

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 29, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 28: FOMC interest rate decision
- October 29
 - Q3 GDP (adv estimate)
 - Jobless Claims (weekly)
- October 30
 - Pers Inc, PCE (Sep)
 - Mich Cons Sent (Oct,f)

EUROZONE

- October 29: Economic Sentiment Indicator (Oct)
- October 30
 - CPI (Oct)
 - Unempl Rate (Sep)

GREECE

- October 29
 - Government submits to Parliament
 - multi bill containing legislation for implementation of a number of pending prior actions for the next (€2bn) ESM loan disbursement
 - The new bank recapitalization framework
 - The EWG meets
- October 30: PPI (Sep)
- October 31: ECB publishes stress test results

SEE

BULGARIA

- October 30: Budget balance (Sep)

ROMANIA

- October 30: ILO unemployment (Sep)

SERBIA

- October 30
 - IP (Sep)
 - Trade balance (Sep)
 - GDP (nsa, Q3, p)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The tone of the FOMC policy statement released after the conclusion of yesterday's meeting was more hawkish than expected, prompting an upward shift in market expectations for a rate hike at the next FOMC policy meeting scheduled for 15-16 December. In reaction to the above, US Treasuries weakened and the US dollar firmed across the board.

GREECE: The government is reportedly expected to submit to the Hellenic Parliament later today under the emergency procedure the new bank recapitalization framework. As per the same sources, the said bill is expected to come for vote on Sunday, a day after the expected publication of the stress test results. In addition to the above, the government is reportedly expected to submit today a multi bill containing the required legislation for the implementation of a number of pending prior actions attached to the release of the next ESM loan installment (€2bn) that was initially planned for mid-October.

SOUTH EASTERN EUROPE

CYPRUS: Cyprus raised on Tuesday €1bn of 4.25% 10-year benchmark T-bonds in international markets at a yield of 4.25%, the lowest on record for a 10-year issue.

CESEE MARKETS: Most **emerging stock markets** extended their recent losses in European trade on Thursday after the FOMC adopted a more-hawkish-than-anticipated tone signaling an interest rate hike as soon as December. Major **CESEE stock indices** fared better than their EM peers, continuing to receive support from increased speculation about a potential extension of the ECB's QE programme. That said, Poland's WIG led the losses in the region in view of mounting domestic political concerns in the wake of Sunday's general elections, where the main opposition Law and Justice (PiS) party won a decisive victory.

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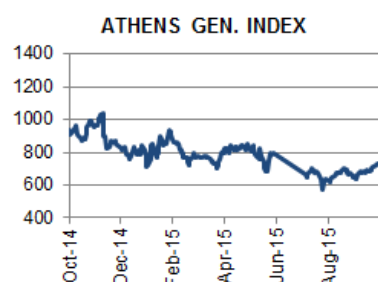
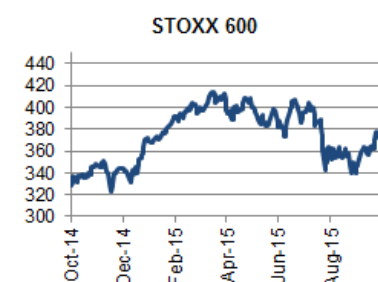
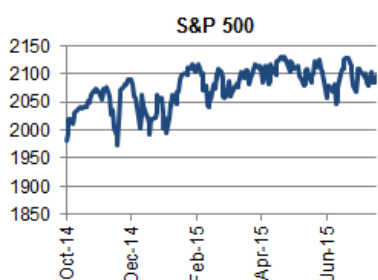
Latest world economic & market developments

GLOBAL MARKETS

As was expected by the majority of market participants, the FOMC stayed put on interest rates at its policy meeting yesterday keeping the fed funds rate unchanged at the 0.0%-0.25% target range. The tone of the policy statement released after the conclusion of the meeting was more hawkish than expected, prompting an upward shift in market expectations for a rate hike at the next FOMC policy meeting scheduled for 15-16 December. The Fed downplayed global economic headwinds, removing a warning that was explicitly laid out in the September policy statement saying that "recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term". In addition, the October policy statement made a specific reference on the factors the FOMC will have to assess "in determining whether it will be appropriate to raise the target range at its next meeting". In reaction to the above US Treasuries weakened with short-dated bonds underperforming, prompting a bearish flattening in the 2/10-yr UST yield curve. Elsewhere, major European bourses were mixed in early trade while, in FX markets, the USD firmed across the board. The EUR/USD was hovering around 1.0955/60 at the time of writing after hitting a 2 ½ month trough of 1.0895 yesterday shortly after the release of the FOMC policy statement. Technically, immediate supports stands at an intraday low of 1.0905 hit earlier today ahead of 1.0810 (July 21 trough) with investors eagerly awaiting the upcoming US non-farm payrolls report due late next week (Friday, Nov. 6) for more clues over the Fed's policy deliberations ahead.

