

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, October 12, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 14
 - Retail sales (Sep, A)
 - PPI (Sep)
 - Fed Beige Book
- October 15
 - CPI (Sept)
 - Jobless claims (Oct 10)
 - Empire state (Oct)
 - Philly Fed (Oct)
- October 16
 - IP (Sep)
 - UoM consumer sentiment (Oct,p)

EUROZONE

- October 13: Zew Survey Expectations (Oct)
- October 14: IP (Aug)
- October 16: HICP (Sep,f)

GREECE

- October 12: Submission to Parliament of the bill that includes required legislation for the 49 prior actions related to the release of the €2bn loan installment (reportedly)
- October 17: Parliamentary vote on bill (reportedly)

SEE

BULGARIA

- October 12
 - T-Bonds auction
 - Trade balance (Aug)
- October 14: CPI (Sep)
- October 16: Current account balance (Aug)

ROMANIA

- October 12
 - Trade balance (Aug)
 - CPI (Sep)
 - Industrial production (Aug)
 - 5.85% 2023 T-Bonds auction
- October 14: Current account balance (Aug)

SERBIA

- October 12: HICP (Sep)
- October 14: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major Asian bourses extended their October rally on Monday, on higher technology and basic materials shares, powered by a sharp rebound in commodity prices over the past two weeks. Elsewhere, the picture in European equity markets was rather mixed in early trade, following a 6-day rising streak with cumulative gains of 4.7%. In FX markets, the US dollar lost ground against its major currency peers as expectations for a fed funds rate hike by the end of 2015 have faded on weak US employment data. Today Atlanta Fed President Dennis Lockhart, Chicago Fed President Charles Evans, and Fed Governor Lael Brainard speak on the US economic outlook and policy. On the data front, consumer price inflation data for the US and the Eurozone due later in the week will likely be closely scrutinized by market participants.

GREECE: The consumer price index (CPI) continued its declining path in September 2015. That was the 31st consecutive month (approximately 2.5 years) of disinflationary pressures. More specifically, CPI stood at -1.72%YoY in September 2015 (-0.79%YoY in HICP terms) vs. -1.46%YoY in August 2015 (-0.39%YoY in HICP terms). Elsewhere, after decreasing on an annual basis for three consecutive months (average yoy% equal to -3.56%), the production index in industry (IPI) increased 4.51%YoY in August 2015.

SOUTH EASTERN EUROPE

ROMANIA: In FX markets, the EUR/RON remained bound within a very tight trading range between 4.4100/210 last week. Meanwhile, short-term money market rates started to fall on the back of improving market liquidity and RON-denominated government bonds continued to rally.

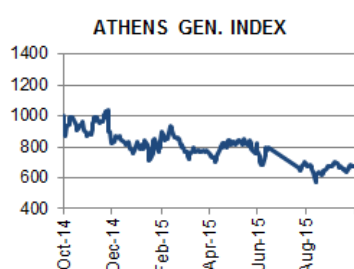
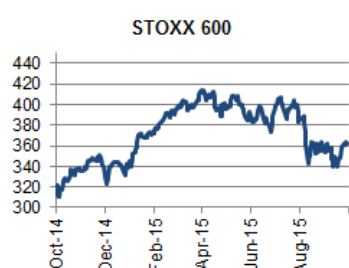
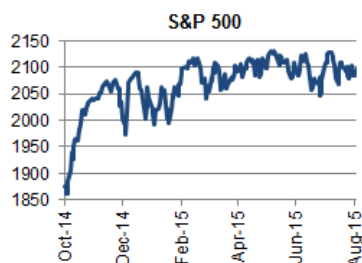
SERBIA: The EUR/RSD closed near 119.80, little changed on a weekly basis on Friday, having pulled back from a high of 120.30/50 achieved earlier in the week.

