

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 modestly lower overnight, dragged down by falling oil prices and hawkish comments by Fed officials that strengthened expectations for an interest rate hike in December, overshadowing positive macroeconomic data releases. Following Fed officials' hawkish comments the USD rallied, while the 2-year US Treasury yield spiked to a 4-½ year peak near 0.8415 earlier today.

GREECE: The European Commission in its Autumn Forecasts expects real growth rate in Greece at -1.4%, -1.3% and 2.7% of GDP for 2015, 2016 and 2017 respectively. The forecast for 2015 is significantly improved compared with the official forecast of the Third Economic Adjustment Programme for Greece (August 2015: -2.3% of GDP) on the back of a better than expected performance of the Greek economy in the first semester of 2015 and a milder than previously expected impact of the capital controls implementation from late June 2015 onwards.

SOUTH EASTERN EUROPE

ROMANIA: Prime Minister Victor Ponta handed in his resignation yesterday. The news came in the aftermath of yesterdays' antigovernment protests, instigated after the lethal fire incident in the Bucharest night club last week. In our view, the most probable scenario would be for a new cabinet led by a PSD nominated candidate or an interim cabinet led by a technocrat. The arithmetic in the parliament favors the first option.

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November 5, 2015

Latest world economic & market developments

GLOBAL MARKETS

Wall Street edged modestly lower overnight, dragged down by falling oil prices and hawkish comments by Fed officials that strengthened expectations for an interest rate hike in December, overshadowing positive macroeconomic data releases. In more detail, in her testimony to the House Financial Services panel, Fed Chair Yellen highlighted that the US domestic economy is “pretty strong” and that the Fed expects the economy to continue to grow at a pace that returns inflation to the 2% medium-term target and generates further improvement in labor market conditions. Chair Yellen made clear that December would be a live possibility for an interest rate hike if incoming data continue to point to accelerating economic growth and firmer prices. Vice Chairman William Dudley agreed with Janet Yellen, while Fellow Vice Chairman Stanley Fischer added that the Fed isn’t far from reaching its 2% inflation target over the medium term. On the US data front, the ISM nonmanufacturing index rose to a 3-month high of 59.1 in October from 56.9 in September, with the new export orders index surging to a 3-month peak of 54.5. Additionally, the October ADP private payroll growth (+182k) was in line with consensus expectations, while September’s trade deficit narrowed to \$40.8bn, from \$48.0bn in August. Following Fed officials’ hawkish comments the USD rallied with the DXY index hitting a 3-month high of 98.135 in Asia, while the 2-year US Treasury yield spiked to a 4-½ year peak near 0.8415 earlier today. Against this backdrop, the EUR/USD slid as far as a 3-½ month trough of 1.0832 before recovering some ground to hover around levels of 1.0875/77 at the time of writing.

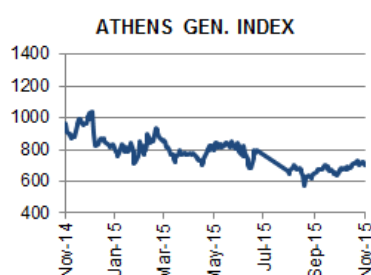
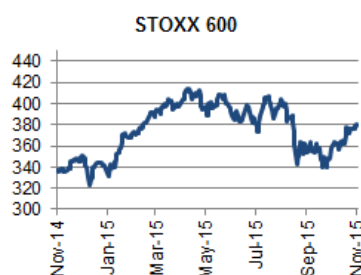
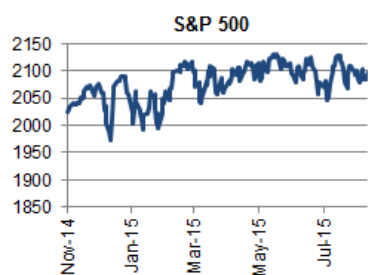
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GREECE

