

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, December 02, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- December 1: ISM manufacturing (Nov)
- December 2
 - Fed Chair Yellen speaks
 - Fed Beige Book
 - ADP employment (Nov)
- December 3
 - Fed Chair Yellen speaks
 - Jobless claims (weekly)
 - Industrial orders (Oct)
 - ISM non-manuf (Nov)
- December 4
 - NFP (Nov)
 - U/E rate (Nov)
 - Trade balance (Oct)

EUROZONE

- December 1: PMI manuf (Nov, f)
- December 2: HICP (fl, Nov)
- December 3
 - ECB MPC meeting
 - PMI services/ composite (Nov, f)

GREECE

- November 30: Retail sales (Sep)
- December 1: PMI manuf (Nov)

SEE

BULGARIA

- November 30: Budget balance (Oct)
- December 1: Reserve Assets (Nov)
- December 4: GDP (Q3, f)

ROMANIA

- December 2: International reserves (Nov)
- December 3
 - 3.25% 2018 T-bonds
 - Retail sales (Oct)
- December 4: GDP (Q3, f)

SERBIA

- November 30
 - GDP (Q3, f)
 - IP (Oct)
 - Trade balance (Oct)
 - Retail sales (Oct)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The US' ISM purchasing managers' index for the manufacturing sector surprised negatively. Yet, the above development did little to alter market expectations for a Fed rate hike at the upcoming two-day FOMC meeting scheduled for December 15th -16th in view of solid domestic demand and tentative signs of wage inflation. Reacting to the weaker than anticipated manufacturing ISM report the US dollar moved lower against its major currency peers.

GREECE: The EC/ECB/IMF/ESM mission heads are reportedly expected to return to Athens on December 8th, the day after the upcoming Eurogroup, to assess the progress made by the Greek side in implementing the agreed 13 prior actions attached to the release of the next ESM loan installment (€1bn). A bill incorporating the relevant legislation required for their implementation is reportedly expected to be submitted to Parliament by December 11th. Speaking to his party's parliamentary group yesterday, Prime Minister and SYRIZA leader Alexis Tsipras dismissed speculation about a possible broadening of the ruling SYRIZA/ANEL coalition.

SOUTH EASTERN EUROPE

BULGARIA: The parliament endorsed yesterday in the first reading the budget of 2016 which is complemented by the medium term fiscal framework of the period 2016-2018 with a majority of 143 MPs in favor and 108 MPs against.

CESEE MARKETS: Emerging stock markets were trading water in early European trade on Wednesday, following downbeat US manufacturing data, while caution prevailed ahead of key data and events later in the week. In a similar vein, the majority of **CESEE currencies** were under pressure earlier on Wednesday, while regional government bonds were mixed.

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Latest world economic & market developments

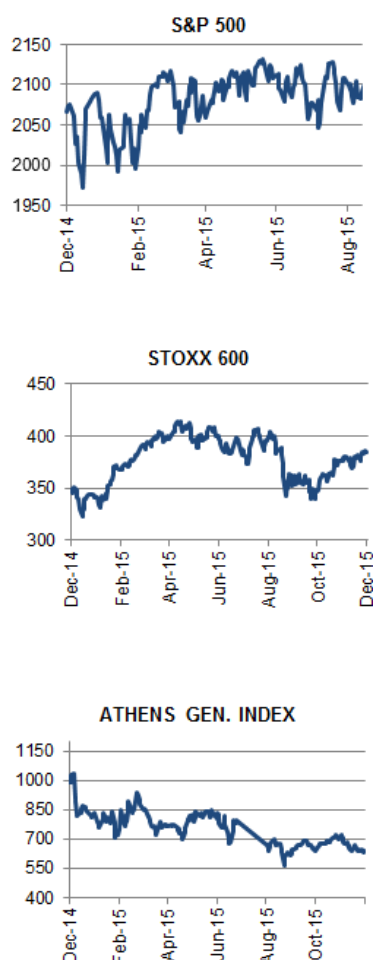
GLOBAL MARKETS

The US' ISM purchasing managers' index for the manufacturing sector surprised negatively declining to 48.6 in November, the lowest since June 2009, from 50.1 in the prior month mainly due to the stronger US dollar, lower oil prices and slower growth in China. The above development did little to alter market expectations for a Fed rate hike at the upcoming two-day FOMC meeting scheduled for December 15th -16th in view of solid domestic demand and tentative signs of inflation stemming from higher wages. Yet, the bigger than expected decline in the November ISM manufacturing index added to the view that, once the Fed begins raising its federal funds rate, the pace of tightening will be quite gradual. Reacting to the weaker than anticipated ISM manufacturing report, the US dollar moved lower against its major currency peers. The DXY index was trading close to 90.904 at the time of writing, having retreated from a multi-month high of 100.310 recorded two sessions ago. On the US data front, focus today is on the ADP employment survey ahead of the November non-farm payrolls data due on Friday. In the euro area, the CPI report for November lures market attention.

