

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 03, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- November 2: ISM manufacturing (Oct)
- November 4
  - ADP employment (Oct)
  - ISM non-manufacturing (Oct)
- November 5: Jobless Claims
- November 6
  - NFP (Oct)
  - U/E rate

#### EUROZONE

- November 2: PMI, manufacturing (Oct)
- November 4: PMI services (Oct)
- November 5: EU Commission Autumn forecast

#### GREECE

- November 5: Hellenic Parliament reportedly votes on multi-bill incorporating legislation for the implementation of a number of pending actions for the release of the €2bn loan disbursement

#### CYPRUS

- November 5: CPI (Oct)

#### SEE

#### BULGARIA

- November 6: Reserve Assets (Oct)

#### ROMANIA

- November 2
  - International Reserves (Oct)
  - 3.5% 2022 T-bonds auction
- November 3: Retail sales (Sep)
- November 5
  - MPC meeting
  - 3.5% 2022 T-bonds auction
- November 6: Net wages (Sep)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Wall Street edged higher overnight and US 10-yr Treasury yields hit their highest level in five weeks, as the ISM manufacturing index came in better than expected showing signs of stabilization in the US manufacturing sector. Elsewhere, European equity markets swung between gains and losses in early trade, following the mixed picture in Asian equity markets earlier in the day. In FX markets, the EUR/USD consolidated around levels of 1.0987/88 in early European trade ahead of the US nonfarm payroll report due later in the week which may provide more clarity on whether the Fed will increase interest rates in December. In the absence of major data releases, market focus today is on ECB President Mario Draghi, who is due to speak in Frankfurt at 20:00 EET, opening the ECB's Grand Opening event of the European Cultural Days 2015.

**GREECE:** European Commissioner for Economic and Financial Affairs Pierre Moscovici is reportedly expected to arrive in Athens today for a two-day formal visit./ Press reports suggested today that the book-bulling procedures of the four systemic banks will take place in the period between November 16 and 20.

### SOUTH EASTERN EUROPE

**ROMANIA:** The Ministry of Finance sold on Monday the planned RON 300mn (~€67.7mn) of 7-year T-bonds. The average accepted yield came in at 3.16%, marginally lower than 3.18% achieved at a prior auction of similar maturity paper held in mid-October.

**SERBIA:** Official talks began yesterday between Serbian authorities and an IMF mission visiting the country in the context of the third review under Serbia's €1.2bn 3-year precautionary Stand-By Arrangement.

**CESEE MARKETS:** Most **emerging stock markets** advanced modestly in early European trade on Tuesday, with consumer and material related equity leading the way higher. Meanwhile, **CESEE assets** were broadly mixed earlier today.

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## Latest world economic & market developments

### GLOBAL MARKETS

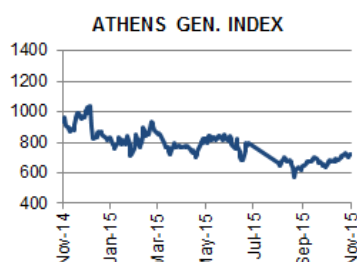
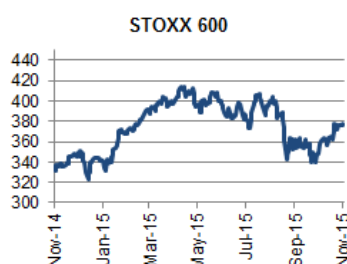
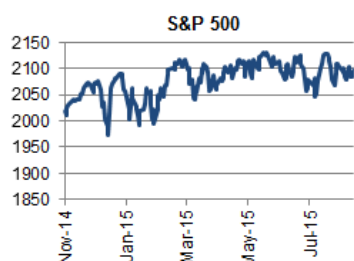
US equity markets firmed overnight and US 10-yr Treasury yields hit their highest level in five weeks at ca. 2.19%, as the ISM manufacturing index came in better than expected showing signs of stabilization in the US manufacturing sector. In more detail, the ISM manufacturing index declined to 50.1 in October from 50.2 in the prior month, with the new orders sub-index surging to its highest level since July and production sub-index reversing its previous month's slowdown. Additionally, US construction spending increased 0.6%MoM in September surpassing market expectations for a rise of 0.5%MoM, driven by both private and public residential construction spending. Elsewhere, European equity markets swung between gains and losses in early trade, following the mixed picture in Asian equity markets earlier in the day. In FX markets, the EUR/USD was hovering around 1.0987/88 in early European trade ahead of the US nonfarm payroll report due later in the week which may provide more clarity on whether the Fed will increase interest rates in December. In the absence of major data releases, market focus today is on ECB President Mario Draghi, who is due to speak in Frankfurt at 20:00 EET, opening the ECB's Grand Opening event of the European Cultural Days 2015.

