

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 BoJ stayed put on interest rates at this two-day policy meeting that concluded earlier today and reiterated its pledge to increase the monetary base at an annual pace of JPY80trn through asset purchases. In its accompanying semi-annual Outlook Report, the BoJ revised lower its inflation forecasts for the fiscal years 2015 and 2016, supporting the view that the prospect of further policy stimulus in the coming months cannot be ruled out.

GREECE: The government submitted to Parliament earlier today under the emergency procedure the new bank recapitalization framework with an aim a vote to be held by late Sunday (November 1), a day after the expected publication of the stress test results. 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 was also submitted to Parliament yesterday. On the data front, the Economic Sentiment Indicator improved in October halting a seventh-month falling streak, coming in at 86.5 from September's 83.1.

SOUTH EASTERN EUROPE

SERBIA: Despite a 2.4%MoM (sa) decline in industrial production in September, the sector's annual recent impressive annual performance remained intact with the said index rising by 13.8%YoY (nsa) after August's 12.9%YoY increase, supporting our view about further economic recovery in H2 2015.

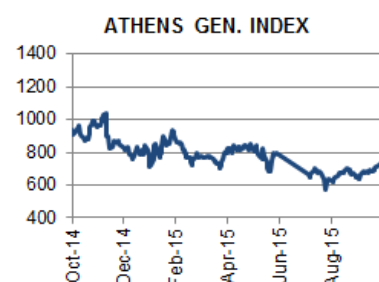
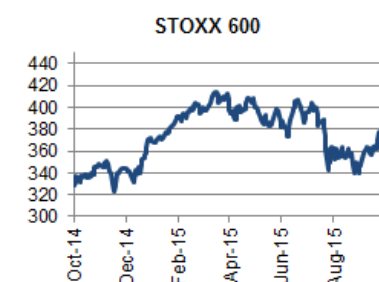
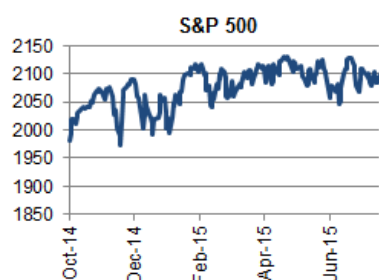
CESEE MARKETS: Emerging stock markets broadly recovered some ground in early European trade on Friday, with a rally in technology shares leading the way higher. News that the Chinese government approved plans to end the one-child policy, in a move that will allow couples in the country to have up two children, also provided support to domestic equity. In the **CESEE region**, most major stock indices stood in the red earlier today. Turkey's repeat general elections take centre stage in the CESEE region on Sunday.

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October 30, 2015

Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The BoJ stayed put on interest rates at this two-day policy meeting that concluded earlier today. The Central Bank also reiterated its pledge to increase the monetary base at an annual pace of JPY80trn through asset purchases, disappointing those poised for further monetary policy stimulus. Reacting to the above, the JPY gained some ground with the USD/JPY hovering around 120.70/75 in European trade at the time of writing after hitting levels near 121.50 earlier in the day in the wake of a Japanese report suggesting that the government was considering a supplementary budget of JPY3trn. In its accompanying semi-annual Outlook Report, the BoJ revised lower its inflation forecast for the fiscal years 2015 and 2016 to 0.1% and 1.4% respectively and pushed back by around six months the time it expects inflation to hit its 2% target, supporting the view that the prospect of further policy stimulus in the coming months cannot be ruled out. Elsewhere, the EUR/USD was hovering around 1.1000/10 in European trade, recovering from levels near 1.0900 recorded yesterday amid market expectations that the euro area's CPI may return in October into a positive territory following a higher-than-expected increase in Germany's October HICP. The technical picture suggests that only a sustained move above the 1.1350/1.1370 area could negate the EUR/USD's current negative trend.

