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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 04, 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 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: Wall Street edged modestly higher overnight, helped by a rebound in the oil sector on higher crude oil prices. US October vehicle sales which surged to a ten-year high of 18.12mn annualized units also had an impact. Mirroring the positive tone in US equity market, major Asian bourses surged on Wednesday. Investors' stronger risk appetite pushed up 10-year U.S. Treasury yields and favored the US dollar. Separately, the common currency extended a decline for the second consecutive session following ECB President Draghi's comments that concerns over the external environment are creating downside risks to the growth and inflation outlook, reiterating that the ECB will re-examine its monetary policy stance in December. On the US data front, focus today is on the October ISM Non-Manufacturing Index, while in the euro area, the final October estimate for Markit PMI Services and Composite Indices and September producer price inflation also lures market attention.

GREECE: European Commissioner for Economic and Financial Affairs Pierre Moscovici met yesterday in Athens with Greek officials and, according to press reports, stated that by the November 9 Eurogroup, Greece must have completed the first set of prior actions in order for the next ESM loan installment of EUR 2 billion to be released. In other news, Eurobank will hold an Extraordinary General Meeting on Monday, November 16, to approve a share capital increase for a maximum amount of EUR 2,122 million.

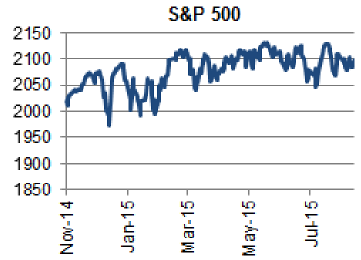
SOUTH EASTERN EUROPE

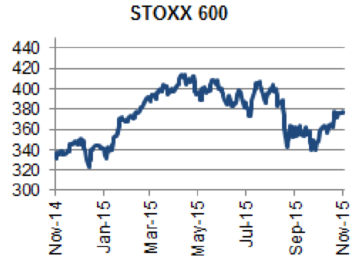
ROMANIA: Prime Minister Victor Ponta handed earlier today his resignation. On the data front, the retail sales reading impressed in September, with the corresponding index expanding at the highest annual rate in seven years.

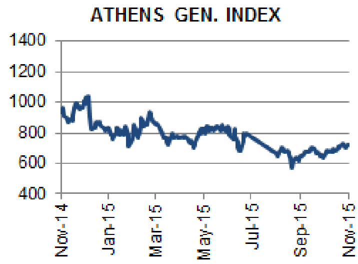
SERBIA: Minister of Finance Dusan Vujovic was quoted as saying by local media on Tuesday that the government plans to finalise the 2016 budget draft by end-November, with Parliament due to start debates mid-December. The FinMin added that the January-October deficit stands below RSD 40bn, with the full-year shortfall not expected to exceed RSD 80bn.

CESEE MARKETS: Trailing gains in major global bourses the majority of **emerging stock markets** rallied in early European trade on Wednesday, thanks to firmer energy equity amid an overnight rise in oil prices. In line with their emerging market peers, most **CESEE stock markets** stood in the black earlier today, with Hungary's main BUX index leading the way higher with a 1.3% advance. In FX markets, **CESEE currencies** were mixed, broadly trading on domestic fundamentals. Poland's MPC meeting takes centre stage in CESEE today.

Latest world economic & market developments







Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

Wall Street edged modestly higher overnight, helped by a rebound in the oil sector on higher crude oil prices. US October vehicle sales which surged to a ten-year high of 18.12mn annualized units also had an impact, given that auto sales are considered an early reliable indicator of personal consumption expenditures for October. Mirroring the positive tone in US equity market, major Asian bourses surged on Wednesday with the Chinese Shanghai Composite Index leading the uptrend (+4.3% to a two-month high of 3,459.64 points). Investors' stronger risk appetite pushed up U.S. 10yr Treasury yields and favored the US dollar against its major currency peers. Against this backdrop, the DXY index was ca. 0.3% up at the time of writing, trading around levels of 97.433. Separately, the common currency extended a decline for the second consecutive session following ECB President Draghi's comments that concerns over the external environment are creating downside risks to the growth and inflation outlook, reiterating that the ECB will re-examine its monetary policy stance in December. In this context, the EUR/USD was down 0.4% in early European trade, hovering around a one-week low of 1.0917/18. On the US data front, focus today is on the October ISM Non-Manufacturing Index, while in the euro area, the final October estimate for Markit PMI Services and Composite Indices and September Producer Price Inflation also lures market attention.