GREECE

Speaking to his party's parliamentary group yesterday, Prime Minister and SYRIZA leader Alexis Tsipras dismissed speculation about a possible broadening of the ruling SYRIZA/ANEL coalition. He also reassured his party's lawmakers that the government will try to make the social security system viable doing the utmost to avoid further cuts in pensions. An overhaul of the social security system constitutes one of the main contentious issues included in the list of prior actions attached to the completion of the 1st programme review. According to some press reports, the government is expected to submit to official creditors next week its final proposals on the agreed overhaul of the social security system with the latter opposing an increase in social security contributions as a means of averting any potential reduction in pensions. Meanwhile, the EC/ECB/IMF/ESM mission heads are reportedly expected to return to Athens on December 8th, the day after the upcoming Eurogroup, to assess the progress made by the Greek side in implementing the agreed 13 milestones linked to the release of the next ESM loan installment (€1bn). A bill incorporating the relevant legislation required for their implementation is reportedly expected to be submitted to Parliament by December 11th. As per the same sources, the mission heads are expected to leave in mid-December and return in early January to commence discussions with official creditors in the context of the 1st programme review.

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

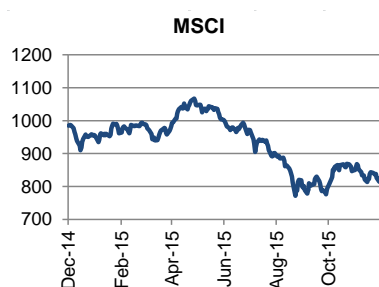
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The parliament endorsed yesterday in the first reading the budget of 2016 which is complemented by the medium term fiscal framework of the period 2016-2018 with a majority of 143 MPs in favor and 108 MPs against. The budget of 2016 envisages a consolidated government deficit of 2.0% down from a recently revised target of 3.3% in 2015. The official target for the consolidated government deficit in 2015 was revised to 3.3% of GDP up from an initial 3.0% in order to accommodate additional spending for the increased EU funds absorption rate as a result of the closing of the 2007-2013 programming period. The consolidated budget surplus had reached 0.1% of GDP in Jan-Oct2015 compared to a -2.1% deficit in the same period a year ago. The full-year consolidated government deficit in cash terms had widened to 3.8% of GDP in 2014-which translates in 5.8% of GDP in ESA2010 terms surpassing the Maastricht threshold for the first time since 2010-up from 1.8% in 2013, primarily reflecting spending slippages from the electoral cycle and the bail-out costs from the banking sector. At this point it is likely that the deficit in ESA2010 terms will not overshoot the 3.0% threshold for a second consecutive year in 2015 which could result in the activation of the Excessive Deficit procedure by the European Commission.

igkionis@eurobank.gr

CESEE MARKETS

Emerging stock markets were treading water in early European trade on Wednesday, following downbeat US manufacturing data while caution prevailed ahead of key data and events later in the week. The ECB is broadly anticipated to announce further stimulus at its monetary policy meeting tomorrow, while the US non-farm payrolls due on Friday may provide some indication for the Fed's looming rate-tightening path. Against this backdrop, the broader MSCI Emerging Markets index stood in a marginally negative territory at the time of writing, while bourses in the CESEE region were mixed.

The majority of **CESEE currencies** were under pressure earlier on Wednesday and **regional government bonds** were mixed. In the FX markets, the Turkish lira received some respite from the US dollar's retreat. In more detail, the USD/TRY hovered around levels of 2.8780 at the time of writing, within distance from a 1-week low near 2.8935 hit in late Asian trade today. Despite the currency's recent recovery, renewed TRY depreciation cannot be ruled as the Fed appears poised to hike interest rates, for the first time since 2006, in December. Higher US interest rates are anticipated to weigh on capital flows towards emerging market assets. Turkish assets are considered amongst the most highly vulnerable in the EM space due to the country's comparably elevated external vulnerabilities.