GREECE

The government submitted to the Hellenic Parliament yesterday 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. These include among others, energy market reforms, modifications on the scheme envisioning up to 100 monthly installments for the payment of overdue tax & social security liabilities, an increase in the excise tax on diesel oil for farmers and the transfer of a number of tax- and customs-related duties from the Financial and Economic Crime Unit (SDOE) to the General Secretary of Public Revenue. Some of the pending issues include modifications in the so-called "Katseli" household insolvency law and the identification of offsetting measures for the coverage of the ensuing budgetary shortfall (estimated at €240bn/annum) in case the Greek government finally opts not to implement a VAT rate on private education. As a reminder, official creditors have reportedly opposed the Greek government's proposal for the implementation of a gradually increasing VAT rate on private education rather than a flat 23% rate, as was initially agreed. As per the same sources, the said multi-bill is expected to come for vote at the plenum early next week. As expected, the Euro Working Group (EWG) did not give the green light for the release of the €2bn loan installment at its meeting yesterday as a number of programme milestones were still pending. Meanwhile, the Greek government submitted to Parliament earlier today under the emergency procedure the new bank recapitalization framework with an aim a vote in the plenum to be held by late Sunday (November 1), a day after the expected publication of the stress test results. On the data front, the Economic Sentiment Indicator improved in October halting a seventh-month falling streak, coming in at 86.5 from September's 83.1. The breakdown of the report showed that all major components rose with the Services, Industrial, Construction, Services and Retail Trade Confidence Indicators all hitting a four-month high.

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October 30, 2015

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.1	2.5
CPI (pa, yoy %)	-1.4	0.2	0.8
Budget Balance/GDP*	-3.7	-2.0	-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	1.2	1.6
HICP (pa, yoy %)	-0.3	-2.1	-0.4
Budget Balance/GDP*	-0.2	-1.3	0.1
Current Account/GDP	-5.1	-5.5	-4.5

* ESA 2010

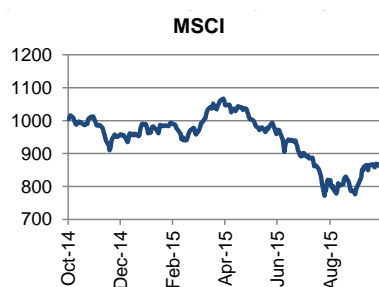
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014e	2015f	2016f
Real GDP growth %	-1.8	1.0	2.0
CPI (pa, yoy %)	2.1	1.7	3.5
Budget Balance/GDP	-6.7	-3.5	-4.6
Current Account/GDP	-6.0	-4.3	-4.1
EUR/RSD (eop)	120.96	122.00	124.00
	2014	current	2015f
Policy Rate (eop)	8.00	4.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Credit Ratings		
	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

SERBIA

Despite a 2.4%MoM (sa) decline in industrial production in September, the sector's annual recent impressive annual performance remained intact with the said index rising by 13.8%YoY (nsa) after August's 12.9%YoY increase. The breakdown of the data showed that production in the sector of mining and quarrying jumped by 38.6%YoY, while manufacturing output advanced by 8.8% and electricity, gas, steam and air conditioning supply increased by 29.4%. Since May this year, industrial output has consistently posted double-digit annual increases due to favourable base effects after last year's floods which severely damaged coal mines and pushed the domestic economy back into recession. All in all, September's industrial production data supports our view about further economic recovery in H2 2015 following a 1.0%YoY rise in real GDP in Q2 2015. Favorable base effects, accommodative monetary conditions and low global oil prices all bode well for a revival in the domestic economy in 2015 after last year's 1.8% contraction. Investments and exports are likely to continue posing as the main pillars of economic activity in the coming quarters, while domestic spending will probably remain weak in view of ongoing fiscal restraint. We continue to envision a further recovery in real GDP growth in 2016 as the fiscal consolidation impact wanes and external demand picks up further.

CESEE MARKETS

Emerging stock markets broadly recovered some ground in early European trade on Friday, with a rally in technology shares leading the way higher. News that the Chinese government approved plans to end the one-child policy, in a move that will allow couples in the country to have up two children, also provided support to domestic equity. Against this backdrop, the MSCI Emerging Markets index stood in a marginally positive territory at the time of writing compared to the prior session's settlement, braced to snap a 4-day losing streak. Despite recent losses encountered by recently increased expectations for a Fed rate hike in December, the index is poised to end the month with hefty gains of around 7%. Earlier speculation that the Fed would stay put on its monetary policy for longer than previously anticipated and a recovery in Chinese markets - probably fanned by optimism about the prospect of further policy action by domestic authorities - provided a strong lift for emerging market stocks in the first three weeks of October. In the **CESEE region**, most major stock indices stood in the red earlier today. Hungary's BUX led the losses with a 1.4% daily decline, weighed down by a drop in domestic financial shares after the government sold a 5% stake in OTP Bank at an auction on Thursday. Turkey's main BIST 100 index followed suit with a 0.6% drop in view of persisting domestic political jitters. The country is braced for repeat general elections on Sunday, after the June 7 poll proved inconclusive with no party acquiring the necessary majority in Parliament to form a single party government and with ensuing coalition negotiations breaking down a few weeks after. With most recent opinion surveys continuing to indicate a hung parliament, Sunday's election results are unlikely to provide a significantly different outcome from that in June. That said, one should acknowledge the statistical error incorporated in these surveys as well as the prospect of the ruling AKP strengthening its support ahead of Sunday's poll. A decisive AKP victory, which will see the party ruling alone for the fourth consecutive tenure, implies continuation of economic policies and is likely to trigger a positive reaction in most Turkish assets. On the other hand, another inconclusive outcome is likely to lead to new lengthy coalition negotiations which will probably prolong further domestic political uncertainty.