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GREECE

European Commissioner for Economic and Financial Affairs Pierre Moscovici met yesterday in Athens with Greek officials and, according to press reports, stated that by the November 9 Eurogroup, Greece must have completed the first set of prior actions in order for the next ESM loan installment of EUR 2 billion to be released. According to local press, the remaining, thorny issues pertain to NPLs, household insolvency law and alternative measures to replace the 23% VAT on education. In other news, Eurobank will hold an Extraordinary General Meeting on Monday, November 16, to approve a share capital increase for a maximum amount of EUR 2,122 million. Nikolaos Karamouzis, Chairman of Eurobank, commented yesterday: "The capital raise (…) will allow us to fully meet our regulatory capital requirements and further strengthen our capital base, taking our core equity Tier-1 capital ratio to 17.7% on a pro-forma transitional basis as of September 2015. This will enable us to continue to build on the positive momentum of our underlying business which is competitively placed to take advantage of the opportunities we see in the Greek economy." With regard to Eurobank 3Q2015 economic results, pre-provision income rose by 8.4% q-o-q at €230mn, net interest income proved resilient (-1.8% q-o-q) despite capital controls and operating expenses fell by 6.4% y-o-y.

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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

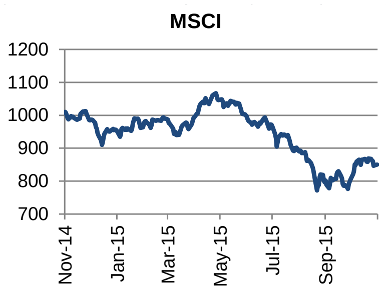
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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

ROMANIA

Prime Minister Victor Ponta handed earlier today his resignation. The news comes on the heels of yesterdays' antigovernment protests, sparked after the lethal fire incident in a Bucharest night club last week. On the data front, the retail sales reading impressed in September, with the corresponding index expanding at the highest annual rate in seven years. In more detail, retail sales jumped by 1.7%MoM/+10.9%YoY, up from a revised +0.1%MoM/+8.7%YoY in August. A large part of the increase is explained by the explosive rise of the food-related items (+1.2%MoM/+27.3%YoY in September) as a result of the VAT rate cut on food items, effective since last June (from 24% to 9%) and their large share in the consumption basket (28%). Alongside the improvement in the disposable income, which reflects the improvement of economic environment (real wage growth accelerated to +9.6%YoY in August vs. +9.2%YoY in July, the strongest pace since 2009), higher tax compliance must have also played some role. All in all, the reading is another indication that private consumption has taken over as the leading driver behind growth concealing warning signs of an overheating scene in the making.

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SERBIA

Minister of Finance Dusan Vujovic was quoted as saying by local media on Tuesday that the government plans to finalise the 2016 budget draft by end-November, with Parliament due to start debates mid-December. The FinMin added that the January-October deficit stands below RSD 40bn, with the full-year shortfall not expected to exceed RSD 80bn. Separately, the Fiscal Council highlighted yesterday that one-off expenses, such as €300mn of debt payments to Naftna Industrija Srbije for gas consumed by state companies and €100-150mn payments to military pensioners, may boost this year's deficit to 4.5% of GDP. The Council added that it considers this year as "good" time for such one-off expenses, penciling in the 2015 general government deficit - excluding one-time debt payments - at RSD 130bn, or 3.2% of GDP. That said, it noted that the shortfall may remain around 4% of GDP in the coming years, which would be insufficient to halt the public debt's upside momentum.

CESEE MARKETS

Trailing gains in major global bourses the majority of **emerging stock markets** rallied in early European trade on Wednesday, thanks to firmer energy equity amid an overnight rise in oil prices. Against this backdrop, the MSCI Emerging Markets index recorded gains to the tune of 1.1% at the time of writing, after hitting a 3-month high in Asian trade. In line with their emerging market peers, most **CESEE stock markets** stood in the black earlier today, with Hungary's main BUX index leading the way higher with a 1.3% advance. In FX markets, **CESEE currencies** were mixed, broadly trading on domestic fundamentals. The Turkish lira led the losses as the initial post-election relief rally ran out of steam. The USD/TRY hovered around levels of 2.8430 at the time of writing, having pulled back from a 3-month trough of 2.7540 hit earlier in the week and yesterday's 2.8275 settlement. Elsewhere, the Hungarian forint followed suit, weighed down by Deputy Central Bank Governor Marton Nagy's comments suggesting that the door is open for further monetary easing ahead via "non-conventional" measures and no benchmark rate cuts. Along these lines, the EUR/HUF hit a new 4-week high at 314.60 in late Asian trade. Elsewhere, the Romanian leu lost ground, easing by ca 0.4% on the day to 4.4440/EUR, amid mounting domestic political uncertainty in the wake of the PM's resignation announcement. Poland's MPC meeting takes centre stage in CESEE today. The Central Bank is anticipated to stay put on its monetary policy.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD	FOREX	Last	ΔD	ΔYTD	Government Bonds (yields)	Last	ΔDbps	ΔYTD bps	Commodities	Last	ΔD	ΔYTD
S&P 500	2100.71	-0.2%	2.0%	EUR/USD	1.0945	-0.6%	-9.5%	UST - 10yr	2.20	3	3	GOLD	1123	-0.9%	-5.2%
Nikkei 225	18683.24	-2.1%	7.1%	GBP/USD	1.5367	-0.3%	-1.4%	Bund-10yr	0.57	2	3	BRENT CRUDE	50	1.7%	-13.5%
STOXX 600	376.91	0.0%	10.0%	USD/JPY	121.19	-0.4%	-1.2%	JGB - 10yr	0.32	0	-1	LMEX	2322	0.2%	-20.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	2	-683
1-week	3.24	4	-677
1-month	3.53	6	-652
3-month	3.87	4	-598
6-month	4.09	4	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.26	-2	-477
5Y RSD	6.54	0	-364
7Y RSD	6.73	0	-535

