - MPC meeting

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Wall Street closed in the red overnight, pressured by increased expectations for a December Fed funds rate hike. Disappointing foreign trade data from China also weighed. Mirroring the negative tone in the US equity market overnight, most Asian bourses weakened on Tuesday, while major European equity indices treaded water in early trade at the time of writing. In FX markets, the DXY dollar index was hovering around levels of 99.067 in early European trade at the time of writing not far from last week's 6 ½ month high of 99.345. Elsewhere, the EUR/USD was trading near 1.0743/44 in early European trade, close to 7-month trough of 1.0706 hit last Friday.

**GREECE:** According to a statement issued following the conclusion of yesterday's Eurogroup, euro area finance ministers acknowledged that "a lot of progress and work" has been made so far in the implementation of Greece's ESM economic adjustment programme. Yet, as expected, they refrained from approving the release of the next ESM loan installment amounting to €2bn, as a number of relevant prior actions are still pending.

### SOUTH EASTERN EUROPE

**BULGARIA:** Upon conclusion of an IMF staff mission visit to Bulgaria on 9 November 2015, the Fund noted, in a statement issued at its website, that it projects moderate growth of 1.7% for 2015, in line with last year's level, supported by exports and absorption of European Union funds.

**ROMANIA:** NBR Governor Mugur Isarescu presented yesterday the November inflation report that incorporates the impact of the amended version of the 2016 Fiscal Code and all envisaged tax cuts on consumer prices

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## Latest world economic & market developments

### GLOBAL MARKETS

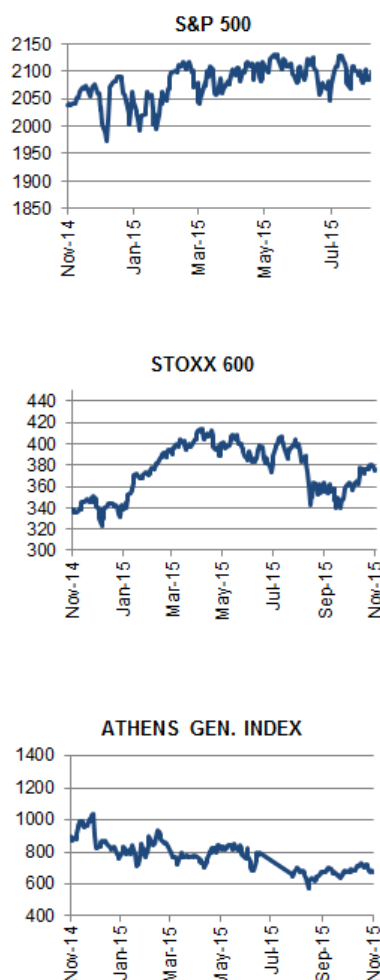
Wall Street closed in the red overnight, pressured by increased expectations for a December Fed funds rate hike. Disappointing foreign trade data from China also weighed. In more detail, Chinese exports dropped by 6.9%YoY in October falling short of consensus expectations for a decline of 3.2%YoY (in dollar terms), while imports also contracted more than expected (-18.8%YoY vs. market expectations for a decline of -15.2%YoY in dollar terms). Mirroring the negative tone in the US equity market overnight, most Asian bourses weakened on Tuesday, while major European equity indices treaded water in early trade at the time of writing. China's lower-than-expected inflation also had an effect, as Chinese CPI inflation came in at 1.3%YoY in October (vs. expectations for a rise of 1.5%YoY), down from 1.6%YoY in the prior month. Separately, the OECD published yesterday its semiannual Economic Outlook, revising down its global growth projection to 3.3% in 2016, 0.3pps lower than its September projection, from 2.9% in 2015. The OECD highlighted the importance of the economic outlook of emerging-market economies for the prospects of the global economy, given the significant slowdown in global trade growth (ca. 2.0% in 2015 from 3.4% in 2014). In FX markets, the DXY dollar index was hovering around levels of 99.067 in early European trade at the time of writing not far from last week's 6 ½ month high of 99.345. Elsewhere, the EUR/USD was trading near 1.0743/44 in early European trade, close to 7-month trough of 1.0706 hit last Friday.

