

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, October 23, 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:** At its regular monetary policy meeting on Thursday 22 October, the ECB Governing Council (GC) decided to keep the interest rate on the main refinancing operations as well as the interest rates on the marginal lending facility and the deposit facility unchanged at 0.05%, 0.30% and -0.20% respectively, as expected. At a press conference that followed the conclusion of the meeting, President Mario Draghi adopted a more dovish than expected tone, highlighting the downside risks to growth and inflation outlook from the slowdown in emerging market economies and developments in financial and commodity markets.

**GREECE:** According to the most recent press reports, the Greek government has so far fulfilled around 19 out of the 49 prior actions required for the release of the next ESM loan disbursement amounting to €2bn. Against this background, there is reportedly risk the disbursement of the said amount to be pushed back further.

### SOUTH EASTERN EUROPE

**ROMANIA:** In a statement released after the end of the visit of a technical mission to Romania, the IMF warned on the fiscal outlook deterioration driven by the tax-cuts induced by the amended Fiscal Code and the wide-spread public sector wage rises. In other news, the finance ministry sold RON 425mn (~€96mn) at an auction on Thursday of 3.25% 2021 T-bonds, less than RON 500mn (~€113mn) initially planned.

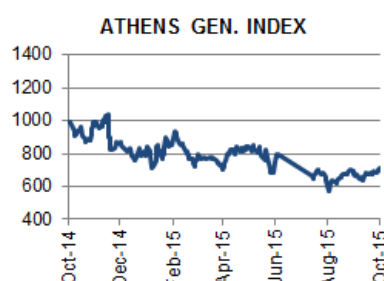
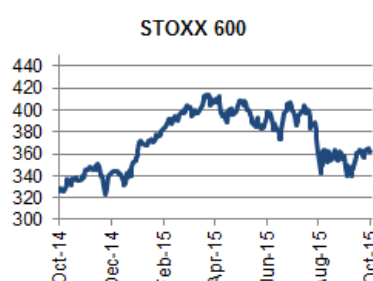
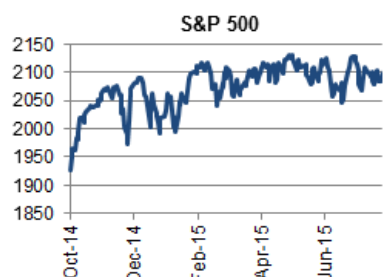
**SERBIA:** The Public Debt Administration allotted at an auction on Thursday ca RSD 11.17bn (~€93mn) worth of 2-year Treasury notes at an average accepted yield of 4.95%, well below 6.8% achieved at a prior auction of similar maturity paper held in September.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

At its regular monetary policy meeting on Thursday 22 October, the ECB Governing Council (GC) decided to keep the interest rate on the main refinancing operations as well as the interest rates on the marginal lending facility and the deposit facility unchanged at 0.05%, 0.30% and -0.20% respectively, as expected. At a press conference that followed the conclusion of the meeting, President Mario Draghi adopted a more dovish than expected tone, highlighting the downside risks to growth and inflation outlook from the slowdown in emerging market economies and developments in financial and commodity markets. President Draghi paved the way for more quantitative easing, emphasizing that the degree of monetary policy accommodation will have to be re-examined at the ECB's December monetary policy meeting, when the GC is scheduled to publish an updated set of macroeconomic projections. As far as the monetary policy tools are concerned, the President added that the GC is willing to use all instruments available within its mandate if necessary so as to preserve an appropriate degree of monetary accommodation including a deposit rate cut, whereas he had previously underlined that the ECB had reached the lower bound on interest rates following a technical adjustment in September 2014.