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### GREECE

European Commissioner for Economic and Financial Affairs Pierre Moscovici is reportedly expected to arrive in Athens today for a two-day formal visit. As per the same sources, he will meet with a number of high level Greek government officials aiming to assess, among others, the progress that has been made so far by the Greek side in implementing the prior actions attached to the 1<sup>st</sup> programme review. His arrival takes place two days before the Hellenic Parliament votes on a multi-bill containing the legislation needed for the implementation of a number of pending prior actions related to the release of the next ESM loan installment, amounting to €2bn. The Greek government reportedly aims all outstanding issues to have been fulfilled by the end of this week so as the upcoming Eurogroup scheduled for November 9 to approve the release of the next ESM loan installment. In other news, press reports suggested today that the book-bulling procedures of the four systemic banks will take place in the period between November 16 and 20. According to the same sources, the four systemic banks are expected to submit today to the Single Supervisory Mechanism (SSM) their capital plans explaining how they intend to cover their capital needs, as were determined by the ECB's 2015 comprehensive assessment. An assessment by the SMM on the said plans, is reportedly expected on Monday, November 9.

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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

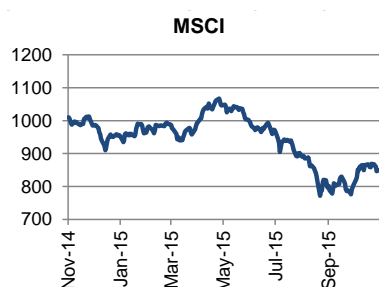
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

| 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

### ROMANIA

The Ministry of Finance sold on Monday the planned RON 300mn (~€67.7mn) of 7-year T-bonds. The average accepted yield came in at 3.16%, marginally lower than 3.18% achieved at a prior auction of similar maturity paper held in mid-October. The issue's bid-to-cover ratio came in at 2.7, reflecting strong investor demand. Maturity date is on December 19, 2022 and the paper bears an annual coupon of 3.5%.

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### SERBIA

Official talks began yesterday between Serbian authorities and an IMF mission visiting the country - led by James Roaf - in the context of the third review under Serbia's €1.2bn 3-year precautionary Stand-By Arrangement. NBS Governor Jorgovanka Tabakovic, Minister of Economy Zeljko Sertic and Minister of Finance Dusan Vujovic represented Serbia in the discussions. Talks are scheduled to last until November 10<sup>th</sup>, with the IMF expected to formally approve the review sometime in December, amidst very solid fiscal performance exhibited so far this year. The 2016 budget will feature at the top of the agenda, with the corresponding fiscal deficit expected to be moderately more expansionary than this year's. In a letter of intent, last week, Serbian officials requested from the IMF to explore the possibility to use a small part of the structural revenue gains in 2015 to relax spending a bit in 2016 with a targeted wage increase (medical and educational staff), and a one-off pension hike.