CESEE MARKETS: Emerging stock markets kicked off the week on a positive footing, with most indices moving broadly higher earlier on Monday, extending last week's hefty gains on speculation about the prospect of potential new economic-stimulus measures from Chinese authorities. A rally in commodity-related shares in view of a rebound in respective prices also favoured. Elsewhere, **CESEE bourses** were trading water in early trade today, while **regional currencies** and **government bonds** stood broadly weaker at the time of writing. Looking into **this week**, a monetary policy meeting in Serbia on Wednesday takes centre stage in the region.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Major Asian bourses extended their October rally on Monday, on higher technology and basic materials shares, powered by a sharp rebound in commodity prices over the past two weeks. In China, the Shanghai Composite Index advanced ca. 3.3%, rising to a seven-week high of 3287.66 points on speculation that the Chinese authorities will announce more stimulus measures to support the economy. Elsewhere, the picture in European equity markets was rather mixed in early trade, following a 6-day rising streak with cumulative gains of 4.7%. In FX markets, the US dollar lost ground against its major currency peers, as expectations for a fed funds rate hike by the end of 2015 have faded on weak US employment data. Adding to this, Fed Vice Chairman Stanley Fischer emphasized yesterday that although the US economy may be strong enough to withstand an interest rate increase by year-end, Fed officials are currently monitoring global economic and financial conditions, as well as the US labor market. His comments come on the heels of those by Fed Charles Evans, who highlighted earlier last week that he would like to become more confident that inflation is indeed beginning to move upwardly in order for the Fed to embark on rate tightening cycle. In this context, the DXY dollar index was moving lower to a three-week low of 94.64 at the time of writing. Against this background, the EUR/USD was rising ca. 0.3% to a three-week high of 1.1396/97 in early European trade. Today is a rather busy day for Fed speeches, with Atlanta Fed President Dennis Lockhart, Chicago Fed President Charles Evans, and Fed Governor Lael Brainard speaking on the US economic outlook and policy. On the data front, consumer price inflation data for the US and the Eurozone due later in the week will likely be closely scrutinized by market participants.

okosma@eurobank.gr

GREECE

The consumer price index (CPI) continued its declining path in September 2015. That was the 31st consecutive month (approximately 2.5 years) of disinflationary pressures. More specifically, CPI stood at -1.72%YoY in September 2015 (-0.79%YoY in HICP terms) vs. -1.46%YoY in August 2015 (-0.39%YoY in HICP terms). Furthermore, the 12 month average yoy% came in at -2.04% (a historical low). The subcategories that had the highest contribution in September's decline were housing (-7.4%YoY), transport (-5.8%YoY), clothing and footwear (-4.9%YoY) and miscellaneous goods and services (-3.7%YoY).

Elsewhere, after decreasing on an annual basis for three consecutive months (average yoy% equal to -3.56%), the production index in industry (IPI) increased 4.51%YoY in August 2015. The workhorse of this performance were the industrial sections of manufacturing (4.2%YoY) and electricity (9.0%YoY). In terms of industrial groupings, consumer durables recorded the highest increase (23.8%YoY), while capital goods production deteriorated by -24.7%YoY. Finally, intermediate goods and consumer non-durables production increased by 4.7%YoY and 6.5%YoY, respectively.

sgogos@eurobank.gr

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	1.8	2.2
CPI (pa, yoy %)	-1.4	0.3	1.2
Budget Balance/GDP*	-3.7	-2.5	-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	0.4	1.4
HICP (pa, yoy %)	-0.3	-0.8	0.9
Budget Balance/GDP*	-8.8	-1.1	-0.1
Current Account/GDP	-5.1	-3.9	-4.2

* ESA 2010

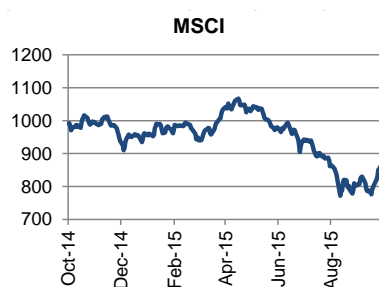
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	0.0	1.5
CPI (pa, yoy %)	2.1	2.2	3.8
Budget Balance/GDP	-6.7	-5.3	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	123.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	5.00	4.50

