

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 15, 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

GREECE: According to the local press, in a meeting of the Economic Policy Council that took place yesterday, Deputy Prime Minister Yannis Dragasakis requested the speed up of the necessary procedures for the development of the new bank recapitalization framework. The said framework, initially agreed to have been finalized by mid-October under the MoU conditionality, is reportedly expected to be submitted to the Hellenic Parliament next Tuesday, October 20.

SOUTH EASTERN EUROPE

BULGARIA: Inflation was broadly unchanged on both a monthly and annual basis in September. Consumer prices edged up to -0.1%MoM/+0.1%YoY in September compared to 0%MoM/0%YoY in August. Separately, the rate of registered unemployment fell for the fifth month running in September coming in at 9.2% down 9.3% in August, recoiling further below an 8-month high of 11.09% hit in January and a 10.5% print in September 2014.

SERBIA: At its monetary policy meeting on Wednesday, the National Bank of Serbia (NBS) cut its key policy rate by 50bps, for the third month running, to a new record low of 4.50%, in line with our expectations and against a market median forecast for the stable interest rates.

DISCLAIMER

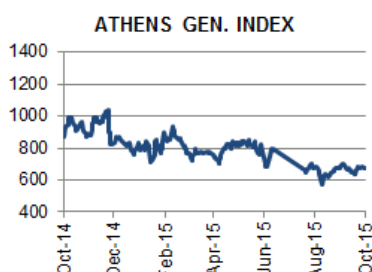
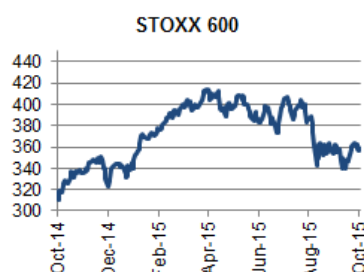
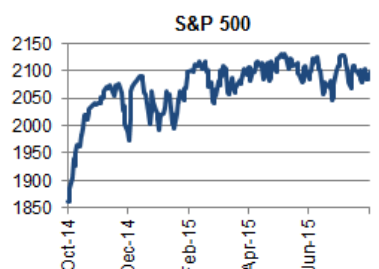
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Latest world economic & market developments

GREECE

According to the local press, in a meeting of the Economic Policy Council that took place yesterday, Deputy Prime Minister Yannis Dragasakis requested the speed up of the necessary procedures for the development of the new bank recapitalization framework. The said framework, initially agreed to have been finalized by mid-October under the MoU conditionality, is reportedly expected to be submitted to the Hellenic Parliament next Tuesday, October 20. Meanwhile, bank executives from the four systemic Greek banks met with ECB and ESM high-level officials yesterday where they were reportedly informed about the main terms and the technical parameters of the stress testing exercise. According to the local press, the outcome of the stress testing exercise is expected to be publicly available by the end of this month and the banking sector recapitalisation to complete by the end of December. As per the same sources, the bank recapitalization process may not commence before the completion of the 1st programme review. In an interview to local press earlier this week, ECB President Mario Draghi was quoted saying that the participation of the private investors, in the banking sector recapitalization will depend on the results to the comprehensive assessment exercise and the recap terms. The ECB President added that the second tranche of up to €15bn earmarked for bank recapitalization under the new ESM rescue programme can be made available after the completion of the 1st programme review and no later than November 15, subject to completion of the asset quality review as well as the stress testing exercise and the implementation of the agreed prior actions related to the financial sector governance.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments in the CESEE region

BULGARIA

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

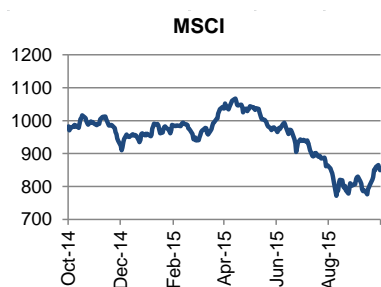
ROMANIA: Indicator	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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	4.50	4.00

Source: Reuters, Bloomberg, Eurobank Research, National Authorities



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

Inflation was broadly unchanged on both a monthly and annual basis in September. Consumer prices edged up to -0.1%MoM/+0.1%YoY in September compared to 0%MoM/0%YoY in August vs. -0.2%MoM/-0.2%YoY in July. As a result, the average annual inflation came in flat in the first nine months of the year. On a monthly basis, the group of recreation & culture recorded the largest decline (-5.3%MoM/+1.6%YoY) and the group of education the largest increase (+1.9%MoM/+3.1%YoY). Food & non-alcoholic beverages, the component of the CPI basket with the highest share, spiked due to seasonal effects (+0.8%MoM/+1.6%YoY). On an annual basis, transportation recorded the largest decline (-4.6%MoM/-11%YoY in September down from -0.4%MoM/-8.2%YoY in August) driven by lower world energy prices while regulated prices (+0.2%MoM/+3.6%YoY in September) had still one of the highest positive contributions to annual inflation.

