

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, October 21, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 19: NAHB Housing Index (Oct)
- October 20
 - Housing Starts (Sep)
 - Building Permits (Sep)
- October 22
 - Jobless claims (Oct 10)
 - FHFA house price index (Aug)
 - Chicago Fed (Sept)
 - Existing home sales (Sep)
- October 23: Market manufacturing PMI (Oct)

EUROZONE

- October 22
 - ECB MPC meeting
 - Consumer confidence (Oct, A)
- October 23: PMI composite, manufacturing, services (Oct, p)

GREECE

- October 21
 - CAD (Aug)
 - EWG conf call for the assessment of the progress of structural reforms implementation so far (cancelled)

SEE

BULGARIA

- October 19: T-Bonds auction

ROMANIA

- October 19: RON 200mn 4.75% 2025 T-Bonds auction
- October 22: 3.25% 2021 T-Bonds auction

SERBIA

- October 20
 - CAD (Aug)
 - T-Bonds auction
- October 21: FRNs auction
- October 22: T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets were weaker early on Wednesday pressured by market concerns about US Q3 corporate earnings results. Sluggish export-related data from Japan also weighed. In addition to the above, market anxiety ahead of tomorrow's ECB monetary policy meeting also had an impact. In FX markets, the JPY moved lower weighed down by disappointing Japanese data, while the EUR/USD was little changed as investors eagerly await tomorrow's ECB monetary policy meeting.

GREECE: The Euro Working Group (EWG) that was scheduled to hold a teleconference today (Wednesday October 21st) to decide on the release the next ESM loan disbursement to Greece (€2bn), has reportedly been cancelled. As a reminder, the Hellenic Parliament approved late last week a multi-bill containing the relevant legislation for the implementation of around 15 prior actions attached to the next ESM loan disbursement, out of as many as 49 officially endorsed by the October 5 Eurogroup. Note that fulfilment of the outstanding prior actions reportedly requires the issuance of a number of ministerial decrees and circulars.

SOUTH EASTERN EUROPE

ROMANIA: In the wake of his meeting with an IMF mission yesterday, President Klaus Iohannis reportedly urged the government to try to maintain the budget deficit "under control" in order to ensure macroeconomic stability and sustainable economic growth.

SERBIA: The Ministry of Finance sold at an auction on Tuesday ca RSD 14bn (~€116.9mn) of the RSD 20bn (~€167.0mn) planned amount in 5-year Treasury bonds at an average accepted yield of 6.5%, well below 10.8% achieved at a prior auction of similar maturity paper held in August last year.

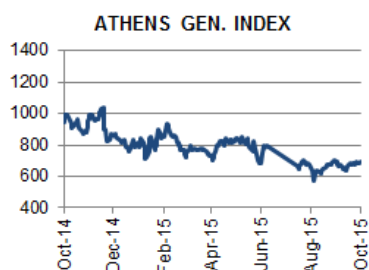
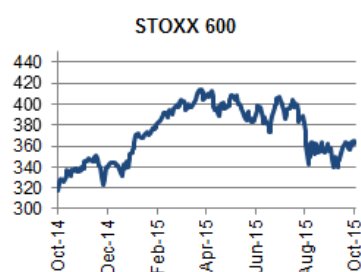
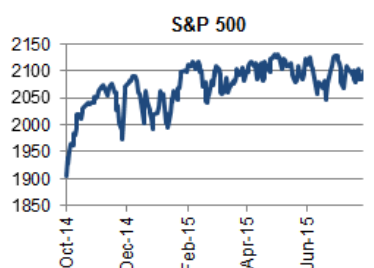
CESEE MARKETS: Most **emerging stock markets** stood in a modestly negative territory in early European trade on Wednesday, weighed down by falling tech shares and a retreat in Chinese equity markets as their recent recovery appeared to have been overstretched. Caution also prevailed ahead of the ECB meeting later in the week, while downbeat corporate earnings in Europe also had an impact on investor sentiment. In line with waning risk appetite, **CESEE currencies** broadly weakened earlier today. **Today's focus** in the CESEE region is on Turkey's Central Bank meeting.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of global equity markets were weaker early on Wednesday pressured by market concerns about US Q3 corporate earnings results. Sluggish export-related data from Japan also weighed. Specifically, exports grew by 0.6%YoY in September, the slowest pace in near a year and well below expectations for a 3.4%YoY rise mainly due to a drop in shipments to China, reinforcing market concerns about the growth prospects of the domestic economy. In addition to the above, market anxiety ahead of tomorrow's ECB monetary policy meeting also had an impact. Against this background, US data yesterday showing that housing starts rose by a higher than expected 6.5%mom in September to a seasonally adjusted annual pace of 1.21mn units, failed to exert a significant impact on market sentiment towards equity markets. In FX markets, the JPY moved lower weighed down by disappointing Japanese data with the USD/JPY hitting a one-week high slightly above 120.00 earlier today. Elsewhere, the EUR/USD stood close to 1.1350/55 at the time of writing, not much changed compared to yesterday's trading levels and still within the 1.1000-1.1500 range recorded over the last six weeks. Technically, strong resistance lies at last week's 1.1495 peak while crucial support stands at 1.1085 (Sep. 3 trough), a level that could be potentially tested in the coming sessions/weeks if there are clear signals from FOMC officials for an imminent rate hike or/and euro area disinflation risks intensify.