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### GREECE

According to a statement issued following the conclusion of yesterday's Eurogroup, euro area finance ministers acknowledged that "a lot of progress and work" has been made so far in the implementation of Greece's ESM economic adjustment programme. Yet, as expected, they refrained from approving the release of the next ESM loan installment to Greece (€2bn), as a number of relevant prior actions are still pending. As per the same statement, euro zone finance ministers called on Greek authorities, in the course of the week to: (i) fulfil all these outstanding milestones; and (ii) to finalize key issues regarding the financial sector governance, the Greek government has committed under the new MoU conditionality. More importantly, the Eurogroup suggested that fulfilment of the aforementioned key deliverables would pave the way not only for the release of additional official funding under the 3-year ESM loan facility but would also unlock the first loan tranche of €10bn earmarked, under the new MoU, for potential recapitalization and resolution needs of the domestic banking system. The Eurogroup mandated the Euro Working Group (EWG) to reconvene by early next week, at the latest, to evaluate the implementation of the above-mentioned measures. As suggested by Eurogroup President Jeroen Dijsselbloem at the press conference following the conclusion of the meeting, upon a positive EWG assessment, an ESM Board of Governance meeting will be held soon after to give the green light of the release of the €10bn amount, or less if needed. According to the local press, Greece's Prime Minister Alexis Tsipras will hold a cabinet meeting today to assess the outcome of yesterday's Eurogroup and move forward with the settlement of outstanding issues.

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Source: Reuters, Bloomberg, Eurobank Research

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

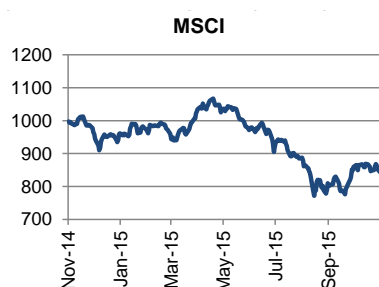
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

Upon conclusion of an IMF staff mission visit to Bulgaria on 9 November 2015, the Fund noted, in a statement issued at its website, that it projects moderate growth of 1.7% for 2015, in line with last year's level, supported by exports and absorption of European Union funds. The statement also read that that risks to this outlook are skewed towards the upside, with economic activity anticipated to be further boosted in 2016 by strengthening domestic demand. Meanwhile, unemployment is anticipated to remain high, despite falling in tandem with increasing economic activity and deflation is seen bottoming out as commodity prices stabilize. On the fiscal front, the IMF warned that domestic authorities missed the opportunity to accelerate fiscal consolidation this year given stronger-than-projected 2015 revenues. However, it added that the budget deficit targets are achievable this year and the next, advising the government to tighten spending controls. Additionally, the IMF welcomed further steps towards strengthening the rules-based framework and internal controls for banking supervision and building a fully functioning bank resolution authority. On the data front, high frequency data releases point to an economic slowdown in Q3. Indicatively, the retail trade turnover contracted for the second month running in September, snapping an ongoing positive growth streak since March 2013, posting a 2.5%YoY decrease down after a 1.9%YoY drop August and compared to +0.1%YoY in July.

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### ROMANIA

NBR Governor Mugur Isarescu presented yesterday the November inflation report that incorporates the impact of the amended version of the 2016 Fiscal Code and all envisaged tax cuts on consumer prices. The NBR revised downwards its year-end inflation forecast in 2015 to -0.7%YoY vs. -0.3%YoY in the August inflation report but at the same time upgraded its 2016-end projection to +1%YoY compared to +0.7%YoY previously. Netting out the impact of first round effects stemming from the frontloaded VAT rate cut for food effective since last June and the planned headline VAT rate cut effective from 2016, inflation is projected to reach 2.1% and 2.7% at end-2015 and end-2016 respectively. The Central Bank anticipates now that headline inflation will remain in negative territory until May 2016 and enter positive territory by the end of 2016, yet remaining below the lower bound of the 2.5 +/-1% target band until the beginning of 2017. However, the Central Bank forecast now envisages inflation spiking above the target band in Q2-2017 and remain at that level in Q3. In the accompanying press conference, the NBR Governor favored a technocrat-led government with a clear goals and limited mandate as the solution to the current political crisis. In addition, he pointed out that the process of appointing a new government has deepened uncertainties over the macroeconomic policies mix, mostly because the 2016 budget hasn't been configured yet. Finally, the Governor denied to call the end of the easing cycle but reiterated his earlier expressed views that there is room to reduce MRRs further (8% and 14% for RON and FX denominated liabilities respectively at this moment). Despite the more cautious tone adopted in the aftermath of the political fallout, our view on the interest rates outlook has not changed. The 25bps cut in early May had most probably been the last under the current easing cycle. There are some good reasons why NBR could stay put on rates until mid-2016, looking beyond the fiscally induced supply side shock. The robust growth performance which implies the sooner than expected closing of the output gap, downside risks stemming from the ambitious fiscal easing plan which has raised deep concerns, also voiced by the EU and IMF, and the expiration of the precautionary agreement in September plus increasing worries over external risks on the radar.

