

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, December 04, 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: Judging from the market reaction, the ECB's stimulus package was perceived as less aggressive than expected. The majority of global equity markets were weaker in European trade on Friday, bond yields moved higher and the EUR gained across the board. All eyes today are on the US November's non-farm payrolls report which is expected to add to market expectations for a Fed rate hike at the upcoming December 15th-16th meeting.

GREECE: Responding to a relevant question in the Q&A session following the conclusion of yesterday's ECB meeting, Vice President Vítor Constâncio suggested that, under certain conditions, the reintroduction of a Greek collateral waiver could take place before the conclusion of the 1st programme review. As regards the prospect of the ECB starting to purchase Greek sovereign bonds under the QE programme, the ECB Vice President said that this issue "is more complex and it does not depend only on the successful completion of the review". Speaking at a regularly scheduled news conference in Washington yesterday, IMF spokesman Gerry Rice was quoted saying that the Fund will start considering whether to participate in Greece's new bailout programme in January, when official discussions between the EC/ECB/IMF/ESM mission heads and the Greek government are scheduled to commence in the context of the 1st programme review.

SOUTH EASTERN EUROPE

ROMANIA: The Ministry of Finance announced the main parameters of the long-awaited budget of 2016. In other news, the retail sales reading for October came out almost flat on a monthly basis. Yet retail sales maintained the same impressive speed on an annual basis, expanding at the highest rate in seven years.

CESEE MARKETS: Emerging stock markets extended this week's losses in early European trade on Friday, after the ECB's decision for further monetary easing fell short of market expectations. Meanwhile caution prevailed ahead of the US NFPs report for November due for release later on the day, which are much awaited by market participants for any clues on the FOMC's looming rate tightening path ahead. Along similar lines, **CESEE currencies** and **government bonds** were mixed earlier on Friday. With the ECB meeting now out of the way, focus turns to the FOMC meeting on December 15-16 which is likely to set the tone for EM performance through to year-end.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

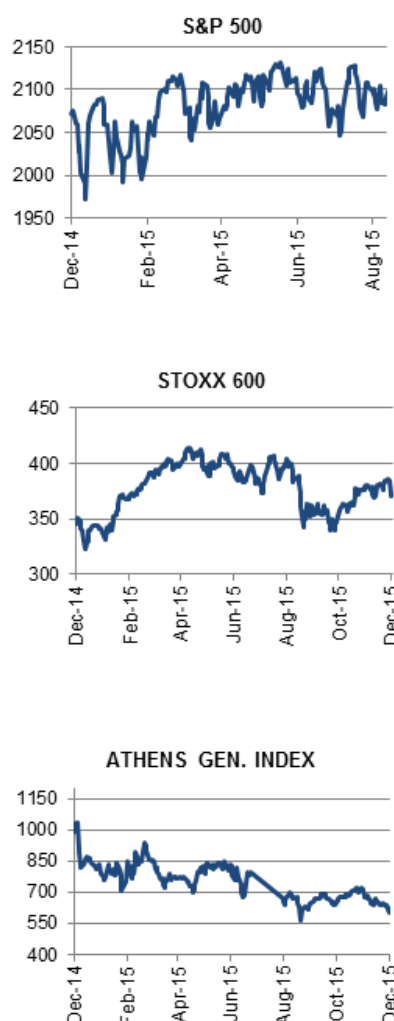
Latest world economic & market developments

GLOBAL MARKETS

In an effort to address the risk of a too prolonged period of low inflation, the ECB announced following the conclusion of yesterday's meeting the provision of additional monetary policy accommodation. In more detail, the ECB decided the following: (i) a 10bps reduction in the deposit rate to -0.3%; (ii) time extension of its asset purchase programme by six months to March 2017; (iii) inclusion of regional and local government debt in the Public Sector Purchase Programme (PSPP); and (iv) reinvestment of principal payments of bonds that the ECB has purchased or will purchase under the PSPP. Yet, judging from the market reaction, the ECB's stimulus package was perceived as less aggressive than expected. The majority of global equity markets were weaker in European trade on Friday while bond yields moved higher. The yield on 10-yr German Bunds was hovering around 0.686% at the time of writing compared to levels around 0.470% on Wednesday, marking the biggest two-day jump in 6 ½ months. In FX, the EUR gained across the board with the EUR/USD standing close to 1.0885/90 in early European trade, not far from yesterday's post-ECB multi-week high of 1.0980 and above levels around 1.0540 marked shortly before the announcement of the ECB's monetary policy outcome. With the ECB meeting out of the way, all eyes today are on the US November's non-farm payrolls report which is expected to add to market expectations for a Fed rate hike at the upcoming December 15th-16th meeting. Speaking before Congress' Joint Economic Committee yesterday, FOMC Chair Janet Yellen said that the US may be "close to the point at which we should be raising rates".