GREECE

The Euro Working Group (EWG) that was scheduled to hold a teleconference today (Wednesday October 21st) to decide on the release the next ESM loan disbursement to Greece, has reportedly been cancelled. As a reminder, the Hellenic Parliament approved late last week a multi-bill containing the relevant legislation for the implementation of around 15 prior actions attached to the next ESM loan disbursement, out of as many as 49 officially endorsed by the October 5 Eurogroup. Note that fulfilment of the outstanding prior actions reportedly requires the issuance of a number of ministerial decrees and circulars. The next ESM loan disbursement, amounting to €2bn, is part of the €3bn outstanding sub-tranche of the first loan disbursement of €26bn approved in mid-August in the context of the new (3rd) ESM loan programme. As per the same sources, the EWG is likely to hold a teleconference next week, on the assumption that the Greek side will have by then completed the whole set of programme milestones attached to the next ESM loan disbursement. Meanwhile, aiming to undertake an interim assessment on the progress made so far by the Greek side towards the implementation of the milestones required for the completion of the 1st programme review, including those attached to the €2bn loan disbursement, the heads of the inspector teams will reportedly hold today two meetings with domestic authorities. As per the same sources, the first one, scheduled for 09:00 local time, will focus on the coordination for the implementation of the agreed programme milestones while the second one will reportedly take place at 18:00 and will focus on fiscal issues. The heads will reportedly stay in Athens until Friday and will return, assuming that all goes as planned, soon after the November 9 Eurogroup for the commence of official discussions in the context of the 1st programme review with an aim to have the said review swiftly completed.

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

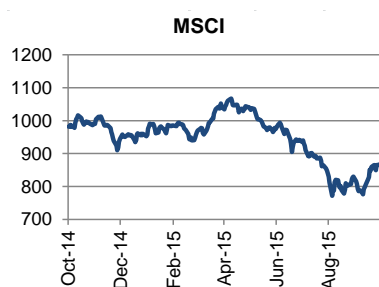
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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	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

Latest world economic & market developments in the CESEE region

ROMANIA

In the wake of his meeting with an IMF mission yesterday, President Klaus Iohannis reportedly urged the government to try to maintain the budget deficit "under control" in order to ensure macroeconomic stability and sustainable economic growth. Moreover, the President questioned the government's willingness to implement planned structural reforms, adding - along with the IMF - that "there are serious doubts that Romania meets the criteria to qualify for a Flexible Credit Line". Recall that the previous Stand-By Arrangement with the IMF expired on September 26, with the government having left the door open for another precautionary deal. On his part, Prime Minister Victor Ponta said ahead of a cabinet meeting yesterday that the government will meet on Friday to approve a revision in the 2015 budget that will incorporate wage rises for healthcare employees and teachers, though pledging to keep this year's official target unchanged. His comments contradict those by finance minister Eugen Teodorovici earlier in the month suggesting that, in a review on October 21-23, the government may revise this year's fiscal deficit target above the currently planned 1.86% amid front-load payments scheduled for next year.

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SERBIA

The Ministry of Finance sold at an auction on Tuesday ca RSD 14bn (~€116.9mn) of the RSD 20bn (~€167.0mn) planned amount in 5-year Treasury bonds at an average accepted yield of 6.5%, well below 10.8% achieved at a prior auction of similar maturity paper held in August last year. The issue bears a coupon of 8% and expires on October 22, 2020, while the tender's bid to cover ratio came in at 1.3.

CESEE MARKETS

Most **emerging stock markets** stood in a modestly negative territory in early European trade on Wednesday, weighed down by falling tech shares and a retreat in Chinese equity markets as their recent recovery appeared to have been overstretched. Caution also prevailed ahead of the ECB meeting later in the week, while downbeat corporate earnings in Europe also had an impact on investor sentiment. Against this backdrop, the MSCI Emerging Markets index encountered losses to the tune of 0.5% at the time of writing, retreating further below from a near 2-month peak hit late last week. Despite a ca 0.9% correction over the last couple of sessions, the said index has rallied approximately 9% so far in October, poised to snap a 5-month losing streak and record its best monthly performance since the January 2012, thanks to scaled back expectations for a Fed rate hike this year. In line with waning risk appetite, **CESEE currencies** broadly weakened earlier today. The Hungarian forint extended its recent losses in European trade on Wednesday, with the EUR/HUF hovering around 311.15 at the time of writing, not far from a 1-week peak of 311.60 hit earlier in the session. The currency closed modestly lower yesterday after the National Bank of Hungary signaled it would keep interest rates at their current lifetime low level through to 2017, having stayed put on its monetary policy at its MPC meeting yesterday maintaining its key interest rate unchanged at 1.35%, in line with the market's median forecast. Elsewhere, the Serbian dinar retained a firm tone remaining close to yesterday's 119.49/EUR multi-session high, despite new Central Bank intervention in the FX markets to halt its recent appreciating momentum. **Today's focus** in the CESEE region is on Turkey's MPC meeting. The market's median forecast is for stable interest rates, with the benchmark repurchase rate expected to remain at 7.50%, ahead of the November 1 repeat general elections.