According to the latest data from the Employment Office, the rate of registered unemployment fell for the fifth month running in September coming in at 9.2% down 9.3% in August, recoiling further below an 8-month high of 11.09% hit in January and a 10.5% print in September 2014. September marked the fourth month since October 2011 when the jobless rate last stood in a single-digit figure (9.6%). The said improvement came on the back of an increase in seasonal employment, primarily witnessed in the processing industry, administrative and support activities and education. On an annual basis, the number of unemployed individuals dropped by 42,600 in September marking the biggest decline for the month since 2008. Meanwhile, youth unemployment also fell for the eight month in a row, with the number of young people under 29 years of age easing below 50,000 (46,197 persons or 15.3% of total registered unemployed). The good news adds to last year's employment gains and is a sign of the improvement in the economic environment, especially taking into account that fiscal policy restraint is not helping at this point.

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SERBIA

At its monetary policy meeting on Wednesday, the National Bank of Serbia (NBS) cut its key policy rate by 50bps, for the third month running, to a new record low of 4.50%, in line with our expectations and against a market median forecast for the stable interest rates. In support of the said decision the NBS cited persistently below target inflation (at 1.4%YoY in September), expressing belief that CPI should move back within the 4±1.5% target tolerance band early next year and return to the 4% target mid-point from mid-2016. In the accompanying statement the Central Bank also noted the dinar's relative stability thanks to improving fiscal and balance of payments conditions as well as the global economic slowdown which may result in a prolongation of accommodative monetary conditions in advanced economies. The NBS also signaled it expects that past monetary easing will boost lending activity. Taking into account yesterday's cut the Central Bank has delivered in total 725bps of monetary easing since May 2013. Although the door appears open for another 50bps cut this year, we believe that the Central Bank is nearing the bottom of the current monetary easing cycle as external and fiscal risks linger and inflation is anticipated to rebound within its target early next year.

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October 15, 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	1994.24	-0.5%	-3.1%	EUR/USD	1.1443	-0.3%	-5.4%	UST - 10yr	1.99	2	-18	GOLD	1185	0.0%	0.0%
Nikkei 225	18096.90	1.2%	3.7%	GBP/USD	1.5484	0.0%	-0.6%	Bund-10yr	0.53	-1	-1	BRENT CRUDE	49	-0.3%	-14.5%
STOXX 600	358.85	0.9%	4.8%	USD/JPY	118.34	0.4%	1.1%	JGB - 10yr	0.32	1	-1	LMEX	2432	0.3%	-16.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	354	1	-637
1-week	3.75	1	-626
1-month	4.09	1	-596
3-month	4.45	1	-540
6-month	4.74	1	-505

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.70	#N/A	-434
5Y RSD	7.01	0	-317
7Y RSD	7.61	0	-120

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.16	-2	-110
USD Nov-24	6.44	0	-15

CDS

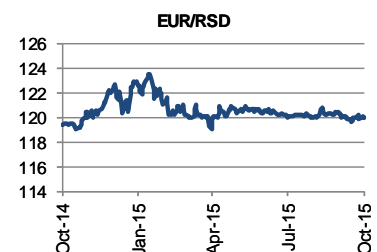
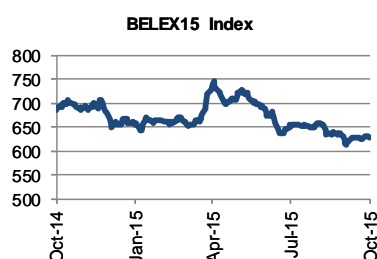
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	338	0	-18

STOCKS

	Last	ΔD	ΔYTD
BELEX15	629.6	0.04%	-5.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.96	0.12%	1.16%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.69	-9	12
1-month	1.19	0	28
3-month	1.36	0	-34
6-month	1.57	1	-44
12-month	1.66	0	-36

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.72	0	-59
5Y RON	2.13	-1	-58
10Y RON	3.44	0	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.29	0	-44
USD Aug-23	3.45	-1	-17

CDS

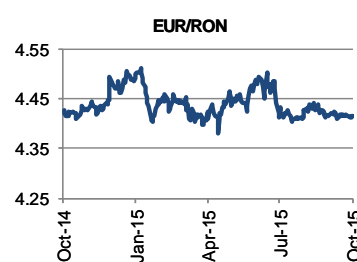
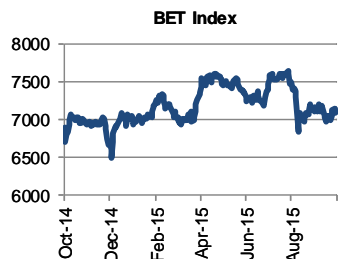
	Last	ΔDbps	ΔYTD bps
5-year	133	-3	-10
10-year	173	-3	-14

STOCKS

	Last	ΔD	ΔYTD
BET	7124.4	0.26%	0.58%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4138	0.06%	1.58%



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	1.18	0	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	-2	-79
5Y BGN	0.60	-1	-84
10Y BGN	2.19	0	-57

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.37	-5	-79
EUR Sep-24	2.66	-18	-20

CDS

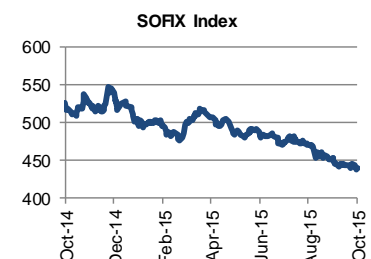
	Last	ΔDbps	ΔYTD bps
5-year	168	1	-23
10-year	212	1	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.3	-0.12%	-15.86%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7092	-0.26%	-5.42%



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

Data updated as of 11:30 EEST

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