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### CESEE MARKETS

Most **emerging stock markets** advanced modestly in early European trade on Tuesday, with consumer and material related equity leading the way higher. Encouraging October manufacturing data from major global economies somewhat favoured sentiment towards risky assets. In the CESEE region key indices were mixed, with Turkey's BIST 100 shedding 0.7% compared to the prior session's settlement after yesterday's 5.4% jump. The said rally was staged on the heels of Sunday's general election, which showed an unexpected landslide for the ruling AKP that alleviated concerns about a hung parliament or a return to the ballot for the third time this year. In FX markets, **CESEE currencies** were also mixed. The Turkish lira gave back a small part of Monday's gains on profit taking. In more detail, the USD/TRY hovered around levels of 2.8360 at the time of writing, having pulled back from a 3-month trough of 2.7540 hit in the prior session. Elsewhere, the Hungarian forint hit a 4-week low at 313.65/EUR amid media speculation about an extension of the Central Bank's lending-incentives programme to companies into 2016. Comments by Hungarian Central Bank Managing Director Barnabas Virag on Monday, suggesting that real interest rates could drop further in the next years and could negatively weigh on the forint, as well as the widening Volkswagen scandal may also had an impact. In the local rates markets, **government bonds** were mixed. Turkish paper gave back almost all of Monday's gains, with the corresponding 2- and 10-year yields rising by 28bps and 21bps to 9.93% and 9.39%, respectively. Elsewhere, the Hungarian yield curve steepened, with the 10-year benchmark bond trading 7bps higher on the day at 3.40%.

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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       | 2104.05  | 1.2%  | 2.2%  | EUR/USD | 1.0978 | -0.3% | -9.3%            | UST - 10yr | 2.18 | 1     | 1           | GOLD        | 1132 | -0.1% | -4.4%  |
| Nikkei 225    | 18683.24 | -2.1% | 7.1%  | GBP/USD | 1.5416 | 0.0%  | -1.0%            | Bund-10yr  | 0.55 | 0     | 1           | BRENT CRUDE | 49   | 0.7%  | -14.3% |
| STOXX 600     | 376.87   | 0.0%  | 10.0% | USD/JPY | 120.84 | -0.1% | -1.0%            | JGB - 10yr | 0.32 | 0     | -1          | LMEX        | 2322 | 0.2%  | -20.3% |

## CESEE MARKETS

## SERBIA

## Money Market

|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| BELIBOR |      |       |          |
| T/N     | 308  | 2     | -683     |
| 1-week  | 3.24 | 4     | -677     |
| 1-month | 3.53 | 6     | -652     |
| 3-month | 3.87 | 4     | -598     |
| 6-month | 4.09 | 4     | -570     |

## RS Local Bonds

|        | Last | ΔDbps | ΔYTD bps |
|--------|------|-------|----------|
| 3Y RSD | 4.26 | -2    | -477     |
| 5Y RSD | 6.54 | 0     | -364     |
| 7Y RSD | 6.73 | 0     | -535     |

## RS Eurobonds

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| USD Nov-17 | 2.97 | 0     | -129     |
| USD Nov-24 | 6.42 | 0     | -17      |

## CDS

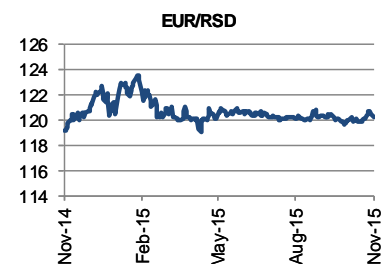
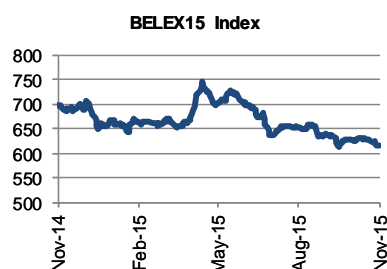
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 303  | 0     | 13       |
| 10-year | 348  | 1     | -8       |

## STOCKS

|         | Last  | ΔD     | ΔYTD   |
|---------|-------|--------|--------|
| BELEX15 | 616.8 | -0.08% | -7.52% |

## FOREX

|         | Last   | ΔD    | ΔYTD  |
|---------|--------|-------|-------|
| EUR/RSD | 120.18 | 0.12% | 0.97% |



## ROMANIA

## Money Market

|          | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| ROBOR    |      |       |          |
| O/N      | 0.64 | 0     | 7        |
| 1-month  | 0.93 | 0     | 2        |
| 3-month  | 1.16 | -1    | -54      |
| 6-month  | 1.43 | 3     | -58      |
| 12-month | 1.58 | -2    | -44      |

