

# DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, November 02, 2015

## KEY UPCOMING DATA & EVENTS THIS WEEK

### GLOBAL

#### US

- November 2: ISM manufacturing (Oct)
- November 4
  - ADP employment (Oct)
  - ISM non-manufacturing (Oct)
- November 5: Jobless Claims
- November 6
  - NFP (Oct)
  - U/E rate

#### EUROZONE

- November 2: PMI, manufacturing (Oct)
- November 4: PMI services (Oct)
- November 5: EU Commission Autumn forecast

#### GREECE

- November 5: Hellenic Parliament reportedly votes on multi-bill incorporating legislation for the implementation of a number of pending actions for the release of the €2bn loan disbursement

#### CYPRUS

- November 5: CPI (Oct)

#### SEE

##### BULGARIA

- November 6: Reserve Assets (Oct)

##### ROMANIA

- November 2
  - International Reserves (Oct)
  - 3.5% 2022 T-bonds auction
- November 3: Retail sales (Sep)
- November 5
  - MPC meeting
  - 3.5% 2022 T-bonds auction
- November 6: Net wages (Sep)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The majority of Asian bourses edged lower on Monday –the first trading session this month- on profit taking, following their best monthly performance in October since May 2009. Elsewhere, most of European equity indices were weaker in early trade today, following a flurry of mixed corporate earnings results and soft Chinese manufacturing surveys. In FX markets, the DXY dollar index was trading 0.2% lower at 96.795 in early European trade at the time of writing, ahead of the US nonfarm payroll report due on Friday. Subdued US inflation pressures also weighed on the US dollar. This week, the BoE's monetary policy meeting on Thursday and Friday's US non-farm payrolls data take centre stage. Last but not least, PMI data releases in the US and in Europe also lure market attention today.

**GREECE:** The ECB released on Saturday, October 31 the results of a comprehensive assessment conducted on the four systemic Greek banks, Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank. The said assessment, comprised an asset quality review (AQR) and a forward-looking stress test, revealed a total capital shortfall of €4.4bn and €14.4bn under the baseline and the adverse scenarios, respectively.

### SOUTH EASTERN EUROPE

**SERBIA:** In FX markets, the euro rallied against the dinar last week on increased local demand and some profit taking from closing bond positions. On the data front, real GDP grew by 2.0%YoY in Q3 2015, marking its 2<sup>nd</sup> consecutive quarter of positive annual growth rate following five successive quarters in contraction.

**CESEE MARKETS:** Emerging stock markets were trading water in early European trade on Monday, with most indices standing in a marginally positive territory at the time of writing, amid mounting China-related jitters. Turkey's main BIST 100 index rallied strongly registering a near 6% surge compared to Friday's settlement, after AKP's decisive win on Sunday's repeat general elections. In view of the aforementioned developments, the Turkish lira rallied nearly 6% to a 3-month peak of 2.7540/USD in Asian trade. Looking into this week, Romania's and Poland's MPC meetings take centre stage this week, where both Central Banks are expected to stay put on their monetary policies.

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## Latest world economic & market developments

### GLOBAL MARKETS

The majority of Asian bourses edged lower on Monday –the first trading session this month– on profit taking, following their best monthly performance in October since May 2009. News that the October Chinese Official PMI manufacturing index (unchanged at 49.8) remained below the boom or bust level of 50.0 that represents the borderline between expansion and contraction also had an impact. In a separate private survey of manufacturing activity, the Caixin manufacturing PMI came in at 48.3 signaling ongoing contraction in the Chinese manufacturing sector, albeit at a slower pace. On the US data front, personal income rose 0.1%MoM in September, falling short of consensus expectations for a rise of 0.2%MoM, as wage and salary income was unchanged on the month. Furthermore, core PCE deflator –the Fed’s preferred indicator for gauging inflation– was stable at 1.3%YoY –well below the Fed’s 2.0% inflation target– as the significant drop in goods prices (-3.2%YoY) was offset by the uptrend in services inflation (1.8%YoY). Elsewhere, most European equity indices were weaker in early trade today, following a flurry of mixed corporate earnings results and soft Chinese manufacturing surveys. In FX markets, the DXY dollar index was trading 0.2% lower at 96.795 in early European trade at the time of writing, ahead of the US nonfarm payroll report due on Friday. Subdued US inflation pressures also weighed on the US dollar. Separately, the EUR/USD consolidated around levels of 1.1000/15 in European trade at the time of writing, gaining some momentum after falling to a 2-1/2-month trough of 1.0897 last week. This week, the BoE’s monetary policy meeting on Thursday and Friday’s US non-farm payrolls data take centre stage. Last but not least, PMI data releases in the US and in Europe also lure market attention today.