According to press reports, European Commissioner for Economic and Financial Affairs Pierre Moscovici was quoted saying during his visit in Athens that cooperation with Greek officials at all levels has improved considerably since July but he also remained firm that all remaining prior actions must be completed for the next ESM loan installment of EUR 2 billion to be released. The two sides have reportedly still not reached an agreement and the Greek Government will seek for an agreement in the coming November 9th Eurogroup for the remaining open issues of the current review. The European Commission in its Autumn Forecasts expects real growth rate in Greece at -1.4%, -1.3% and 2.7% of GDP for 2015, 2016 and 2017 respectively. The forecast for 2015 is significantly improved compared with the official forecast of the Third Economic Adjustment Programme for Greece (August 2015: -2.3% of GDP) on the back of a better than expected performance of the Greek economy in the first semester of 2015 and a milder than previously expected impact of the capital controls implementation from late June 2015 onwards. The unemployment rate is expected to reach 25.7%, 25.8% and 24.4% in 2015, 2016 and 2017 respectively; interrupting for 2015 and 2016 the decreasing trend of the unemployment that started in 2013. On the fiscal front, the primary balance is expected at -0.25%, 0.5%, 1.75% of GDP for 2015, 2016 and 2017 respectively; in line with the targets of the Third Economic Adjustment Programme. The General Government Debt-to GDP ratio is expected at 194.8%, 199.7% and 195.6% for 2015, 2016 and 2017 respectively. In other news, on 4 November 2015 the Governing Council of the ECB approved an ELA-ceiling for Greek banks of €86.0 billion. According to the Bank of Greece “The reduction of €0.9 billion in the ceiling reflects an improvement of the liquidity situation of Greek banks, amid a reduction of uncertainty and the stabilization of private sector deposits flows”. Finally, the Greek Government approved yesterday the concession contracts for 14 regional airports to the Fraport-Sntelent joint venture.

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Source: Reuters, Bloomberg, Eurobank Research

November 5, 2015

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

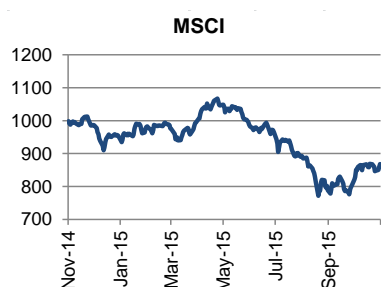
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

Prime Minister Victor Ponta handed in his resignation yesterday. The news came in the aftermath of yesterdays' antigovernment protests, instigated after the lethal fire incident in the Bucharest night club last week. It is an undeniable fact, the popularity of the outgoing Prime Minister was waning recently because of the ongoing corruption investigation against him since last June. Yet, the antigovernment protests were the straw that broke the camel's back. Victor Ponta's indictment amid corruption charges for his involvement in illegal activities before assuming the post of the Prime Minister-the so-called Rovinari-Turceni case-was a major blow to his prestige and credibility and increased political pressures on him to resign dramatically.

His ensuing resignation was a decision made by the new head of the ruling party PSD and former deputy Prime Minister, Liviu Dragnea. Recall that, the outgoing Prime Minister stepped down from the post of PSD chairman in the summer, in a manoeuvre to alleviate mounting public outcry. The PSD National Executive Committee selected Liviu Dragnea as an interim national leader, a decision which was confirmed in the party members' elections with an overwhelming majority in October. However, there are little chances that Liviu Dragnea will be nominated for the post of the Prime Minister by President Klaus Iohannis given that he was convicted of orchestrating electoral fraud during the 2012 presidential impeachment referendum and was given a one-year suspended sentence.

The resignation of Prime Minister Ponta paves the way for a new nomination by President Klaus Iohannis. The constitutional powers enable him to make his own choice, after consulting with other party leaders, as long as the nominee is approved by a confidence vote in the parliament. If a new nominee fails to be approved twice then early parliamentary elections are called, a scenario which cannot also be ruled out as things stand at this moment. Although the President would most probably like to nominate a candidate coming from the opposition National Liberal Party (PNL), the balance of power in the parliament doesn't favor such an option and the time to construct a new majority is rather limited.

In our view, the most probable scenario would be for a new cabinet led by a PSD nominated candidate or an interim cabinet led by a technocrat. The arithmetic in the parliament favors the first option. In any case, the stance of the junior allies of the PSD led coalition, particularly the UNPR party which holds 57 seats in both chambers of Parliament, will play a decisive role. Even if the political landscape may change radically in the coming weeks, the cabinet change will not be a game changer as far as economic policies and government efficiency in the lower levels of administration are concerned. In a pre-election year, it is highly unlikely that the shift to more populist policies, that will be market and credit negative, will be averted.