## RO Local Bonds

|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 3Y RON  | 1.56 | 0     | -75      |
| 5Y RON  | 2.07 | 0     | -64      |
| 10Y RON | 3.49 | 1     | -17      |

## RO Eurobonds

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Sep-20 | 1.20 | -1    | -53      |
| USD Aug-23 | 3.60 | 3     | -2       |

## CDS

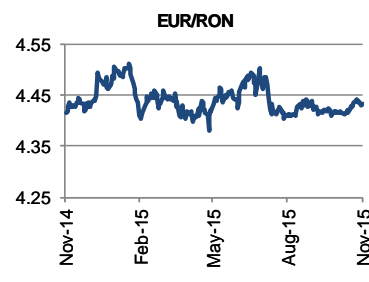
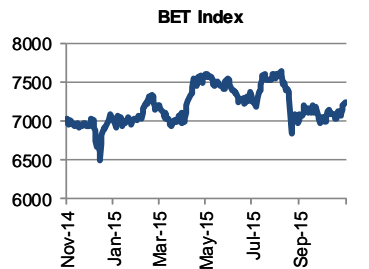
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 132  | -4    | -11      |
| 10-year | 174  | -4    | -12      |

## STOCKS

|     | Last   | ΔD    | ΔYTD  |
|-----|--------|-------|-------|
| BET | 7310.6 | 1.01% | 3.21% |

## FOREX

|         | Last   | ΔD     | ΔYTD  |
|---------|--------|--------|-------|
| EUR/RON | 4.4334 | -0.05% | 1.13% |



## BULGARIA

## Money Market

|          | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| SOFIBOR  |      |       |          |
| LEONIA   | 0.01 | 0     | -1       |
| 1-month  | 0.17 | 0     | -4       |
| 3-month  | 0.31 | 0     | -13      |
| 6-month  | 0.57 | 0     | -22      |
| 12-month | 1.13 | 0     | -38      |

## BG Local Bonds

| (yields) | Last | ΔDbps | ΔYTD bps |
|----------|------|-------|----------|
| 3Y BGN   | 0.27 | 0     | -77      |
| 5Y BGN   | 0.53 | -1    | -92      |
| 10Y BGN  | 2.07 | 0     | -68      |

## BG Eurobonds

|            | Last | ΔDbps | ΔYTD bps |
|------------|------|-------|----------|
| EUR Jul-17 | 0.32 | -5    | -84      |
| EUR Sep-24 | 2.41 | 18    | -46      |

## CDS

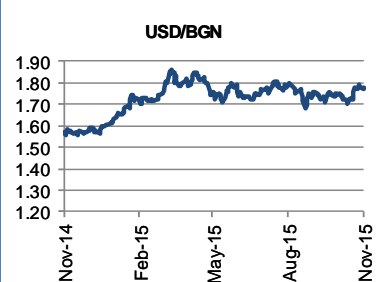
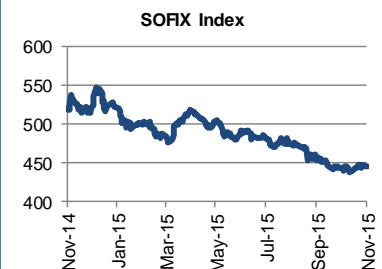
|         | Last | ΔDbps | ΔYTD bps |
|---------|------|-------|----------|
| 5-year  | 170  | -3    | -21      |
| 10-year | 217  | -3    | -24      |

## STOCKS

|       | Last  | ΔD    | ΔYTD    |
|-------|-------|-------|---------|
| SOFIX | 446.2 | 0.04% | -14.55% |

## FOREX

|         | Last   | ΔD     | ΔYTD   |
|---------|--------|--------|--------|
| USD/BGN | 1.7818 | -0.36% | -9.28% |



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

Data updated as of 13:00 EET

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