

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 13, 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 cons. Sent.(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 13: €447mn IMF loan repayment due
- 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 edged lower on Tuesday and major European equity indices fell earlier today, with energy-related shares leading the losses on profit-taking after a decline in crude oil prices yesterday. Renewed concerns over China's economic outlook also weighed. In FX markets, reduced expectations of an imminent fed funds rate hike weighed on the US dollar. Focus today is on the Fed's James Bullard, who will give a speech at the annual meeting of the National Association for Business Economics in Washington, while, on the data front, the German ZEW survey for October will likely lure investors' attention.

GREECE: The Greek Government submitted to Parliament late on Monday the bill containing the first set of fiscal and structural measures that will permit the disbursement of ca €2.0bn from the first installment of €26.0bn of the €86.0bn loan agreed in August 2015 under the Third Economic Adjustment Programme for Greece. The bill is expected to be voted late on Friday 17 October 2015.

SOUTH EASTERN EUROPE

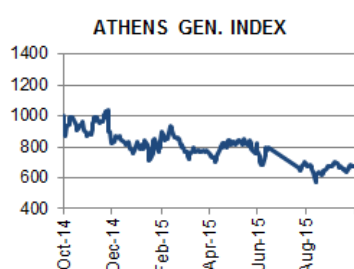
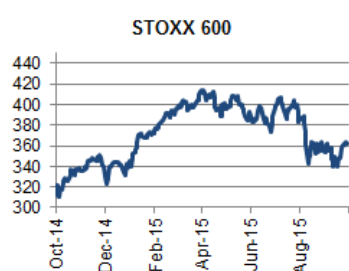
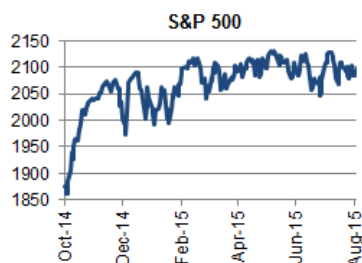
ROMANIA: CPI edged up to +0.3%MoM/-1.7%YoY in September from -0.5%MoM/-1.9%YoY in August, coming in better than the market's median forecast and supporting our view that inflation will most likely to stay below the central bank target range (2.5%±1%) until at least the second half of 2016, if not early 2017, and that May's 25bps cut in the key policy rate to 1.75% is most probably the last under the current easing cycle.

SERBIA: Consumer inflation eased to 1.4%YoY in September from a 9-month peak of 2.1%YoY registered a month earlier, pulling further below the NBS target band of 4+/-1.5% and strengthening the case for another 50bps rate cut to 4.50% as soon as this week.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Major Asian bourses edged lower on Tuesday, with the MSCI index of Asia-Pacific shares retreating from a seven-week high of 134.13 points reached yesterday. Energy-related shares led losses on the back of profit-taking after a decline in crude oil prices by more than 5.0% yesterday. In China, although exports fell less-than-expected in September (-3.7%YoY in dollar terms vs. market expectations for a decline of -6.0%YoY), imports plunged by 20.4%YoY following a 13.8%YoY drop in August, sparking renewed concerns over China's economic outlook. Against this background, major European equity indices were trading lower earlier today, with commodity and auto-related stocks leading the losses. In FX markets, reduced expectations of an imminent fed funds rate hike weighed on the US dollar, with the DXY dollar index dropping to a three-week low of 94.54 in early European trade, having lost ca. 2.0% cumulatively from its most recent high hit two weeks ago. In this context, the EUR/USD firmed to a three-week high of 1.1404/05 at the time of writing, while the USD/JPY fell to a one-month low of 119.69/70. Focus today is on the Fed's James Bullard, who will give a speech at the annual meeting of the National Association for Business Economics in Washington, while, on the data front, the German ZEW survey for October will likely lure investors' attention.

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GREECE

The Greek Government submitted to Parliament late on Monday the bill containing the first set of fiscal and structural measures that will permit the disbursement of ca €2.0bn from the first installment of €26.0bn of the €86.0bn loan agreed in August 2015 under the Third Economic Adjustment Programme for Greece. The bill includes among others, the phasing out of early retirements by 2022 (general retirement age at 67 from 2022), hikes on rental income tax rates, tougher penalties for those not paying their taxes, the deregulation of the gas market, tighter criteria (based on income and property) for the protection of homeowners struggling with repayments, as well as rules for the better organization and control of the General Government revenue and expenditure.

