

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, November 27, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- November 23
 - Existing home sales (Oct)
 - Markit PMI manuf. (Nov, p)
- November 24
 - GDP (Q3, 2nd)
 - CB Consumer Confidence (Nov)
- November 25
 - Durable goods (Oct)
 - Personal income/ spending (Oct)
 - Core PCE deflator (Oct)
 - Jobless claims
 - New home sales (Oct)
 - Markit PMI services/composite (Nov, p)
 - UoM consumer sentiment (Nov, f)
- November 26: Thanksgiving holiday

EUROZONE

- November 23
 - Eurogroup meeting
 - PMI Manufacturing/ services (Nov)
- November 24: DE: Ifo (Nov)
- November 27: ESI (Nov)

GREECE

- November 27: GDP (Q3, f)

SEE

BULGARIA

- November 23: T-bonds auction
- November 25: Gross external debt (Sep)

ROMANIA

- November 23: 2.5% 2019 T-bonds auction
- November 27: ILO U/E rate (Oct)

SERBIA

- November 25: Real gross wages (Oct)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The EUR remained under pressure in European trade on Friday and German government bonds retained a firm tone amid heightened expectations for further ECB monetary policy stimulus at the next policy meeting on December 3rd.

GREECE: In a meeting yesterday, the Euro Working Group (EWG) reportedly approved the prior actions that will be attached to the release of the pending €1bn ESM loan installment to Greece. As per the same sources, these milestones amount to 13 and include, among others, a comprehensive strategy for the resolution of domestic banks' non-performing loans (NPLs), privatization of ADMIE (or an alternative equivalent plan) and a fiscally-neutral reform of the unified wage. The EWG reportedly decided that the relevant legislation required for the implementation of the agreed milestones will have to be approved by the Hellenic Parliament by December 11th so as the €1bn installment to be released by December 18th.

SOUTH EASTERN EUROPE

BULGARIA: The Central Bank of Bulgaria amended the minimum reserve requirements decree yesterday. According to the press-release, BNB introduced the concept of "excess reserves" with the Central Bank and made it possible for the application of negative interest rates on excessive reserves when ECB's deposit facility rate is negative. In addition, BNB will no longer recognize as reserve assets banks' funds kept in accounts of Target2-BNB national system component.

CESEE MARKETS: The majority of **emerging stock markets** ended modestly higher on Thursday, with US markets closed for the Thanksgiving holiday, and a timid recovery in commodity prices so far this week favouring related equity. In FX markets, **CESEE currencies** remained under pressure amid increased expectations for a Fed rate hike in December, while sentiment also remained fragile in view of the recent flare up of geopolitical tensions in the region. In the local rates markets, **government bonds** ended mixed on Thursday. Looking into **next week**, key global data and events take centre stage and are likely to set the tone for CESEE assets direction, as they unfold in the coming days.

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Latest world economic & market developments

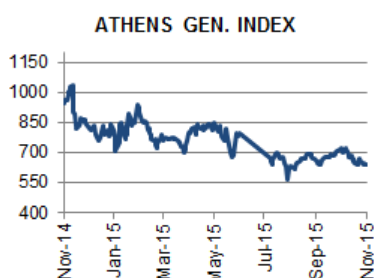
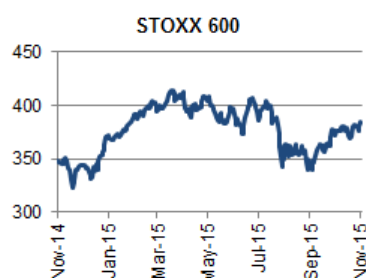
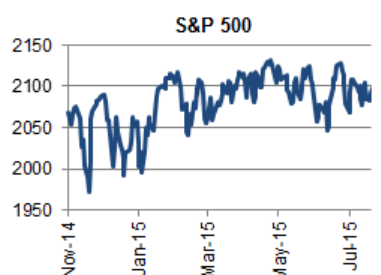
GLOBAL MARKETS

The EUR remained under pressure in European trade on Friday and German government bonds retained a firm tone amid heightened expectations for further ECB monetary policy stimulus at the next policy meeting on December 3rd. According to recent comments by unnamed Eurozone officials, the ECB is probably considering, among others, extension in the duration of its asset purchase programme and a cut in its deposit facility rate further into negative territory based on a two-tiered “penalty” rate. The 2-yr German bond yield marked a fresh intraday record low of -0.426% earlier today while the 10-yr bond was yielding levels close to a one-month low of 0.455% with the corresponding yield curve undertaking some further bullish flattening today. Elsewhere, the EUR/USD was trading close to 1.0610/12 at the time of writing, not far from an eight month low of 1.0565 recorded earlier this week as diverging monetary policy between the ECB and the Fed remains a key theme in FX markets. Today the European Commission is scheduled to publish its closely watched Economic Sentiment Indicator for the month of November while US markets will open for just half a day following yesterday’s Thanksgiving holiday.

