

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, October 05, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

- October 9-11: World Bank and IMF annual meeting

### US

- October 5: ISM non-manufacturing (Sep)
- October 6: Trade balance (Aug)
- October 7: FOMC minutes (16/17 Sept)
- October 8: Jobless claims (Oct 3)

### EUROZONE

- October 6: PMI services (Sep)
- October 7: German Chancellor Merkel and Hollande to speak at EU parliament in Strasbourg
- October 8: ECB Minutes (September meeting)

### GREECE

- October 5
  - Eurogroup
  - Greek government presents draft 2016 Budget
  - Greek government starts presenting its programmatic statements
- October 7: Greek government requests vote of confidence

### SEE

#### BULGARIA

- October 7: Reserve assets (Sep)
- October 8
  - Industrial production (Aug)
  - Retail sales (Aug)
- October 9: U/E rate (Sep)

#### ROMANIA

- October 5: 5.8% 2027 T-Bonds auction
- October 7
  - GDP (Q2, f)
  - Net wages
- October 8: 5.85% 2018 T-Bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Global equity markets were firmer on Monday after Friday's weaker-than-expected US non-farm payrolls report for September prompted a dovish shift in FOMC rate hike expectations. Elsewhere, the USD recovered in early European trade on Monday some of the losses recorded soon after the release of the report on the view that the poor employment-related data do not change the fact that the monetary policy of the Fed is moving in opposite direction compared to that of most of the major G10 CBs.

**GREECE:** The Euro Working Group held a teleconference on Friday and agreed on 48 prior actions that have to be fulfilled by the Greek side by mid-October for the release of the €2bn installment out of the outstanding €3bn sub-tranche of the first loan disbursement under the ESM loan facility. These milestones are expected to be ratified by the Euro group which convenes later in the day. Meanwhile, the Greek government is expected to submit to the Hellenic Parliament today the draft 2016 Budget which will also be presented to the Eurogroup by Greece's Minister of Finance Euclid Tsakalotos. In other news, the Greek government will present to the Parliament later today its programmatic statements, starting with Prime Minister Alexis Tsipras at 19.30 Athens time.

### SOUTH EASTERN EUROPE

**CYPRUS:** Following the upgrade of their credit rating to Baa3 from B1 by Moody's, the covered bonds of Bank of Cyprus became eligible for Eurosystem credit operations.

**ROMANIA:** Retail sales extended their robust annual growth momentum in August, rising by 8.0%. The latter figure stands slightly below a 13-month high increase of 8.5%YoY recorded in the prior month.

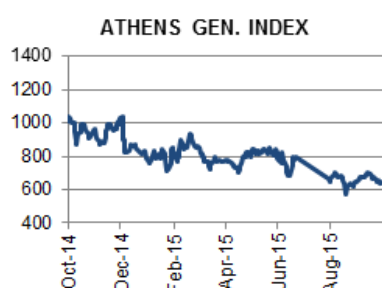
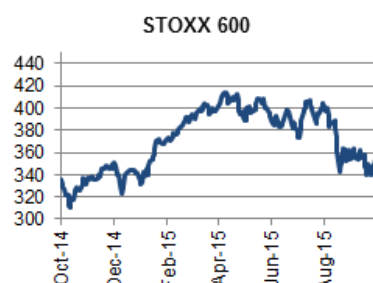
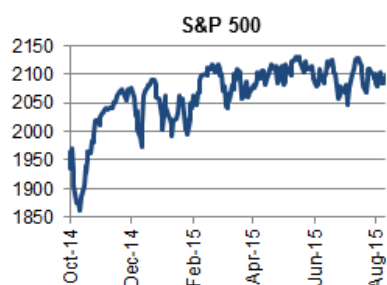
**SERBIA:** The EUR/RSD closed little changed on a weekly basis on Friday, remaining bound within a 119.65/85 – 119.90/10 range following new Central Bank intervention in the FX markets in order to stem persisting appreciation pressures on the dinar.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US September non-farm payrolls came in weaker than expected revealing a 142k increase in the headline against consensus for a 203k rise. Adding to the negative tone of the report, the participation rate declined by another 0.2pps to 62.4%, the lowest level in 38 years while average hourly earnings were unchanged confounding expectations for a 0.2% mom increase. In addition, the non-farm payrolls readings for the prior two months (August & July) were revised lower by 59k cumulatively. On a positive tone, the unemployment rate remained stable in September at 5.1%, the lowest level since early 2008. Against this background, global equity markets were firmer on Monday after the poor US non-farm payrolls report prompted a dovish shift in FOMC rate hike expectations. Elsewhere, US Treasuries gained with benchmark yields falling to fresh multi-week lows. In FX markets, the USD recovered in early European trade on Monday some of the losses recorded soon after the release of the US report on the view that the weaker-than-expected employment-related data do not change the fact that the monetary policy of the Fed is moving in opposite direction compared to that of most of the major G10 CBs. The week commencing today sees the minutes from the September 16/17 FOMC meeting (Wednesday). Yet, with Friday's US employment report expected to continue exerting an impact on market participants, the FOMC minutes will likely be shrugged off eventually even if they suggest that the policy committee is getting closer to a rate hike.