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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	2033.93	0.0%	-1.2%	EUR/USD	1.1349	0.2%	-6.2%	UST - 10yr	2.07	4	-10	GOLD	1178	0.6%	-0.6%
Nikkei 225	18207.15	0.4%	4.3%	GBP/USD	1.5474	0.1%	-0.7%	Bund-10yr	0.62	5	8	BRENT CRUDE	49	0.0%	-15.2%
STOXX 600	362.69	-0.4%	5.9%	USD/JPY	119.78	-0.2%	-0.1%	JGB - 10yr	0.31	-2	-2	LMEX	2390	-1.4%	-18.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	306	0	-685
1-week	3.26	-1	-675
1-month	3.64	-1	-641
3-month	4.02	-1	-583
6-month	4.24	-1	-555

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.66	#N/A N/A	-439
5Y RSD	6.74	-30	-345
7Y RSD	7.17	-8	-491

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.09	-2	-117
USD Nov-24	6.42	0	-17

CDS

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

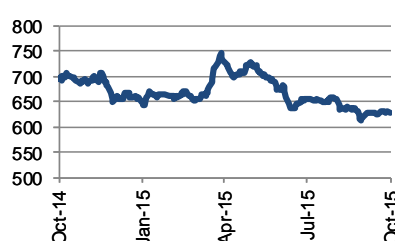
STOCKS

	Last	ΔD	ΔYTD
BELEX15	627.3	-0.25%	-5.96%

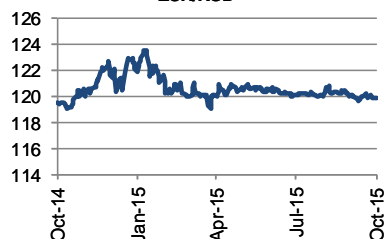
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.85	0.01%	1.26%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.62	-1	5
1-month	1.2	3	29
3-month	1.34	1	-36
6-month	1.62	2	-39
12-month	1.69	0	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	0	-62
5Y RON	2.12	1	-59
10Y RON	3.48	3	-18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.31	5	-42
USD Aug-23	3.46	4	-16

CDS

	Last	ΔDbps	ΔYTD bps
5-year	129	1	-13
10-year	171	1	-16

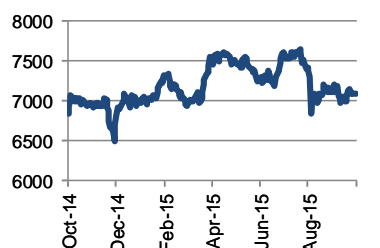
STOCKS

	Last	ΔD	ΔYTD
BET	7012.4	-1.06%	-1.00%

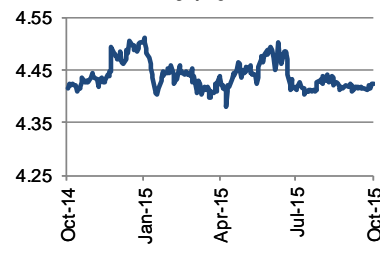
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4233	-0.01%	1.36%

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	1.18	0	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.25	0	-79
5Y BGN	0.62	0	-83
10Y BGN	2.14	0	-61

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.32	7	-84
EUR Sep-24	2.64	0	-23

CDS

	Last	ΔDbps	ΔYTD bps
5-year	161	0	-30
10-year	204	0	-37

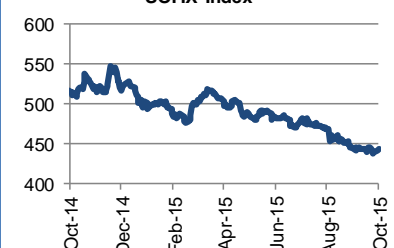
STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.1	0.32%	-15.13%

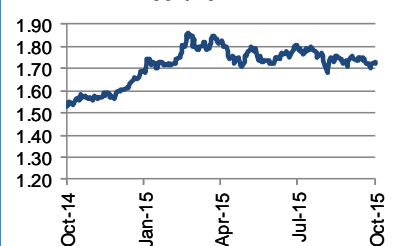
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7234	0.21%	-6.20%

SOFIX Index



USD/BGN



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

Data updated as of 17:15 EEST of previous session

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