In view of the aforementioned upcoming key data and events later in the week, we anticipate CESEE assets to consolidate at their current levels ahead of tomorrow's ECB meeting, with a potential announcement for further Central Bank stimulus to likely favour regional assets the most in the emerging markets space.

gphoka@eurobank.gr

December 2, 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	2102.63	1.1%	2.1%	EUR/USD	1.0629	0.0%	-12.1%	UST - 10yr	2.17	3	0	GOLD	1068	-0.1%	-9.8%
Nikkei 225	19938.13	-0.4%	14.3%	GBP/USD	1.5065	-0.1%	-3.3%	Bund-10yr	0.47	1	-7	BRENT CRUDE	44	-0.2%	-22.7%
STOXX 600	385.10	0.2%	12.4%	USD/JPY	123.07	-0.2%	-2.8%	JGB - 10yr	0.32	2	-1	LMEX	2167	1.0%	-25.6%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
T/N	308	1	-683
1-week	3.24	1	-677
1-month	3.55	0	-650
3-month	3.90	1	-595
6-month	4.09	0	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.72	-2	-530
5Y RSD	5.06	0	-512
7Y RSD	7.40	0	-141

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.02	-1	-124
USD Nov-24	6.39	0	-20

CDS

	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

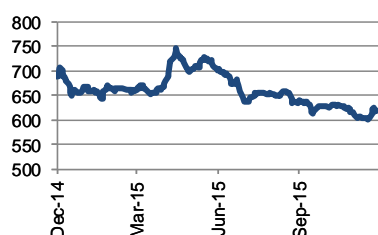
STOCKS

	Last	ΔD	ΔYTD
BELEX15	619.3	0.16%	-7.16%

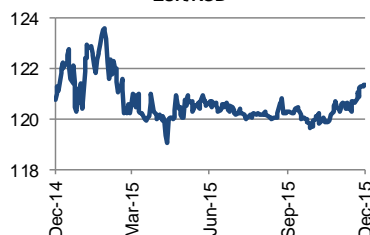
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.36	-0.02%	-0.01%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
O/N	0.62	#VALUE!	5
1-month	0.78	#VALUE!	-13
3-month	1.07	#VALUE!	-63
6-month	1.4	#VALUE!	-61
12-month	1.53	#VALUE!	-49

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	0	-85
5Y RON	1.94	0	-77
10Y RON	3.53	1	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.05	-2	-68
USD Aug-23	3.56	2	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	130	-1	-12
10-year	173	-1	-14

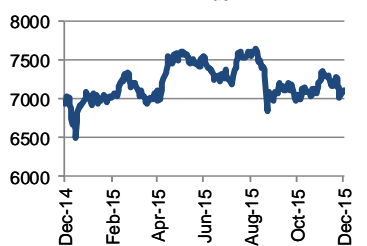
STOCKS

	Last	ΔD	ΔYTD
BET	7115.9	1.39%	0.46%

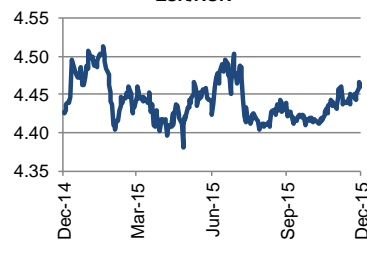
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4601	0.11%	0.52%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.30	0	-13
6-month	0.57	0	-23
12-month	1.06	0	-45

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	-1	-81
5Y BGN	0.43	1	-101
10Y BGN	1.90	0	-86

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.17	-4	-99
EUR Sep-24	2.35	-7	-52

CDS

	Last	ΔDbps	ΔYTD bps
5-year	163	-1	-28
10-year	213	-2	-27

STOCKS

	Last	ΔD	ΔYTD
SOFIX	436.9	0.00%	-16.32%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8401	-0.04%	-12.15%

SOFIX Index



USD/BGN



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

Data updated as of 10:15 EET of previous session

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

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

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

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

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

Regional Contributors

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

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokroussos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, +30 210 33 71 225

Stylianios Gogos: Economic Analyst
sgogos@eurobank.gr, +30 210 33 71 226

Olga Kosma: Economic Analyst
okosma@eurobank.gr, +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr, +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tsamatiou@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

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