GREECE

In a meeting yesterday, the Euro Working Group (EWG) reportedly approved the prior actions that will be attached to the release of the pending €1bn ESM loan installment. As per the same sources, these milestones amount to 13 and include, among others, a comprehensive strategy for the resolution of domestic banks’ non-performing loans (NPLs), privatization of ADMIE (or an alternative equivalent plan) and a fiscally-neutral reform of the unified wage. The EWG reportedly decided that the relevant legislation required for the implementation of the agreed milestones will have to be approved by the Hellenic Parliament by December 11th so as the €1bn installment to be released by December 18th. The EC/ECB/IMF/ESM mission heads are expected return to Athens soon after the December 7th Eurogroup to assess the progress that will have been made by the Greek side in implementing the said prior actions. Elsewhere, according to the most recent Bank of Greece data, euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) dropped in October presumably due to taxpayers’ obligation to pay over that month the first –out of five– installment of the Single Property Tax. Specifically, private sector deposits fell by €0.589bn coming in at ca €121.080bn. Greece’s banking system deposit base has dropped by €43.7bn since a 2 1/2 year high hit in September 2014.

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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

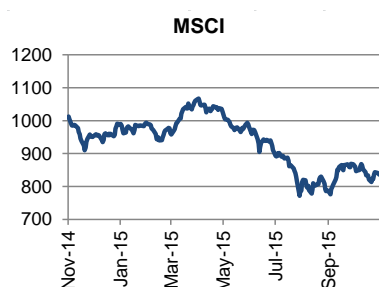
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: 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

BULGARIA

The Central Bank of Bulgaria amended the minimum reserve requirements decree yesterday. According to the press-release, BNB introduced the concept of "excess reserves" with the Central Bank and made it possible for the application of negative interest rates on excessive reserves when ECB's deposit facility rate is negative. In addition, BNB will no longer recognize as reserve assets banks' funds kept in accounts of Target2-BNB national system component. The amendments will be effective from January 4th 2016. In our view, these measures aim to stimulate lending activity. The domestic banks' deposits held in the BNB were 2.5bn Leva or 31.6% of the total BNB liabilities in October

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CESEE MARKETS

The majority of **emerging stock markets** ended modestly higher on Thursday, with US markets closed for the Thanksgiving holiday, and a timid recovery in commodity prices so far this week favouring related equity. The MSCI Emerging Markets index advanced by 0.2% on the day, having snapped a 3-session losing streak. On the other hand, CESEE bourses were mixed. Turkey's BIST 100 index broadly underperformed its EM peers to close 2.4% lower amid heightened geopolitical tensions after the downing of a Russian military jet by the country's forces earlier in the week, with Turkey citing violation of its airspace. Following the incident, Russia warned on Thursday that it may impose economic sanctions against Turkey. Additionally, Russia's agricultural ministry released a statement on Thursday noting that the country has strengthened control over food and agriculture imports from Turkey. Elsewhere, Serbia's BELEX15 followed suit posting losses to the tune of 1.3% compared to the prior session's settlement, while other regional indices recorded concomitant daily increases of 0.1-0.9%. In FX markets, **CESEE currencies** remained under pressure amid increased expectations for a Fed rate hike in December, while sentiment also remained fragile in view of the recent flare up of geopolitical tensions in the region. In response, the Turkish lira continued to underperform its regional peers, with the USD/TRY bouncing by more than 1% on the day to stand at around 2.9200 on Thursday's settlement, within distance from a new multi-session peak near 2.9265 hit in late European trade yesterday. Separately, the Polish zloty slid to a new 2-week low of 4.2763/EUR at some point on Thursday, while the Hungarian forint consolidated near multi-session lows of 312.57/EUR hit a session earlier. The Romanian leu bucked the negative trend rising to a 1-1/2-week peak just off 4.2780 following news that the consolidated government surplus came in at RON9.0bn or 1.3% of projected GDP in the 10M-2015 up from a RON1.9bn surplus or 0.3% of GDP in the same period last year adding to hopes that this year's 1.9% of GDP target may be overachieved by a wider margin than previously thought. In the local rates markets, **government bonds** ended mixed on Thursday. Turkish paper underperformed other CESEE giving back some of yesterday's gains. In more detail, the 2- and 10-year benchmark yields rose by 22bps and 14bps, respectively, compared to the prior session's settlement, standing at 10.43% and 9.96% on Thursday's close. Looking into **next week**, key global data and events take centre stage and are likely to set the tone for CESEE assets direction as they unfold in the coming days. Namely, the ECB monetary policy meeting, November's US non-farm payrolls and Fed Chair Janet Yellen's speech, to name a few. We reiterate that an ECB decision next week incorporating an extension of the Central Bank's monetary policy stimulus will likely favour CESEE assets the most among the EM space.