GREECE

Responding to a relevant question in the Q&A session following the conclusion of yesterday's ECB meeting, Vice President Vítor Constâncio suggested that, under certain conditions, the reintroduction of a Greek collateral waiver (*i.e.* the reacceptance of bonds issued or guaranteed by the Hellenic Republic as eligible collateral in the ECB's regular liquidity provision operations) could take place before the conclusion of the 1st programme review. In more detail, he pointed out that "what regards the waiver, the main condition is that the Governing Council will be satisfied that the country under a programme is complying with the programme, and that could even happen before the conclusion of the review, if we would be close enough to that end of the review and we would be convinced that the review would become successful". As regards the prospect of the ECB starting to purchase Greek sovereign bonds under the QE programme, the Vice President said that this issue "is more complex and it does not depend only on the successful completion of the review". Speaking at a regularly scheduled news conference in Washington yesterday, IMF spokesman Gerry Rice was quoted saying that the Fund will start considering whether to participate in Greece's new bailout programme in January, when official discussions between the EC/ECB/IMF/ESM mission heads and the Greek government are scheduled to commence in the context of the 1st programme review. The IMF official stressed that the IMF's participation depends both on the Greek government's compliance with the agreed structural reforms and a decision by European creditors for additional debt relief measures to Greece that will be evaluated by the Fund. An unnamed European official was quoted saying in the local press that the 1st programme review is not expected to conclude before February.



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

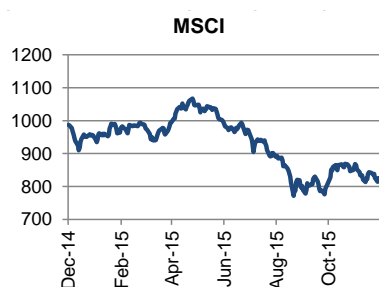
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The Ministry of Finance announced the main parameters of the long-awaited budget of 2016. The budget framework has been built upon the following macroeconomic assumptions: GDP growth: +4.1%, Nominal GDP: RON 746.6bn and a fiscal target as a percentage of GDP at 2.80% and 2.95% in cash terms and in ESA2010 terms respectively. The budget revenues are projected to increase by only 1.6% on an annual basis, which is a relatively conservative forecast given the improved tax collection and the rich in consumption content of growth. In contrast, looming fiscal slippages and low fiscal discipline ahead of the parliamentary elections in late 2016 may put budget execution at risk. The budget also incorporates the recent decisions of the parliament for generous wage hikes across the public sector employees. The public sector wage bill is expected to rise from 7.3% in 2015 to 7.7% of GDP in 2016, while public investments-if the public investments program is fully executed- are expected to expand from 4.7% this year to 5.1% of GDP. In any case, the structural deficit is expected to reach 2.73% of GDP in 2016, off track from the 1% targeted previously in the medium-term program.

In other news, the retail sales reading for October came out almost flat on a monthly basis. Yet retail sales maintained the same impressive speed on an annual basis, expanding at the highest rate in seven years. Retail sales edged up by +0.7% mom/+11.1% yoy in October up from +1.7% mom/+10.9% yoy in September. A large part of the increase is explained by the explosive rise of the food-related items (+0.4% mom/+25.1% yoy in October vs. +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%). The surge in fuel sales by +5.1% mom/+11.3% yoy provided further boost to the aggregate reading. In conclusion, the reading is another indication that private consumption has taken over as the leading driver behind growth reflecting the unwarranted pro-cyclical fiscal stimulus ahead of the parliamentary elections in late 2016. Yet to the extent that the growth rally is not accompanied by a solid rebound in investments it is concealing warning signs of an overheating scene in the making.

igkionis@eurobank.gr

CESEE MARKETS

Emerging stock markets extended this week's losses in early European trade on Friday, after the ECB's decision for further monetary easing fell short of market expectations. Meanwhile caution prevailed ahead of the US NFPs report for November due for release later on the day, which are much awaited by market participants for any clues on the FOMC's looming rate tightening path ahead. In more detail, the MSCI Emerging Markets index stood ca 0.8% weaker at the time of writing compared to the prior session's settlement standing near a 2-month trough of 812.52 points hit in early European trade today. With the exception of Poland's WIG, which posted a concomitant drop of 1.6%, CESEE bourses appeared to far better than their global EM peers. Serbia's BELEX15, Ukraine's PFTS and Bulgaria's SOFIX bucked the negative trend in the region to stand in a positive territory at the time of writing, with the first leading the gains in view of a 1.2% jump. Along similar lines, **CESEE currencies** and **government bonds** were mixed earlier on Friday. With the ECB meeting now out of the way, focus turns to the FOMC meeting on December 15-16 which is likely to set the tone for EM performance through to year-end.