Reacting to the more dovish than expected tone the ECB President adopted, global equity markets were firmer today while German Bunds gained with the 2-yr bond yield hitting a fresh record low of -0.333. In FX markets, the EUR weakened across the board with the EUR/USD hovering around 1.1100/1.1110 in European trade after recoding a two-month trough near 1.1070 earlier in Asia, close to the lower boundary of the 1.1100-1.15500 recent range. The outcome of next week's FOMC policy meeting will likely play a key role on whether the EUR/USD will be poised for a sustainable move below the 1.1100 support towards 1.1000 or lower.

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### GREECE

According to the most recent press reports, the Greek government has so far fulfilled around 19 out of the 49 prior actions required for the release of the next ESM loan disbursement amounting to €2bn. Against this background, there is reportedly risk the disbursement of the said amount to be pushed back further. An unnamed European official was quoted saying in the local press today that the Euro Working Group (EWG) which is scheduled to convene next week (Thursday, October 29) is not expected to give the green light for the release of the €2bn disbursement, as was initially planned. Instead, it will only assess the progress that will have been made by then by the Greek side in the implementation of the required programme milestones and the issue related to the €2bn disbursement will be considered at the next EWG meeting a week later. As per the same sources, the next ESM loan disbursement will arrive in Greece's State coffers only upon fulfillment of all 49 agreed prior actions. Meanwhile, the criteria related to the protection of the primary residence from foreclosure reportedly appears to be one of the most sticking points in recent discussions between the Greek government and official lenders. The two sides will try to bridge the differences on the issue at another meeting scheduled to take place later today.

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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

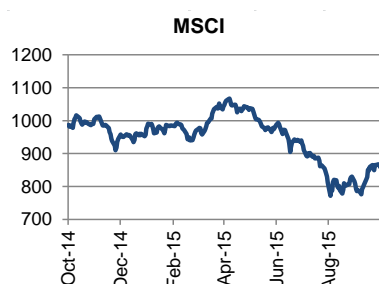
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: 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

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 a statement released after the end of the visit of a technical mission to Romania, the IMF warned on the fiscal outlook deterioration driven by the tax-cuts induced by the amended Fiscal Code and the wide-spread public sector wage rises. According to the IMF, the fiscal deficit is expected to reach close to 3% of GDP in 2016 up from a projected 1.8% in 2015. To make things worse, the IMF warned that the fiscal deficit will breach the 3% threshold in 2017 unless new offsetting measures are identified or planned increases in capital spending are once again postponed. Those forecasts are in contrast with the updated projections envisioned by the Ministry of Finance in the second budget revision, which foresees the fiscal deficit reaching 2.5% in 2016. In addition, the IMF sees no need for further monetary easing given the strong unwarranted fiscal stimulus, despite low imported inflation. Meanwhile, the IMF growth forecasts stand at 3.4% and 3.9% in 2015 and 2016 respectively. Finally, Moody's confirmed the Baa3 rating with a stable outlook assigned to Romania. In other news, the finance ministry sold RON 425mn (~€96mn) at an auction on Thursday of 3.25% 2021 T-bonds, less than RON 500mn (~€113mn) initially planned. The tender produced an average accepted yield of 2.72%, below 3.04% achieved at a prior auction of similar maturity paper held in September. Total demand amounted to RON 500mn and the bid to cover ratio came in at 1.18.

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### SERBIA

The Public Debt Administration allotted at an auction on Thursday ca RSD 11.17bn (~€93mn) worth of 2-year Treasury notes at an average accepted yield of 4.95%, well below 6.8% achieved at a prior auction of similar maturity paper held in September. The amount allotted was less than RSD 15bn initially planned, while bids totaled RSD 18bn. The issue bears an annual coupon of 6%.