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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	2088.87	0.0%	1.5%	EUR/USD	1.0618	0.1%	-12.2%	UST - 10yr	2.21	-3	4	GOLD	1068	-0.4%	-9.9%
Nikkei 225	19883.94	-0.3%	13.9%	GBP/USD	1.508	-0.1%	-3.2%	Bund-10yr	0.46	-1	-8	BRENT CRUDE	45	-0.7%	-21.3%
STOXX 600	382.89	-0.4%	11.8%	USD/JPY	122.42	0.1%	-2.2%	JGB - 10yr	0.31	1	-2	LMEX	2184	2.2%	-25.0%

CESEE MARKETS

SERBIA

Money Market

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

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.70	-2	-538
5Y RSD	5.05	0	-514
7Y RSD	7.40	0	-142

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	1	-123
USD Nov-24	6.40	0	-19

CDS

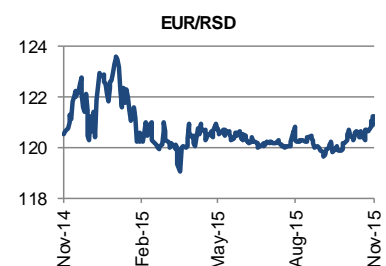
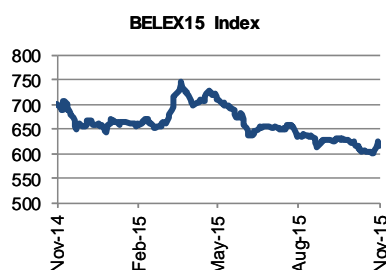
	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	618.4	0.14%	-7.29%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.22	-0.02%	0.11%



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.64	0	7
1-month	0.8	0	-11
3-month	1.06	0	-64
6-month	1.37	0	-64
12-month	1.51	0	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	0	-85
5Y RON	1.94	0	-77
10Y RON	3.52	0	-14

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.08	0	-65
USD Aug-23	3.58	0	-4

CDS

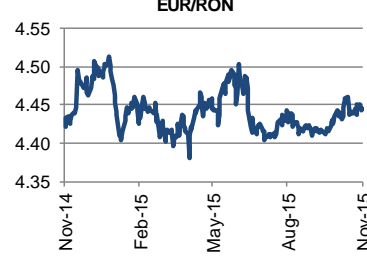
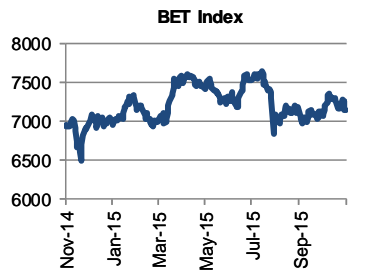
	Last	ΔDbps	ΔYTD bps
5-year	133	2	-9
10-year	175	2	-12

STOCKS

	Last	ΔD	ΔYTD
BET	7186.8	0.48%	1.47%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4448	-0.05%	0.87%



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.30	0	-13
6-month	0.57	0	-23
12-month	1.11	-1	-39

BG Local Bonds

	Last	ΔDbps	ΔYTD bps
(yields)			
3Y BGN	0.30	0	-74
5Y BGN	0.55	1	-90
10Y BGN	2.01	0	-74

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.25	0	-91
EUR Sep-24	2.40	0	-47

CDS

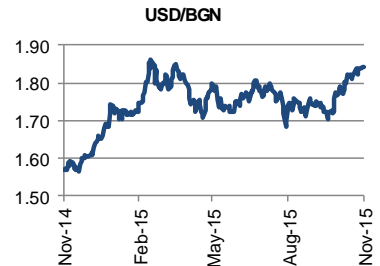
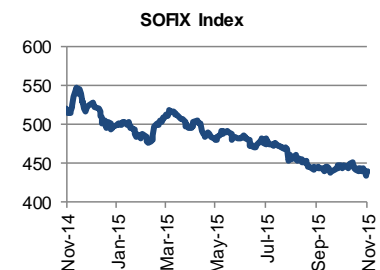
	Last	ΔDbps	ΔYTD bps
5-year	167	0	-23
10-year	216	-1	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	438.5	0.74%	-16.00%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8422	0.07%	-12.25%



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

Data updated as of 10:50 EET

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