gphoka@eurobank.gr

December 4, 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	2049.62	-1.4%	-0.5%	EUR/USD	1.087	-0.6%	-10.2%	UST - 10yr	2.29	-2	12	GOLD	1063	0.1%	-10.3%
Nikkei 225	19504.48	-2.2%	11.8%	GBP/USD	1.5132	-0.1%	-2.9%	Bund-10yr	0.67	0	13	BRENT CRUDE	44	1.1%	-22.7%
STOXX 600	370.03	-0.6%	8.0%	USD/JPY	122.79	-0.1%	-2.5%	JGB - 10yr	0.34	2	1	LMEX	2138	-0.6%	-26.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	0	-683
1-week	3.24	-1	-677
1-month	3.55	-1	-650
3-month	3.89	-1	-596
6-month	4.09	-1	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.72	-2	-536
5Y RSD	5.06	0	-512
7Y RSD	7.33	0	-475

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.04	1	-122
USD Nov-24	6.40	9	-19

CDS

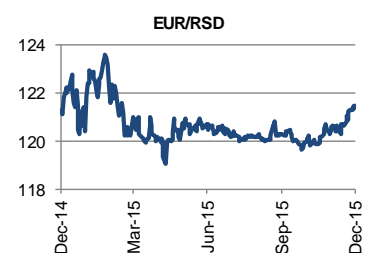
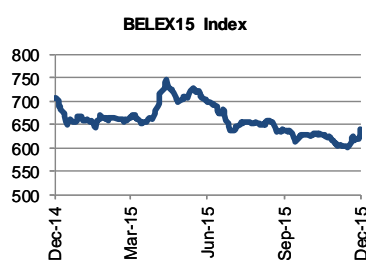
	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

STOCKS

	Last	ΔD	ΔYTD
BELEX15	641.6	2.51%	-3.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.43	-0.07%	-0.07%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.58	-2	1
1-month	0.75	-1	-16
3-month	1.03	-1	-67
6-month	1.35	-1	-66
12-month	1.52	0	-50

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	1	-85
5Y RON	1.97	2	-74
10Y RON	3.59	4	-7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.12	5	-61
USD Aug-23	3.63	9	2

CDS

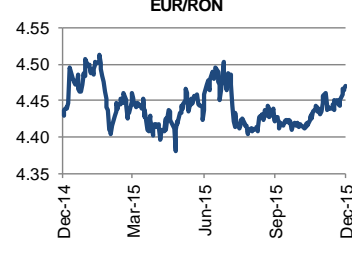
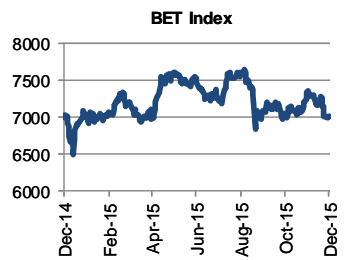
	Last	ΔDbps	ΔYTD bps
5-year	133	2	-9
10-year	173	1	-13

STOCKS

	Last	ΔD	ΔYTD
BET	7014.3	-0.09%	-0.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4695	-0.05%	0.31%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
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	0.24	1	-80
5Y BGN	0.46	-1	-98
10Y BGN	1.91	0	-84

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.20	-9	-96
EUR Sep-24	2.29	19	-58

CDS

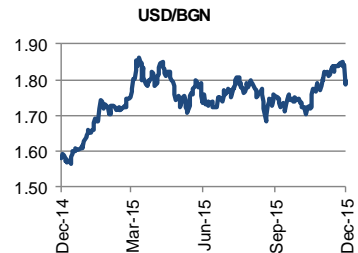
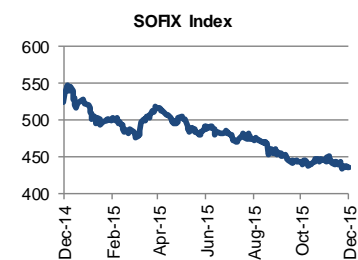
	Last	ΔDbps	ΔYTD bps
5-year	166	3	-25
10-year	216	2	-24

STOCKS

	Last	ΔD	ΔYTD
SOFIX	436.0	0.14%	-16.48%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7993	-0.63%	-10.16%



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

Data updated as of 12:30 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
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

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

