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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 18, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- November 15-16: G20 Summit

US

- November 16: Empire state index (Nov)
- November 17
  - CPI (Oct)
  - IP (Oct)
  - NAHB (Nov)
- November 18
  - Housing starts/permits (Oct)
  - FOMC minutes (October 27/28 meeting)
- November 19
  - Jobless Claims
  - Philly Fed (Nov)

EUROZONE

- November 16: HICP (Oct)
- November 17: DE: ZEW index (Nov)
- November 19: ECB Oct 22 meeting minutes
- November 20: Consumer confidence (Nov)

GREECE

- November 21: Government submits to parliament for approval 2016-2019 Medium-Term Fiscal Strategy

SEE

BULGARIA

- November 16
  - CAD (Sep)
  - U/E rate (Oct)
  - T-bonds auction

ROMANIA

- November 16: 2021 T-bonds auction
- November 19: 2025 T-bonds auction

SERBIA

- November 19: T-bonds auction
- November 20: CAD (Sep)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

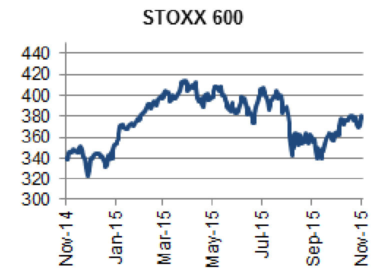
GLOBAL MARKETS: In view of diverging ECB and Fed monetary policy outlooks, German Bunds continued to outperform US Treasuries with the corresponding 10-yr yield spread undertaking some further widening today. In FX markets, the USD retained a firm tone with the DXY index marking a fresh multi-month peak earlier in the day.

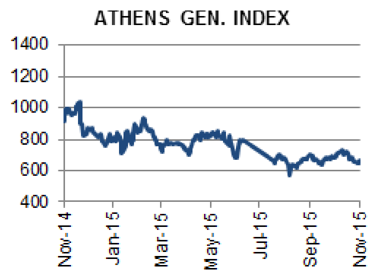
GREECE: In an official statement issued yesterday, Eurogroup President Jeroen Dijsselbloem confirmed that a "substantive agreement has been reached" between Greek authorities and the institutions "on all outstanding issues regarding the measures included in the first set of milestones and on the financial sector measures that are essential for a successful recapitalisation process". The said statement also read that "upon the completion of the agreed conditionality and the implemented legislation, the Eurogroup/EWG stand ready to support the disbursement of the €2 billion sub-tranche linked to the first set of milestones and the transfer to the HFSF of the funds needed for the recapitalisation of the Greek banking sector, as required, out of the €10 billion earmarked for this purpose"

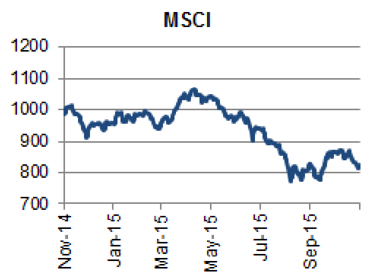
SOUTH EASTERN EUROPE

ROMANIA: The new technocrat government was endorsed yesterday by the parliament with an overwhelming majority.

CESEE: **Emerging stock markets** moved broadly lower in European trade on Wednesday amid increased expectations for a Fed rate hike in December. Market caution prevailed ahead of the FOMC October 27/28 meeting minutes due for release later today. Risk sentiment also remained fragile in the aftermath of the Paris attacks on the weekend and after a bomb scare in Germany yesterday and a deadly raid in the French capital on terrorist suspects earlier on Wednesday. Elsewhere, **regional currencies** were little changed and government bonds were mixed earlier on Wednesday.







Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

German government bonds retained a firm tone with the 2-yr yield hitting a fresh record low near -0.38% in European trade on Wednesday amid increased expectations for further ECB monetary policy stimulus in the imminent future. Speaking to international newswires yesterday, ECB Chief Economist Peter Preat was quoted saying that downside risks to the euro area have increased "a little bit" and that rates cuts are a real possibility. In view of diverging ECB and Fed monetary policy outlooks, German Bunds continued to outperform US Treasuries with the corresponding 10-yr yield spread hovering around 175.16bps earlier today, the widest in near eight months after ending at 174.22bps in the prior session. In FX markets, the USD remained well supported, with the DXY index standing close to 99.360 at the time of writing, close to a fresh multi-month peak of 99.756 marked earlier in the day. On the data front, focus today is on US housing data for October and the minutes from the October FOMC meeting which are unlikely to alter market expectations for a December Fed rate hike in the wake of the firmer-than-expected US October non-farm payrolls report released earlier this month and hawkish comments from a number of FOMC officials over the last few sessions.