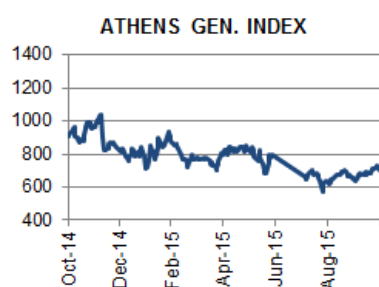
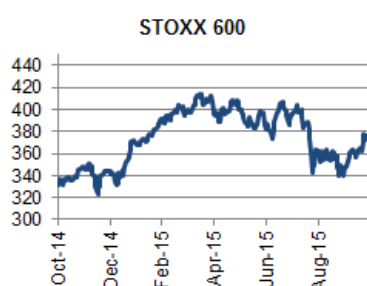
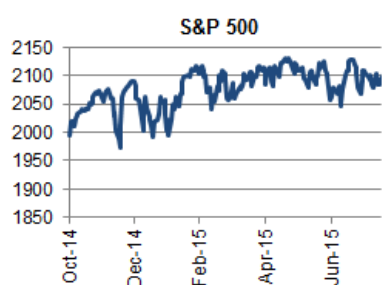
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

### GREECE

The ECB released on Saturday, October 31 the results of a comprehensive assessment conducted on the four systemic Greek banks, Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank. The said assessment, which comprised of an asset quality review (AQR) and a forward-looking stress test, revealed a total capital shortfall of €4.4bn and €14.4bn under the baseline and the adverse scenarios, respectively. Both scenarios included AQR adjustments of €9.6bn. According to the ECB press release, the four banks will have to submit by November 6 their capital plans explaining how they intend to cover their projected shortfalls. Meanwhile, the Hellenic Parliament approved late on Saturday the bank recapitalization framework which requires, among others, Greek banks to raise at least baseline capital shortfalls (€4.4bn) in order to avoid resolution while the residual amount (up to €10bn) could be covered with HFSF funds via a combination of common shares and CoCos. According to a ministerial decree, the said combination will be 25% and 75% respectively.

On the data front, the seasonally adjusted Markit Manufacturing Purchasing Managers’ Index improved in October for the third month in a row coming in at 47.3 from 43.3 in September. In spite the October increase the index remained below the boom-or-bust level of 50 for the 14th consecutive month. The output declined for the tenth successive month, but the rate of contraction eased to the lowest in five months. New orders from both domestic and foreign markets contracted.

[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)



Source: Reuters, Bloomberg, Eurobank Research

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

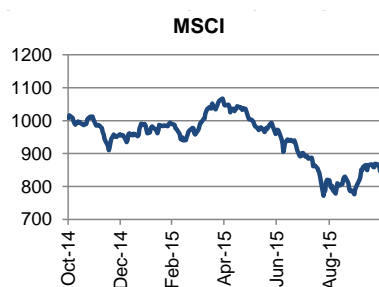
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicators	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

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Research

## Latest world economic & market developments in the CESEE region

### SERBIA

In FX markets, the euro rallied against the dinar last week on increased local demand and some profit taking from closing bond positions (foreign holders sold their dinar-denominated bonds and closed their RSD exposure). After breaching a 2-week high at 120.45, the EUR/RSD extended its advance to a year-to-date peak of 120.85/05, where the Central Bank intervened in the FX markets to halt the pair's upside momentum. In more detail, the NBS sold €10mn on Thursday. Albeit of the relatively small size, the latest Central Bank's action proved a strong trigger for shift in sentiment, with the EUR/RSD closing the week modestly higher compared to the prior Friday's settlement of 120.30/50. With the pair's technical picture suggesting that strong resistance stands at 121.00, range-trading within the recent 119.80 - 120.45 area is likely to prevail in the imminent future. Market focus now turns towards the fixed income market for direction as we believe that the recent sell-off in Serbian bonds was rather overdone and that RSD-denominated paper remains attractive.

On the data front, real GDP grew by 2.0%YoY in Q3 2015, marking its second consecutive quarter of positive annual growth rate following five successive quarters in contraction, with economic activity picking up pace from growth of 1.0%YoY in Q2 2015. Albeit the detailed data are due for release on November 30<sup>th</sup>, we anticipate the recent growth pattern, led by gross fixed capital formation and exports, to have continued during the July-September period. On the flipside, domestic spending probably remained weak in Q3 2015 in view of ongoing fiscal restraint. All in all the data vindicated our expectations for a further recovery in the domestic economy in H2 2015 thanks to favourable base effects, accommodative monetary conditions and low global oil prices. We continue to envision a further recovery in 2016 and pencil in growth of 2.0% as the fiscal consolidation impact wanes and external demand picks up further. In other data releases on Friday, retail sales growth slowed, picking up pace to 2.3%YoY in September from 1.0%YoY in August, while the trade deficit rose by 6.7%YoY to €21,057.9mn in the first nine months of the year.