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October 23, 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	2044.62	1.3%	-0.7%	EUR/USD	1.1159	-1.6%	-7.8%	UST - 10yr	2.04	1	-14	GOLD	1168	0.1%	-1.4%
Nikkei 225	18435.87	-0.6%	5.6%	GBP/USD	1.5414	0.0%	-1.1%	Bund-10yr	0.50	-7	-4	BRENT CRUDE	48	0.7%	-15.9%
STOXX 600	369.89	2.0%	8.0%	USD/JPY	120.4	-0.4%	-0.6%	JGB - 10yr	0.31	-1	-2	LMEX	2359	-1.0%	-19.1%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	-2	-687
1-week	3.19	-3	-682
1-month	3.58	-2	-647
3-month	3.99	-4	-586
6-month	4.22	-3	-557

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.51	#N/A	N/A
5Y RSD	6.61	-10	-357
7Y RSD	6.89	-18	-519

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.09	-1	-117
USD Nov-24	6.42	0	-17

## CDS

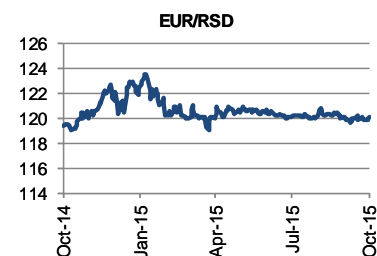
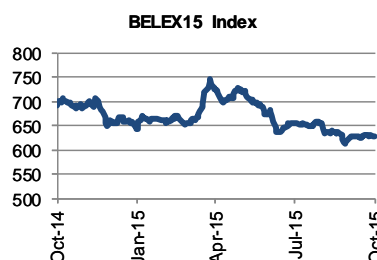
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	337	0	-19

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	629.1	0.21%	-5.69%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.16	-0.22%	0.99%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.6	-2	3
1-month	1.18	-4	27
3-month	1.31	-3	-39
6-month	1.59	-2	-42
12-month	1.67	-2	-35

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	-3	-66
5Y RON	2.09	-3	-62
10Y RON	3.48	-2	-18

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.25	0	-48
USD Aug-23	3.48	0	-13

## CDS

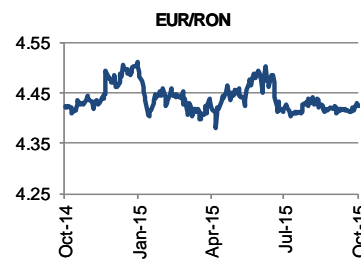
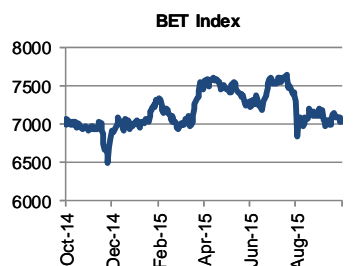
	Last	ΔDbps	ΔYTD bps
5-year	131	-1	-12
10-year	172	-1	-15

## STOCKS

	Last	ΔD	ΔYTD
BET	7045.2	0.06%	-0.53%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4242	0.14%	1.34%



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.32	0	-12
6-month	0.58	-1	-21
12-month	1.16	-2	-34

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.26	1	-78
5Y BGN	0.60	-1	-84
10Y BGN	2.05	0	-71

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.33	5	-83
EUR Sep-24	2.63	8	-23

## CDS

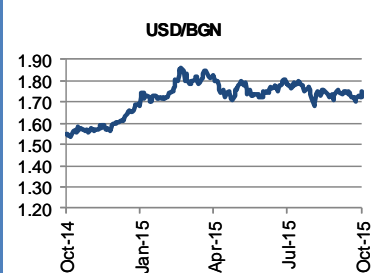
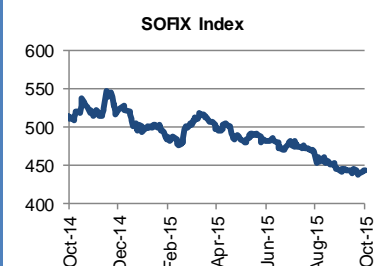
	Last	ΔDbps	ΔYTD bps
5-year	157	1	-34
10-year	201	1	-40

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.5	-0.06%	-15.06%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7527	-1.58%	-7.77%



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

Data updated as of 18:20 EEST of previous session

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