GREECE

In an official statement issued yesterday, Eurogroup President Jeroen Dijsselbloem confirmed that a "substantive agreement has been reached" between Greek authorities and the institutions " on all outstanding issues regarding the measures included in the first set of milestones and on the financial sector measures that are essential for a successful recapitalisation process". As per the same statement, the Euro Working Group discussed the state of play while the relevant legislation will be adopted in the Hellenic Parliament on Thursday. The said statement also read that "upon the completion of the agreed conditionality and the implemented legislation, the Eurogroup/EWG stand ready to support the disbursement of the €2 billion sub-tranche linked to the first set of milestones and the transfer to the HFSF of the funds needed for the recapitalisation of the Greek banking sector, as required, out of the €10 billion earmarked for this purpose". Looking ahead, the Euro Working Group is expected to reconvene on Friday to give green light for the release of next ESM loan installment of €12bn assuming that the Hellenic Parliament will have approved by then a multi-bill containing the relevant legislation. In response to the positive news, Greek sovereign bonds firmed with the 10-yr bond yield hovering around 6.98% in European trade on Wednesday, within distance from yesterday's 6.96% close, the lowest closing since mid-October 2014. In other news, according to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in October for the fourth month in a row coming in at €119.38bn, €2.01bn lower compared to the prior month. Refinancing through the ECB fell by €2.42bn to €36.60bn while that through the emergency liquidity assistance (ELA) mechanism rose by €0.41bn to €82.79.

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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

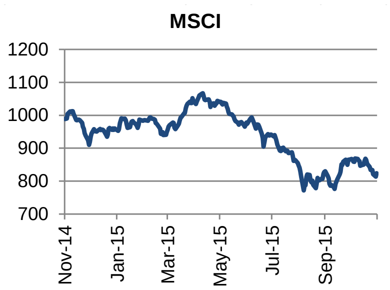
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
*Budget Balance/GDP **	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

** 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

ROMANIA

The new technocrat government was endorsed yesterday by the parliament with an overwhelming majority. The new cabinet of the incoming Prime Minister Dacian Ciolos received a vote of confidence by 389 MPs, compared to 274 needed, while 115 voted against. The new technocrat government, the first in the post-communist history of Romania, received multi-party support. The biggest parties of the parliament, the PSD (Social Democrat Party) and PNL (National Liberal Party) affirmed their support for the new government. The predecessor of Mr. Ciolos, Mr. Victor Ponta, was inclined to resign in the aftermath of wide antigovernment protests which sparked out after the lethal fire incident in the Bucharest night club recently. The new government's mandate is expected to last until the regular parliamentary elections take place in late 2016. The technocratic solution, one of the scenarios favored also by the Central Bank governor as a solution, is on average good news for the market. The new technocratic government provides some comfort against political uncertainty given the ongoing public outcry. The new technocrat PM, backed also by President Klaus Iohannis, will most probably provide some resistance against fiscally irresponsible and populist measures. On the other hand, the odds are against that the cabinet change will be a game changer as far as implemented economic policies and government efficiency in the lower levels of administration are concerned. In a pre-election year, the new cabinet will struggle to receive parliamentary support for politically sensitive structural reforms and measures.

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CESEE MARKETS

Emerging stock markets moved broadly lower in European trade on Wednesday amid increased expectations for a Fed rate hike in December. Market caution prevailed ahead of the FOMC October 27/28 meeting minutes due for release later today. Risk sentiment also remained fragile in the aftermath of the Paris attacks on the weekend and after a bomb scare in Germany yesterday and a deadly raid in the French capital on terrorist suspects earlier on Wednesday. Against this backdrop, the MSCI Emerging Markets index modestly fell by 0.3% at the time of writing paring part of yesterday's 1.3% gains. Bourses in the CESEE region were mixed, with Romania's BETI rising by 0.3% in European trade and Serbia's BELEX15 broadly underperforming its regional peers with a 0.6% daily decline.