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	B+	B-

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest world economic & market developments in the CESEE region

ROMANIA

In FX markets, the EUR/RON remained bound within a very tight trading range between 4.4100/210 last week. Meanwhile, short-term money market rates started to fall on the back of improving market liquidity. Indicatively, the implied 1-week rate dropped to 0.80% on Friday from 1.25% at the end of the prior week, while the 3-month rate decreased from 1.30% to 1.15%. Elsewhere, RON-denominated government paper continued to rally strongly throughout last week, supported by falling RON money market rates and scaled back expectations for an imminent Fed rate hike following downbeat labor market data recently released from the US. In more detail, the 3-year benchmark yield fell from around 2.05% a week earlier to 1.85% on Friday's close, while the 10-year yield decreased some 5bps to 3.43%.

Bogdan.Radulescu@bancpost.ro

SERBIA

The EUR/RSD closed near 119.80, little changed on a weekly basis on Friday, having pulled back from a high of 120.30/50 achieved earlier in the week. Looking ahead, the pair's technical picture suggests that strong support currently stands at 119.80 (in case of NBS intervention), while on the other hand resistance lies at last week's high of 120.30/50. A break above the latter level may pave the way towards the strong resistance of 120.90/10.

Zoran.Korac@eurobank.rs

CESEE MARKETS

Emerging stock markets kicked off the week on a positive footing, with most indices moving broadly higher earlier on Monday, extending last week's hefty gains on speculation about the prospect of potential new economic-stimulus measures from Chinese authorities. A rally in commodity-related shares in view of a rebound in respective prices also favoured. Against this backdrop, the MSCI Emerging Markets index rose by more than 0.7% at the time of writing, having hit a 1-month peak intraday after posting its best weekly performance (ca.+7%) in nearly four years last week thanks to scaled back expectations for an imminent Fed rate hike.

Elsewhere, **CESEE bourses** were trading water in early trade today, while **regional currencies** and **government bonds** stood broadly weaker at the time of writing. In FX markets, the Turkish lira led the losses in the region on mounting domestic political tensions after a deadly bomb attack at a peace rally on Saturday in Ankara. The news comes three weeks ahead of the November 1st repeat general election after the outcome of June's polls proved inconclusive with no party winning a parliamentary majority and ensuing coalition negotiations breaking down. Geopolitical tensions near the country's border with Syria also continue to weigh on the Turkish currency. Against this backdrop, the USD/TRY stood ca 0.5% higher on a daily basis at 2.9250 at the time of writing, pulling back from a 2-month trough of 2.8860 hit a session earlier, though standing not too far from a record peak near 3.0745 hit in late September.

Looking into **this week**, a monetary policy meeting in Serbia on Wednesday takes centre stage in the region, where the market's median forecast is for the Central Bank to stay put on its monetary policy.

gphoka@eurobank.gr

October 12, 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	2014.89	0.1%	-2.1%	EUR/USD	1.138	0.2%	-5.9%	UST - 10yr	2.09	0	-8	GOLD	1165	0.7%	-1.6%
Nikkei 225	18438.67	1.6%	5.7%	GBP/USD	1.5353	0.2%	-1.4%	Bund-10yr	0.58	-3	4	BRENT CRUDE	53	0.2%	-8.0%
STOXX 600	361.92	-0.2%	5.7%	USD/JPY	120.13	0.1%	-0.4%	JGB - 10yr	0.32	0	-1	LMEX	2442	3.9%	-16.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	353	-2	-638
1-week	3.75	-5	-626
1-month	4.09	-5	-596
3-month	4.45	-5	-540
6-month	4.74	-3	-505