The bill is expected to be voted late on Friday 17 October 2015. A vote in favor of the bill constitutes the first step towards the closure of the 1st Review of the Third Economic Adjustment Programme. For the 1st Review to be completed, a second list of reforms to be specified in the following days will need to pass through Parliament too, by the end of this month.

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Latest world economic & market developments in the CESEE region

ROMANIA

Consumer inflation edged up to +0.3%MoM/-1.7%YoY in September from -0.5%MoM/-1.9%YoY in August compared to -0.2%MoM/-1.7%YoY in July, coming in better than the market's median forecast (Bloomberg consensus: +0.1%MoM/-1.9%YoY). The monthly print was underpinned by the higher than anticipated rise in food prices (+0.9%MoM, -6.5%YoY), most probably due to the adverse weather conditions. However, the implementation of the front-loaded food VAT rate cut-from 24% to 9% effective from June 1st- has pushed food and, subsequently, headline inflation into negative territory, given the high share of food products in the consumption basket (32%). On the other hand, the prices of non-food items inched down by -0.15%MoM/+0.5%YoY and the prices of services recorded a slight pick-up by +0.1%MoM/+2.0%YoY. The latest CPI data support the view that inflation is most likely to stay below the central bank target range (2.5%±1%) until at least the second half of 2016, if not early 2017. From a rate setting point of view, the September inflation reading doesn't change any of our earlier expressed views. The 25bps key policy rate cut to 1.75% in early May had most probably been the last under the current easing cycle. Looking ahead, we anticipate the Central Bank to remain on hold in the coming months until the uncertainties stemming from the fiscal side have cleared out.

Separately, industrial production (seasonally and working day adjusted) slid by 0.5%MoM in August, bringing the annual rate of increase to 3.6% from a downwardly revised 3.0% (3.4% initially reported) in the prior month. The breakdown of the data showed that energy (+7.9%YoY) and manufacturing (+3.9%YoY) provided positive contributions. On the other hand, mining declined by 19.2%YoY. In other data, the trade deficit nearly doubled on an annual basis in August coming in at €857mn from €442mn on the same month a year earlier. As a result, the January-August shortfall widened 25%YoY to €4.79bn as a 7.4%YoY increase to €40.8bn in imports outpaced a concomitant rise of 5.4%YoY to €36.0bn in exports. In other news, the finance ministry sold a planned RON 200mn (~€45.3mn) of April 2023 T-bonds at an auction on Monday. The average accepted yield came in at 3.18% below 3.75% achieved at a prior auction of the same paper held in August. The tender's bid to cover ratio came in at 1.6, while the issue bears a coupon of 5.85%.

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SERBIA

Consumer inflation came in flat on a monthly basis in September, with food and alcoholic beverages (+0.9%MoM) and housing, water, electricity, gas and other fuels (+0.1%MoM), which bear amongst the highest weights in the consumption basket, rising modestly. The said marginal increase recorded in the housing component suggests that a 12% hike in electricity prices which came into effect in August appears to be having a rather limited impact on inflation. On the other hand, recreation and culture (-5.2%MoM), transport (-1.0%MoM) and communication (-0.5%MoM) prices declined. On an annual basis CPI eased to 1.4%YoY in September from a 9-month peak of 2.1%YoY registered a month earlier, pulling further below the NBS target band of 4+/-1.5%. In all September's inflation data strengthens the case for another 50bps rate cut to 4.50% as soon as this week (October 14) as inflation pressures remain weak, fiscal consolidation continues and the dinar has been experiencing appreciation pressures of late.