Elsewhere, **regional currencies** were little changed and government bonds were mixed earlier on Wednesday. In FX markets, the Polish zloty traded flat against the euro ahead of the first speech by new Prime Minister Beata Szydlo at 10.00GMT on the government's policies. The ruling Law and Justice party (PiS) has pledged, among other, to impose higher taxation on banks, lower the retirement age and boost economic activity via the adoption of fiscal and monetary stimulus. Along these lines, the EUR/PLN hovered around levels of 4.2480 at the time of writing, not too far from a 7-month high of 4.2953 hit in late October, a few days after the general elections where the main opposition Law and Justice (PiS) party won an outright majority in Parliament. Its decisive victory fanned worries over a shift towards a more populist agenda, raising concerns about the country's medium-term growth outlook.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD	FOREX	Last	ΔD	ΔYTD	Government Bonds (yields)	Last	ΔDbps	ΔYTD bps	Commodities	Last	ΔD	ΔYTD
S&P 500	2050.44	-0.1%	-0.4%	EUR/USD	1.0678	0.3%	-11.7%	UST - 10yr	2.26	-1	9	GOLD	1072	0.1%	-9.6%
Nikkei 225	19649.18	0.1%	12.6%	GBP/USD	1.5235	0.1%	-2.2%	Bund-10yr	0.51	-2	-3	BRENT CRUDE	44	2.0%	-22.5%
STOXX 600	377.72	-0.6%	10.3%	USD/JPY	123.29	0.1%	-2.9%	JGB - 10yr	0.30	0	-3	LMEX	2172	-0.3%	-25.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	1	-683
1-week	3.24	0	-677
1-month	3.56	1	-649
3-month	3.90	1	-595
6-month	4.10	1	-569

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.00	#N/A N/A	-505
5Y RSD	6.61	0	-357
7Y RSD	7.38	0	-143

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.10	0	-116
USD Nov-24	6.41	0	-18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	284	0	-6
10-year	349	0	-7

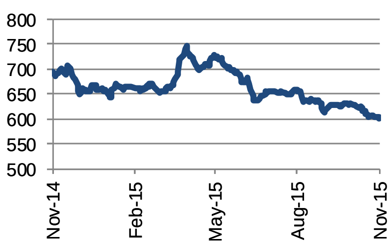
STOCKS

	Last	ΔD	ΔYTD
BELEX15	600.4	-0.80%	-9.98%

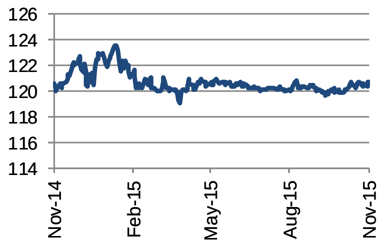
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.76	-0.05%	0.49%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	-2	-5
1-month	0.82	-1	-9
3-month	1.04	-4	-66
6-month	1.37	1	-64
12-month	1.53	1	-49

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.49	0	-82
5Y RON	2.00	-1	-71
10Y RON	3.51	1	-15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.13	-1	-60
USD Aug-23	3.65	-2	3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	133	-6	-10
10-year	174	-6	-12

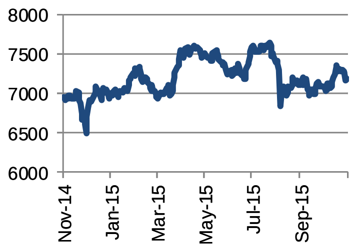
STOCKS

	Last	ΔD	ΔYTD
BET	7217.8	0.39%	1.90%

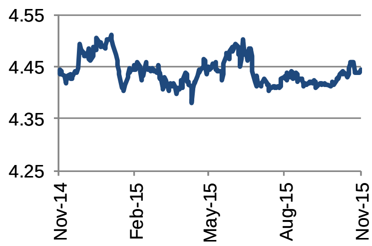
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4454	-0.12%	0.86%

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	0.31	0	-13
6-month	0.57	0	-23
12-month	1.12	-1	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	-12	-84
5Y BGN	0.58	2	-87
10Y BGN	2.09	0	-66

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.32	0	-84
EUR Sep-24	2.48	-26	-39

CDS

	Last	ΔDbps	ΔYTD bps
5-year	168	-6	-23
10-year	216	-6	-25

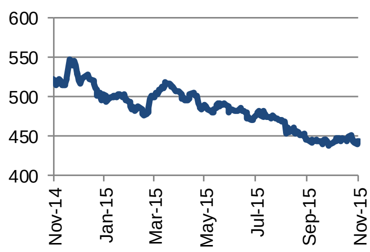
STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.8	0.05%	-15.00%

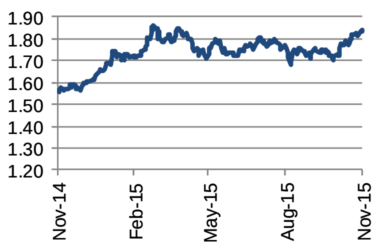
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8317	0.33%	-11.75%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EET

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