[Zoran.Korac@eurobank.rs](mailto:Zoran.Korac@eurobank.rs)
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

### CESEE MARKETS

Emerging stock markets were trading water in early European trade on Monday, with most indices standing in a marginally positive territory at the time of writing, amid mounting China-related jitters. Turkey's main BIST 100 index rallied strongly registering a near 6% surge compared to Friday's settlement, after AKP's decisive win on Sunday's repeat general elections. Confounding the results of the most recent opinion surveys conducted ahead of the poll, the ruling AKP scored 49.4% of the vote achieving parliamentary majority though falling short of the 2/3's threshold in the 550-seat parliament that would allow the party to unilaterally change the Constitution. The result alleviates concerns about a prolongation of the recent escalation of domestic political uncertainty and a potential return to the polls for the third time this year. In view of the aforementioned developments, the Turkish lira rallied nearly 6% to a 3-month peak of 2.7540/USD in Asian trade. Looking into this week, Romania's and Poland's MPC meetings take centre stage this week, where both Central Banks are expected to stay put on their monetary policies.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

## 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	2086.67	-0.1%	1.3%	EUR/USD	1.1062	0.8%	-8.6%	UST - 10yr	2.16	-1	-1	GOLD	1143	-0.3%	-3.5%
Nikkei 225	19083.10	0.8%	9.4%	GBP/USD	1.5401	0.6%	-1.1%	Bund-10yr	0.53	0	-1	BRENT CRUDE	49	0.5%	-14.5%
STOXX 600	373.76	-0.5%	9.1%	USD/JPY	120.48	0.5%	-0.7%	JGB - 10yr	0.31	1	-2	LMEX	2324	-1.4%	-20.3%

## CESEE MARKETS

## SERBIA

## Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	305	-3	-686
1-week	3.21	-8	-680
1-month	3.57	-6	-648
3-month	3.90	-8	-595
6-month	4.12	-7	-567

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.28	3	-476
5Y RSD	6.54	-1	-364
7Y RSD	6.72	1	-536

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.98	0	-128
USD Nov-24	6.43	0	-16

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	303	9	13
10-year	348	0	-8

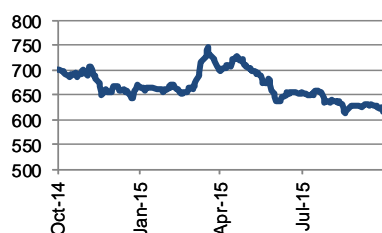
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	615.6	-1.00%	-7.70%

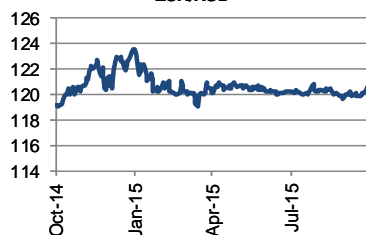
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.40	0.25%	0.79%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.65	-6	8
1-month	0.95	-1	4
3-month	1.18	-3	-52
6-month	1.44	-3	-57
12-month	1.59	0	-43

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	-2	-76
5Y RON	2.04	0	-67
10Y RON	3.42	0	-24

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.20	0	-53
USD Aug-23	3.59	11	-3

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	128	1	-15
10-year	169	1	-17

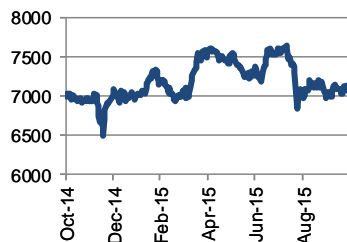
## STOCKS

	Last	ΔD	ΔYTD
BET	7212.4	0.82%	1.83%

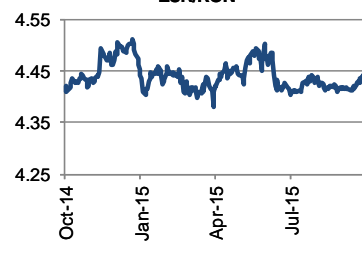
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4375	0.09%	1.04%

BET Index



EUR/RON



## BULGARIA

## Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.17	1	-4
3-month	0.31	0	-13
6-month	0.57	1	-23
12-month	1.12	0	-38

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.28	1	-76
5Y BGN	0.53	0	-92
10Y BGN	2.04	0	-71

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.31	0	-85
EUR Sep-24	2.43	7	-44

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	167	2	-24
10-year	214	2	-27

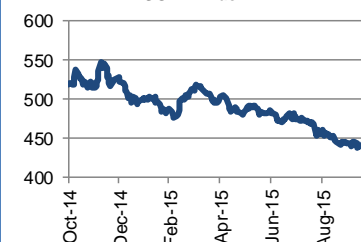
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.3	-0.34%	-14.72%

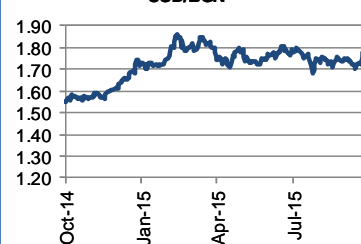
## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7683	0.76%	-8.58%

SOFIX Index



USD/BGN



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

Data updated as of 16:50 EEST of previous session



## Contributors

**Paraskevi Petropoulou**  
G10 Markets Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
+30 210 3337305  
[IGKIONIS@eurobank.gr](mailto:IGKIONIS@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

**Arkadia Konstantopoulou (Special Contributor)**  
Research Assistant, Eurobank Ergasias  
+30 210 3371224  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr)

**Olga Kosma (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3371227  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokroussos@eurobank.gr](mailto:pmonokroussos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr), +30 210 33 71 225

**Stylianios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr), +30 210 33 71 226

**Olga Kosma: Economic Analyst**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr), +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr), +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr), +30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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