GREECE

The government is reportedly expected to submit to the Hellenic Parliament later today under the emergency procedure the new bank recapitalization framework. As per the same sources, the said bill is expected to come for vote on Sunday, a day after the expected publication of the stress test results. In addition to the above, the government is reportedly expected to submit today a multi bill containing the required legislation for the implementation of a number of pending prior actions attached to the release of the next ESM loan installment (€2bn) that was initially planned for mid-October. The determination of the eligibility criteria for the protection of the primary residence from foreclosure, remains one the main stumbling blocks that have so far prevented the completion of the prior actions for the €2bn loan installment. In addition, the identification of offsetting measures for the coverage of the ensuing budgetary shortfall (estimated at €240bn/annum) in case the Greek government finally opts for no VAT on private education rather than a flat 23% rate as was initially agreed with official creditors, has also proven a rather challenging task. The Euro Working Group (EWG) is scheduled to convene today to debate, among others, Greece's compliance with the programme milestones required for the release of the pending €2bn loan installment. According to local press, it is rather unclear at this point whether the EWG will deliver a positive assessment or will request the Greek authorities to proceed with additional legislative work so as to secure further official funding./According to the most recent Bank of Greece data, euro-denominated deposits & repos of domestic households and non-financial corporations in Greek MFIs excluding the Bank of Greece (BoG) improved in September for the second month in a row edging up by €531mn on a monthly basis at €121.7bn. Yet, in the 3-month period July-September (after the imposition of capital controls on June 28th) the corresponding figure has dropped by €561bn.



Source: Reuters, Bloomberg, Eurobank Research

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

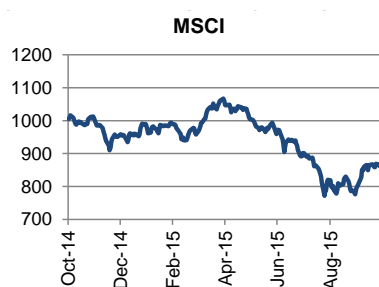
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

Cyprus raised on Tuesday €1bn of 10-year benchmark T-bonds in international markets at a yield of 4.25%, the lowest on record for a 10-year issue. The aforementioned sale is in line with the government's euro medium term note (EMTN) programme for the year and marks the third time the country taps international markets since March 2013, when it agreed on a €10bn financial assistance package with official lenders. Minister of Finance Harris Georgiades reportedly said on Tuesday that €450mn of the funds generated from the said tender will be used to exchange bonds maturing in 2019-2020, while the rest are earmarked for boosting the government's cash reserves and assist in servicing public debt in the immediate period thereafter, i.e. after the country's exit from the financial assistance programme. The successful 10-year bond auction earlier in the week comes on the heels of Fitch's sovereign credit rating upgrade of Cyprus by two notches (from B- to B+) with a positive outlook recently announced by the agency. In late September S&P had also raised Cyprus's long-term sovereign credit rating, by one notch (from B+ to BB-), with a positive outlook. The rating agencies' recent decisions reflect the good track record of fiscal consolidation and over-performance of fiscal targets. The high level of NPLs (47.4% of gross loans in August) and the implementation of banking sector reforms were identified as the main risks to the outlook. Cyprus has made the fastest come-back to international markets among other Euroarea programme countries. In late April, the Republic tapped international markets for the second time since June 2014 raising €1bn through a new 7Y bond at a yield of 4%.

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CESEE MARKETS

Most **emerging stock markets** extended their recent losses in European trade on Thursday after the FOMC adopted a more-hawkish-than-anticipated tone signaling an interest rate hike as soon as December. Additionally, disappointing corporate earnings from China also weighed on EM equity. In more detail, the MSCI Emerging Markets index slid by 1.45% at the time of writing compared to the prior session's settlement, marking the fourth consecutive session in a negative territory. Major **CESEE stock indices** fared better than their EM peers, continuing to receive support from increased speculation about a potential extension of the ECB's QE programme. Turkey's main stock market BIST 100, which is likely to be among the most negatively-impacted by brought forward expectations for a Fed rate hike in December, is closed today for national holiday. Poland's WIG led the losses in the region with a 1.25% drop on the day, largely shrugging off better-than-anticipated Q3 corporate earnings results. Adding to deteriorating global risk sentiment, the index's losses were exacerbated by mounting domestic political concerns in the wake of Sunday's general elections. On October 25, the main opposition Law and Justice (PiS) party won an outright majority of 235 MPs in the 460-seat lower chamber of parliament, the Sejm. Its decisive victory on Sunday has fanned worries over a shift towards a more populist agenda, raising concerns about the country's medium-term growth outlook. The party, which appeared to have capitalized, among other, on its opposition to accepting migrants from the Middle East and Africa, plans to impose higher taxation on banks, lower the retirement age and boost economic activity via the adoption of fiscal and monetary stimulus.