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October 30, 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	2086.40	-0.2%	1.3%	EUR/USD	1.0967	0.4%	-9.3%	UST - 10yr	2.15	5	-2	GOLD	1154	-0.2%	-2.6%
Nikkei 225	18935.71	0.2%	8.5%	GBP/USD	1.5296	0.2%	-1.8%	Bund-10yr	0.51	8	-3	BRENT CRUDE	49	0.5%	-14.0%
STOXX 600	375.00	-0.2%	9.5%	USD/JPY	121.04	0.0%	-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

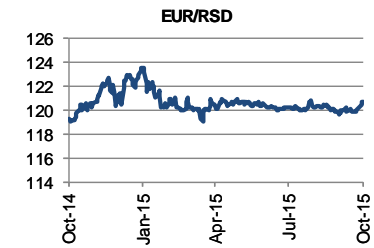
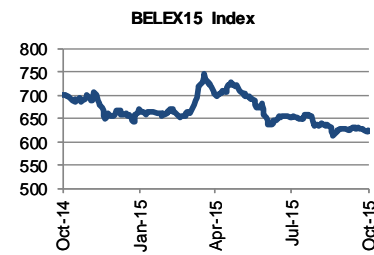
RS Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RSD	4.25	-3	-480
5Y RSD	6.55	1	-363
7Y RSD	6.70	0	-538

RS Eurobonds			
	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.98	-1	-128
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	621.8	-0.42%	-6.77%

FOREX			
	Last	ΔD	ΔYTD
EUR/RSD	120.70	-0.05%	0.54%



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

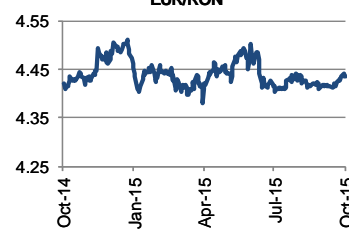
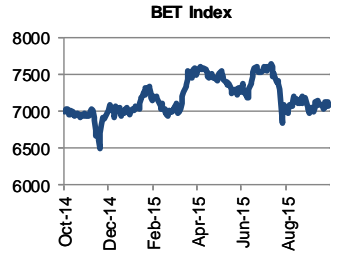
RO Local Bonds			
	Last	ΔDbps	ΔYTD bps
3Y RON	1.57	1	-74
5Y RON	2.04	4	-67
10Y RON	3.41	5	-25

RO Eurobonds			
	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.20	-1	-53
USD Aug-23	3.58	8	-4

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

STOCKS			
	Last	ΔD	ΔYTD
BET	7150.9	0.76%	0.96%

FOREX			
	Last	ΔD	ΔYTD
EUR/RON	4.4366	-0.04%	1.06%



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

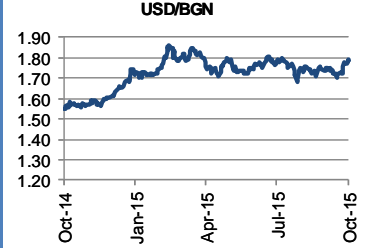
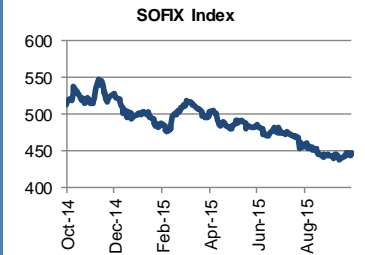
BG Local Bonds			
(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	-1	-80
5Y BGN	0.51	0	-93
10Y BGN	2.03	0	-72

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	1.7832	0.41%	-9.35%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 16:35 EEST of previous session

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