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.97	0	-129
USD Nov-24	6.42	0	-17

CDS

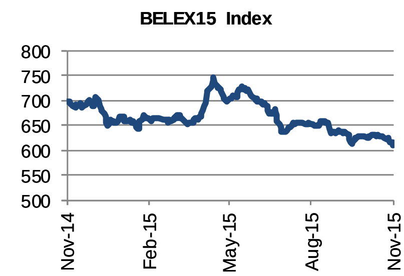
	Last	ΔDbps	ΔYTD bps
5-year	303	0	13
10-year	348	1	-8

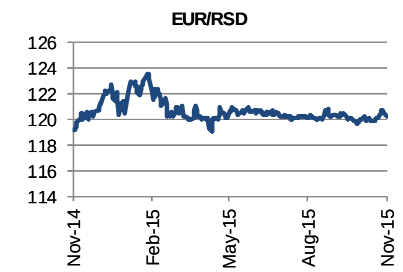
STOCKS

	Last	ΔD	ΔYTD
BELEX15	611.3	-0.97%	-8.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.27	0.05%	0.90%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.64	0	7
1-month	0.93	0	2
3-month	1.16	-1	-54
6-month	1.43	3	-58
12-month	1.58	-2	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.56	0	-75
5Y RON	2.06	0	-65
10Y RON	3.50	1	-16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.19	-2	-54
USD Aug-23	3.59	2	-3

CDS

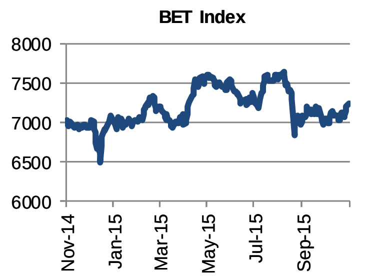
	Last	ΔDbps	ΔYTD bps
5-year	132	-4	-11
10-year	174	-4	-12

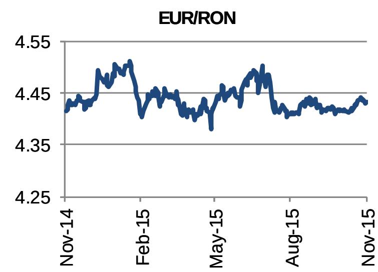
STOCKS

	Last	ΔD	ΔYTD
BET	7341.5	1.43%	3.65%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4329	-0.03%	1.14%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.31	0	-13
6-month	0.57	0	-22
12-month	1.13	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.27	0	-77
5Y BGN	0.53	0	-92
10Y BGN	2.06	0	-69

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.32	-5	-84
EUR Sep-24	2.42	6	-44

CDS

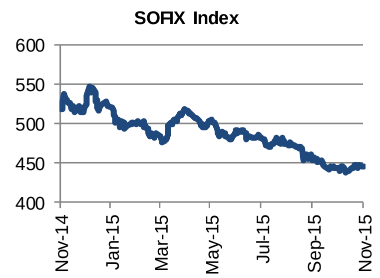
	Last	ΔDbps	ΔYTD bps
5-year	170	-3	-21
10-year	217	-3	-24

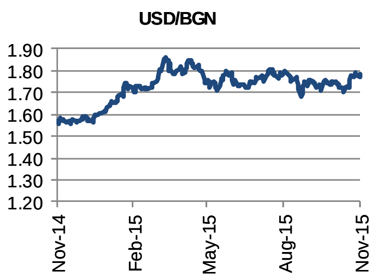
STOCKS

	Last	ΔD	ΔYTD
SOFIX	445.9	-0.01%	-14.59%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7873	-0.67%	-9.56%





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

Data updated as of 17:00 EET of previous session

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