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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	2090.35	1.2%	1.5%	EUR/USD	1.0964	0.4%	-9.4%	UST - 10yr	2.09	-1	-8	GOLD	1158	0.1%	-2.3%
Nikkei 225	18935.71	0.2%	8.5%	GBP/USD	1.5256	0.0%	-2.1%	Bund-10yr	0.47	3	-7	BRENT CRUDE	48	-1.5%	-15.8%
STOXX 600	374.72	-0.3%	9.4%	USD/JPY	120.96	0.1%	-1.1%	JGB - 10yr	0.30	1	-3	LMEX	2357	-0.1%	-19.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	2	-683
1-week	3.29	8	-672
1-month	3.63	5	-642
3-month	3.98	7	-587
6-month	4.19	7	-560

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.25	-3	-480
5Y RSD	6.53	-1	-365
7Y RSD	6.70	0	-538

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.99	0	-127
USD Nov-24	6.42	0	-17

CDS

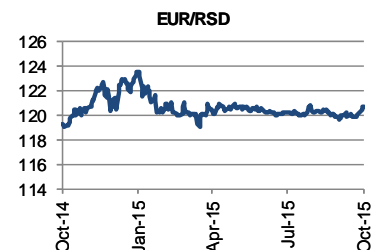
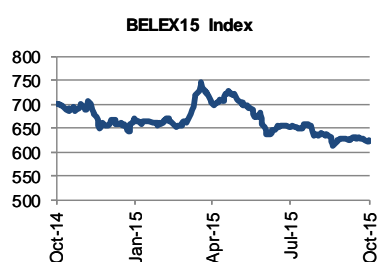
	Last	ΔDbps	ΔYTD bps
5-year	294	-9	4
10-year	348	0	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	622.0	-0.40%	-6.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.78	-0.12%	0.47%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.71	-13	14
1-month	0.96	-9	5
3-month	1.21	0	-49
6-month	1.47	2	-54
12-month	1.59	-4	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.57	1	-74
5Y RON	2.05	4	-66
10Y RON	3.41	5	-25

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.19	-1	-54
USD Aug-23	3.55	6	-6

CDS

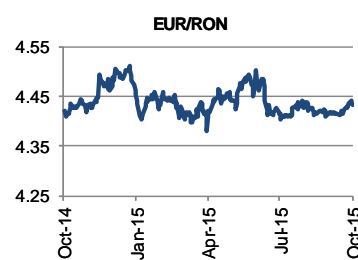
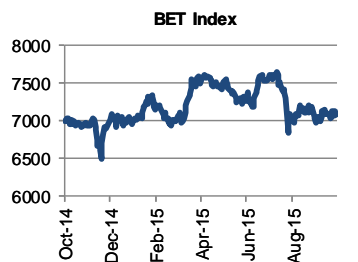
	Last	ΔDbps	ΔYTD bps
5-year	127	-1	-16
10-year	168	-1	-19

STOCKS

	Last	ΔD	ΔYTD
BET	7126.7	0.42%	0.62%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4319	0.07%	1.16%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.16	-1	-5
3-month	0.31	-1	-13
6-month	0.56	-2	-23
12-month	1.13	-2	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	-2	-81
5Y BGN	0.51	0	-94
10Y BGN	2.04	0	-71

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.31	0	-85
EUR Sep-24	2.44	60	-43

CDS

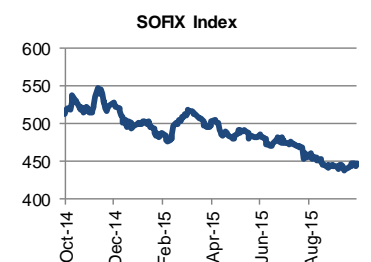
	Last	ΔDbps	ΔYTD bps
5-year	165	-2	-26
10-year	212	-2	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	446.5	0.55%	-14.48%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7839	0.37%	-9.38%



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

Data updated as of 13:25 EEST

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