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.34	1	-374
5Y RSD	7.01	1	-317
7Y RSD	7.63	0	-118

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.26	1	-101
USD Nov-24	6.43	0	-16

CDS

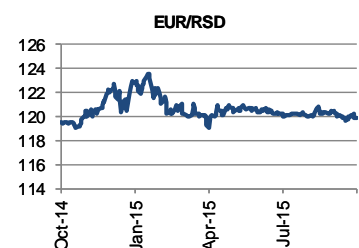
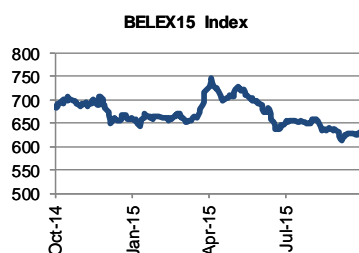
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	338	1	-18

STOCKS

	Last	ΔD	ΔYTD
BELEX15	630.4	-0.13%	-5.50%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.90	0.06%	1.21%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.9	-4	33
1-month	1.23	-3	32
3-month	1.37	-2	-33
6-month	1.59	-1	-42
12-month	1.67	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	0	-59
5Y RON	2.09	0	-62
10Y RON	3.44	1	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.32	1	-41
USD Aug-23	3.52	2	-10

CDS

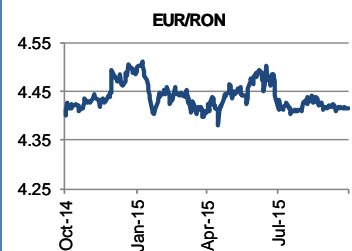
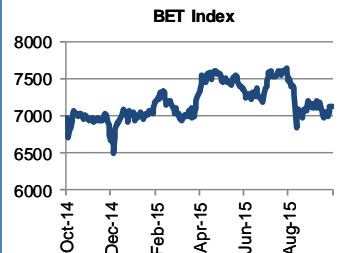
	Last	ΔDbps	ΔYTD bps
5-year	132	3	-11
10-year	174	4	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7122.6	-0.01%	0.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4162	0.00%	1.52%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.32	0	-11
6-month	0.60	-2	-20
12-month	1.19	-1	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.27	-2	-77
5Y BGN	0.60	0	-84
10Y BGN	2.20	0	-55

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.34	5	-82
EUR Sep-24	2.69	-25	-18

CDS

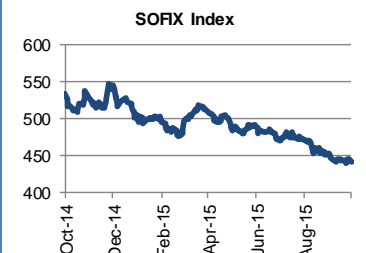
	Last	ΔDbps	ΔYTD bps
5-year	164	-2	-27
10-year	209	-2	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	442.0	-0.65%	-15.35%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7187	0.19%	-5.95%



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

Data updated as of 13:30 EEST

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (Special Contributor)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 3371 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 3371 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr +30 210 3371 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 3371 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371 228

Global Markets Sales

Nikos Laios: Head of Global Markets Trading, Sales & Structuring, nlaios@eurobank.gr, +30 210 37 18 910

John Seimenis: Head of Treasury Sales
yseimenis@eurobank.gr, +30 210 37 18 909

Alexandra Papathanasiou: Head of Institutional Sales
apapathanasiou@eurobank.gr, +30 210 37 18 996

Tania Pavlidi: Head of Corporate Sales
TPavlidi@eurobank.gr, +30 210 37 18 947

Achilleas Stogioglou: Head of Private Banking Sales
astogioglou@eurobank.gr, +30 210 37 18 904

Vassilis Gioulbaxiotis: Head Global Markets International
vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Stefanos Togoussidis: Head of Retail Sales
stogoussidis@eurobank.gr, +30 210 37 18 917

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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