## 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	2078.58	-1.0%	1.0%	EUR/USD	1.0744	-0.1%	-11.2%	UST - 10yr	2.32	-2	15	GOLD	1093	0.1%	-7.7%
Nikkei 225	19671.26	0.1%	12.7%	GBP/USD	1.5105	-0.1%	-3.0%	Bund-10yr	0.63	-3	9	BRENT CRUDE	47	-0.3%	-18.0%
STOXX 600	374.55	-0.4%	9.3%	USD/JPY	123.14	0.0%	-2.8%	JGB - 10yr	0.32	-2	-1	LMEX	2273	-0.5%	-22.0%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	-1	-684
1-week	3.24	0	-677
1-month	3.55	-1	-650
3-month	3.89	-1	-596
6-month	4.09	0	-570

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.27	#N/A N/A	-478
5Y RSD	6.60	0	-358
7Y RSD	6.87	1	-521

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.10	2	-116
USD Nov-24	6.44	0	-15

## CDS

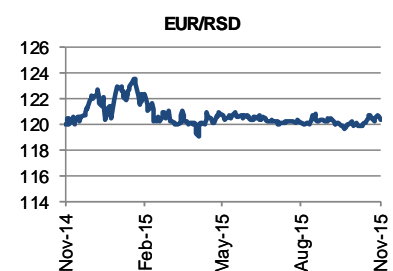
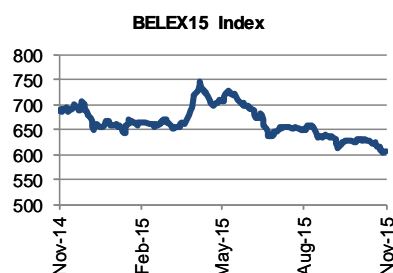
	Last	ΔDbps	ΔYTD bps
5-year	283	2	-7
10-year	348	1	-8

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	608.8	0.42%	-8.74%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.39	0.12%	0.80%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.61	-1	4
1-month	0.91	-2	0
3-month	1.13	0	-57
6-month	1.41	0	-60
12-month	1.57	0	-45

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	0	-76
5Y RON	2.11	0	-60
10Y RON	3.59	-1	-7

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.22	-4	-51
USD Aug-23	3.81	6	20

## CDS

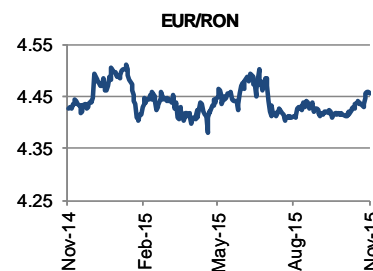
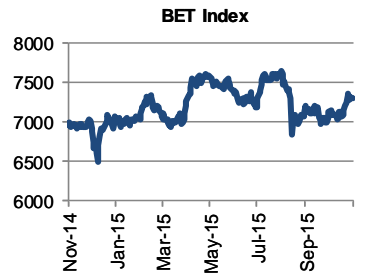
	Last	ΔDbps	ΔYTD bps
5-year	137	2	-6
10-year	180	2	-7

## STOCKS

	Last	ΔD	ΔYTD
BET	7303.2	0.18%	3.11%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4561	0.09%	0.61%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.31	0	-13
6-month	0.57	0	-23
12-month	1.13	0	-38

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	-5	-83
5Y BGN	0.57	1	-88
10Y BGN	2.11	0	-64

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.36	0	-79
EUR Sep-24	2.53	-34	-33

## CDS

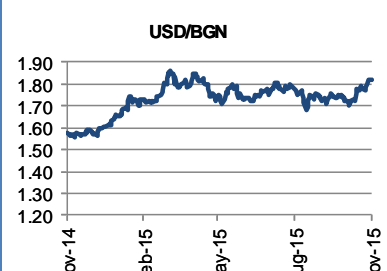
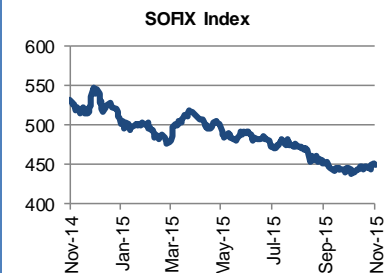
	Last	ΔDbps	ΔYTD bps
5-year	178	5	-13
10-year	225	5	-15

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	449.7	-0.16%	-13.87%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8206	-0.08%	-11.21%



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

Data updated as of 12:15 EET



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