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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

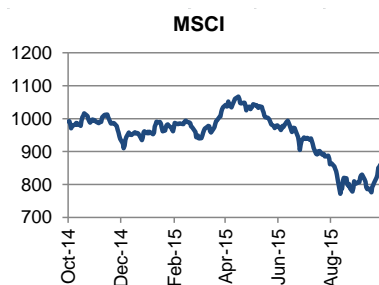
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

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	2017.46	0.1%	-2.0%	EUR/USD	1.1374	0.1%	-6.0%	UST - 10yr	2.04	-5	-13	GOLD	1156	-0.7%	-2.4%
Nikkei 225	18234.74	-1.1%	4.5%	GBP/USD	1.5246	-0.7%	-2.1%	Bund-10yr	0.56	-2	2	BRENT CRUDE	51	1.4%	-11.8%
STOXX 600	357.10	-1.3%	4.3%	USD/JPY	119.66	0.3%	0.0%	JGB - 10yr	0.32	-1	-1	LMEX	2442	0.0%	-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	5.33	0	-375
5Y RSD	7.01	0	-317
7Y RSD	7.64	1	-118

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.26	-1	-100
USD Nov-24	6.44	1	-15

CDS

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

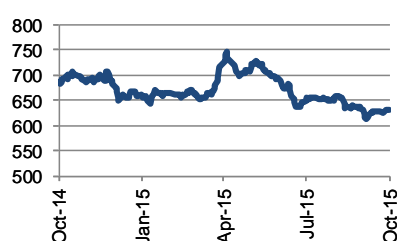
STOCKS

	Last	ΔD	ΔYTD
BELEX15	631.8	-0.08%	-5.28%

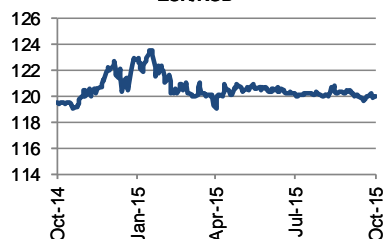
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.95	0.00%	1.17%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.83	-7	26
1-month	1.2	-3	29
3-month	1.36	-1	-34
6-month	1.59	0	-42
12-month	1.67	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.73	0	-58
5Y RON	2.10	0	-61
10Y RON	3.44	0	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.30	-2	-43
USD Aug-23	3.50	-1	-11

CDS

	Last	ΔDbps	ΔYTD bps
5-year	132	0	-10
10-year	174	0	-13

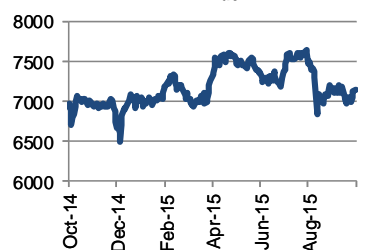
STOCKS

	Last	ΔD	ΔYTD
BET	7087.0	-0.72%	0.06%

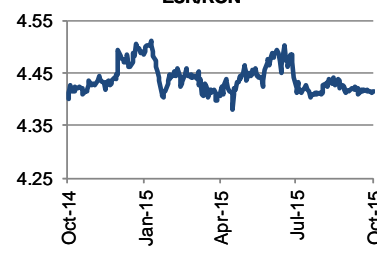
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4165	-0.09%	1.52%

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	0.32	0	-11
6-month	0.59	0	-20
12-month	1.19	0	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.29	2	-75
5Y BGN	0.60	-1	-85
10Y BGN	2.25	0	-50

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.36	0	-80
EUR Sep-24	2.64	2	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	164	0	-27
10-year	208	-1	-33

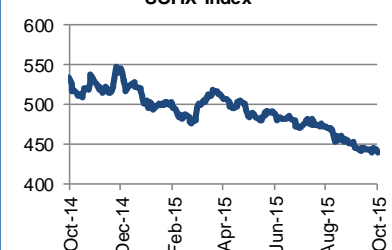
STOCKS

	Last	ΔD	ΔYTD
SOFIX	440.4	-0.56%	-15.65%

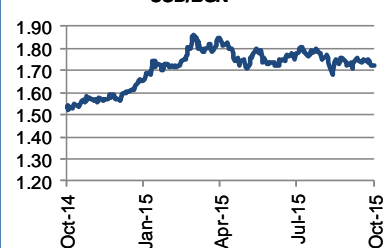
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7197	0.13%	-6.00%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EEST

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