### GREECE

The Euro Working Group held a teleconference on Friday and agreed on 48 prior actions that have to be fulfilled by the Greek side by mid-October for the release of the €2bn installment out of the outstanding €3bn sub-tranche of the first loan disbursement under the ESM loan facility. These milestones reportedly comprise all prior actions that were initially required to be delivered over the period August-September 2015 including, among others, energy sector reform and implementation of the pending OECD toolkit recommendation on closed professions. According to the local press, the draft budget will envision official GDP growth forecasts (-2.3% in 2015 & -1.3% in 2016). As per the same reports, official lenders did not approve the Greek government's proposal for upwardly revised real GDP growth projections after the domestic economy performed better than expected in the first half of the year in spite of increased political uncertainty and tightened liquidity conditions. Reportedly, official lenders argued that no revision in official growth projections can be made at this stage as it is yet unclear what the macroeconomic impact of capital controls will be while a number of measures approved by the Hellenic Parliament this summer have yet to be actually implemented. As per the same sources, any revision in the GDP growth forecasts will likely be envisioned in the final 2016 budget which is expected to be submitted in November. In other news, the Greek government will present to Parliament later today its programmatic statements, starting with Prime Minister Alexis Tsipras at 19.30 Athens time. The discussion on the programmatic statements will last three days and will culminate at midnight on Wednesday (October 7) with a vote of confidence in the government.

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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

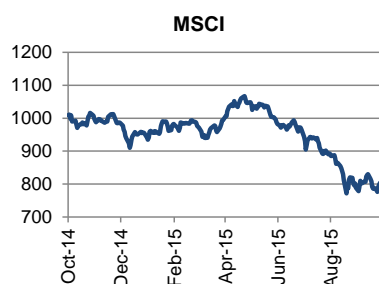
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: 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	5.00	4.50

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

Following the upgrade of their credit rating to Baa3 from B1 by Moody's, the covered bonds of Bank of Cyprus became eligible for Eurosystem credit operations. The eligibility provided room for ECB funding to replace Emergency Liquidity Assistance (ELA). As a result, ELA funding declined further to €4.5bn on October 2nd, down from a peak of €11.4 bn in April 2013.

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### ROMANIA

Retail sales extended their robust growth momentum in August, rising by 8.0%YoY. The latter figure stands slightly below a 13-month high annual increase of 8.5% recorded in the prior month. All in all the data supports the view that private consumption remains the leading growth driver in the domestic economy, supported by robust real wage growth and improved business sentiment as well as labor market conditions.

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### SERBIA

The EUR/RSD closed little changed on a weekly basis on Friday, remaining bound within a 119.65/85 – 119.90/10 range following new Central Bank intervention in the FX markets in order to stem persisting appreciation pressures on the dinar. The pair hit a year-to-date low at 119.50/70 at some point early last week. In response, the NBS purchased €100mn cumulatively in four consecutive days at a level near 119.80 in order to support the EUR/RSD. Looking ahead, although the EUR/RSD's technical picture suggests that there is room for further downside for the pair, new Central Bank action is likely to keep it within its recent trading range.