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November 5, 2015

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	2102.31	-0.4%	2.1%	EUR/USD	1.0878	0.1%	-10.1%	UST - 10yr	2.23	1	6	GOLD	1110	0.2%	-6.3%
Nikkei 225	19116.41	1.0%	9.5%	GBP/USD	1.5389	0.0%	-1.2%	Bund-10yr	0.61	1	6	BRENT CRUDE	49	0.7%	-14.7%
STOXX 600	378.87	-0.4%	10.6%	USD/JPY	121.7	-0.1%	-1.7%	JGB - 10yr	0.32	0	-1	LMEX	2323	0.0%	-20.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	309	1	-682
1-week	3.26	2	-675
1-month	3.56	3	-649
3-month	3.90	3	-595
6-month	4.10	1	-569

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.22	-5	-477
5Y RSD	6.54	0	-364
7Y RSD	6.74	1	-534

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.95	0	-131
USD Nov-24	6.42	0	-17

CDS

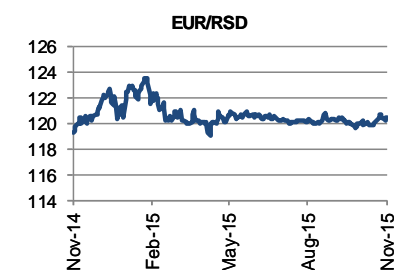
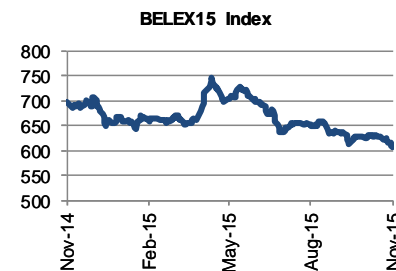
	Last	ΔDbps	ΔYTD bps
5-year	282	-6	-8
10-year	347	-1	-9

STOCKS

	Last	ΔD	ΔYTD
BELEX15	608.5	-0.15%	-8.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.46	-0.01%	0.74%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	-2	6
1-month	0.94	-1	3
3-month	1.15	-1	-55
6-month	1.42	-1	-59
12-month	1.58	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	0	-76
5Y RON	2.10	0	-61
10Y RON	3.53	0	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.19	1	-54
USD Aug-23	3.62	4	1

CDS

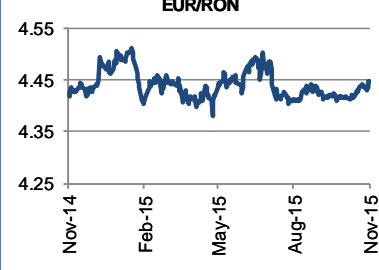
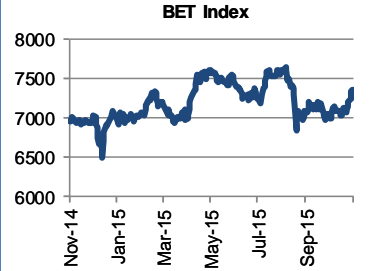
	Last	ΔDbps	ΔYTD bps
5-year	131	3	-12
10-year	173	3	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7319.0	-0.42%	3.33%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4487	-0.04%	0.78%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
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	1.12	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.20	-2	-84
5Y BGN	0.54	1	-91
10Y BGN	2.10	0	-65

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.35	-9	-81
EUR Sep-24	2.43	1	-44

CDS

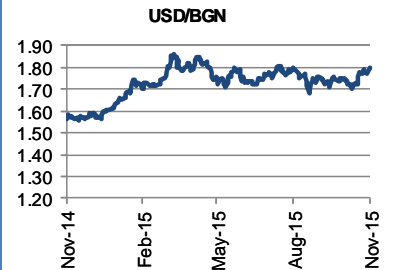
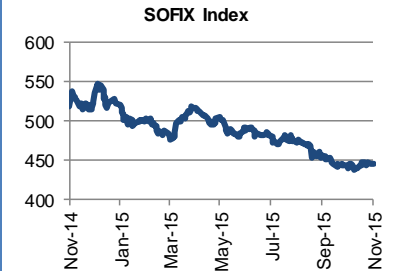
	Last	ΔDbps	ΔYTD bps
5-year	168	1	-23
10-year	216	2	-25

STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.6	-0.17%	-14.85%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.798	0.12%	-10.09%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:15 EET

November 5, 2015

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