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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	1951.36	1.4%	-5.2%	EUR/USD	1.1265	0.5%	-6.9%	UST - 10yr	1.99	0	-18	GOLD	1135	-0.3%	-4.2%
Nikkei 225	18005.49	1.6%	3.2%	GBP/USD	1.5199	0.0%	-2.4%	Bund-10yr	0.54	3	0	BRENT CRUDE	49	1.2%	-15.1%
STOXX 600	355.32	2.1%	3.7%	USD/JPY	120.18	-0.2%	-0.4%	JGB - 10yr	0.31	0	-2	LMEX	2340	-0.1%	-19.7%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	355	0	-636
1-week	3.81	2	-620
1-month	4.14	3	-591
3-month	4.51	2	-534
6-month	4.77	2	-502

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.29	2	-380
5Y RSD	7.09	0	-309
7Y RSD	7.61	0	-120

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.39	-1	-87
USD Nov-24	6.44	0	-15

## CDS

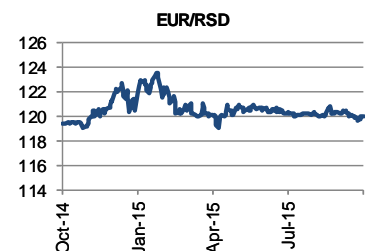
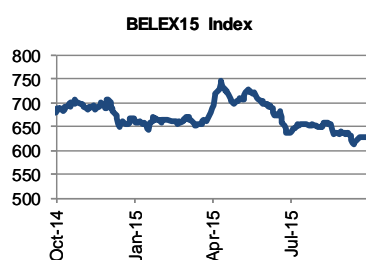
	Last	ΔDbps	ΔYTD bps
5-year	280	0	-10
10-year	327	0	-29

## STOCKS

	Last	ΔD	ΔYTD
BELEX15	627.5	-0.04%	-5.92%

## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.92	0.00%	1.19%



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.3	-10	73
1-month	1.42	-2	51
3-month	1.46	0	-24
6-month	1.65	-2	-36
12-month	1.73	-3	-29

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.79	-4	-52
5Y RON	2.21	-2	-50
10Y RON	3.48	-3	-18

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.36	5	-37
USD Aug-23	3.60	-8	-2

## CDS

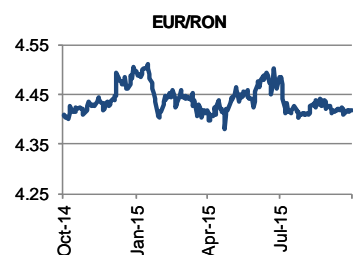
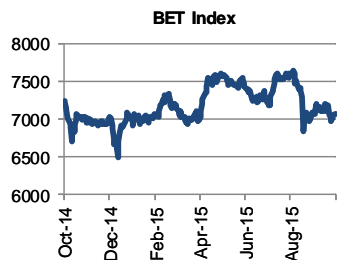
	Last	ΔDbps	ΔYTD bps
5-year	131	-2	-12
10-year	170	-2	-17

## STOCKS

	Last	ΔD	ΔYTD
BET	7069.7	0.27%	-0.19%

## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4199	0.01%	1.44%



## 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	0.61	0	-18
12-month	1.20	-1	-30

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.49	8	-55
5Y BGN	0.64	1	-81
10Y BGN	2.20	0	-55

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.41	0	-75
EUR Sep-24	2.76	71	-11

## CDS

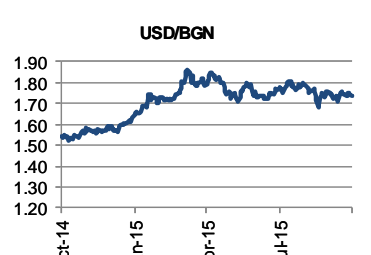
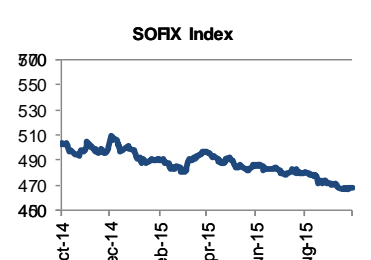
	Last	ΔDbps	ΔYTD bps
5-year	178	-1	-13
10-year	223	-1	-17

## STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.6	0.19%	-14.84%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7362	0.47%	-6.89%



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

Data updated as of 12:05 EEST

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