

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, October 06, 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 5: PMI services/composite (Sep, f)
- 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: Wall Street closed in the black overnight with energy equity shares registering the biggest gains, after Friday's US disappointing payrolls report prompted a dovish shift in FOMC rate hike expectations. Trailing Wall Street gains, most Asian bourses were firmer on Tuesday, poised to register their best five-day performance since 2011. In FX markets, the USD edged higher in European trade on Tuesday favored by the improved tone in global equity markets. Given last week's poor employment-related data, market focus is on Fed Esther George who is scheduled to speak in Chicago later today, for hints over the timing of the first fed funds interest rate hike. Separately, ECB President Mario Draghi delivers a speech in Frankfurt later today, which will likely also be scrutinized by market participants.

GREECE: In their meeting yesterday, euro area finance ministers endorsed the first set of milestones –as it was agreed at last week's Euro Working Group- that is required to be fulfilled by the Greek side for the release of the €2bn installment out of the outstanding €3bn sub-tranche of the first loan disbursement, under the ESM loan facility./ As was planned, the Greek government submitted yesterday to the Hellenic Parliament the draft 2016 Budget based on the assumption of GDP contracting by 2.3% and 1.3% in 2015 and 2016 respectively, in line with the official forecasts.

SOUTH EASTERN EUROPE

CYPRUS: Quoting an unnamed Cypriot official, FT reported yesterday that Cyprus is planning to raise €1.5bn via the issuance of a new 10-year benchmark bond before year-end. Along these lines, Minister of Finance Harris Georgiadis confirmed that a new bond issuance is on the plans by the end of 2015 in line with the annual funding programme, but the exact timing and details have yet to be determined.

ROMANIA: Romania's finance ministry sold at an auction on Monday the planned RON 100mn (€ 22.7mn) of July 2027 T-bonds, at an average accepted yield of 3.97%.

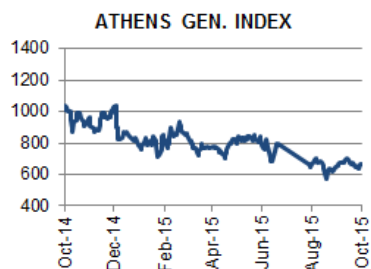
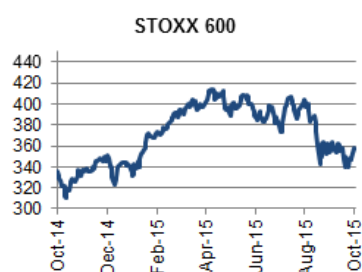
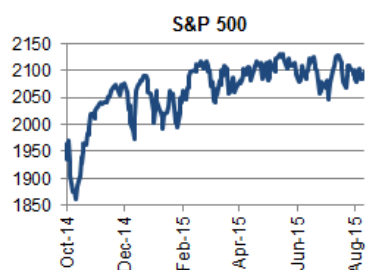
CESEE MARKETS: Emerging stock markets were trading water in early European trade on Tuesday, as their recent rally - instigated by scaled back expectations for a Fed rate hike in the near future - ran out of steam. Separately, **CESEE currencies** and **government bonds** were little changed on a daily basis in early European trade. In **external debt markets**, the International Swaps and Derivatives Association, Inc. (ISDA) announced y-day that a credit event had occurred after Ukraine failed to meet its obligation to redeem \$500mn of government debt that matured on September 23 by the end of a 10-day grace period.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street closed in the black overnight with energy equity shares registering the biggest gains, after Friday's US disappointing payrolls report prompted a dovish shift in FOMC rate hike expectations. Trailing Wall Street gains, most Asian bourses were firmer on Tuesday, poised to register their best five-day performance since 2011. The Bank of Japan (BoJ) began its two-day monetary policy meeting today, with market participants expecting the central bank to hold its monetary policy intact although an expansion of its stimulus program cannot be ruled out entirely amid persistently subdued inflation pressures. In FX markets, the USD edged higher in European trade on Tuesday favored by the improved tone in global equity markets with the EUR/USD hovering around 1.1212/13 at the time of writing, having retreated from levels near 1.1300 recorded at some point yesterday. Elsewhere, the USD/JPY was trading around levels of 120.19/120.20 in early European trade, after hitting a one-week high of 120.55 earlier in Asia. Given last week's poor employment-related data, market focus is on Fed Esther George who is scheduled to speak in Chicago later today, for hints over the timing of the first fed funds interest rate hike. Separately, ECB President Mario Draghi delivers a speech in Frankfurt later today, which will likely also be scrutinized by market participants.

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GREECE

In their meeting yesterday, euro area finance ministers endorsed the first set of milestones – as it was agreed at last week's Euro Working Group – that is required to be fulfilled by the Greek side for the release of the €2bn installment out of the outstanding €3bn sub-tranche of the first loan disbursement under the ESM loan facility. In addition, the Eurogroup encouraged Greek authorities to agree with official creditors on the second set of milestones in the next few weeks for the release of the remaining €1bn installment. The Eurogroup called upon the Greek side "to cooperate closely and constructively" with the institutions in order to complete the first review of the programme "successfully and swiftly". According to the local press, staff of senior inspectors representing Greece's official creditors is reportedly expected to visit Athens by the end of this week in order to prepare the ground for the inception of official discussions in the context of the 1st programme review. As per the same sources, the mission heads are scheduled to arrive on October 20, upon fulfillment by the Greek side of the first set of prior actions required for the release of the €2bn installment. Meanwhile, Greece's Prime Minister Alexis Tsipras presented late yesterday his government's programmatic statements before the Hellenic Parliament. According to Greece's Premier, the government's key goals include the restoration of the domestic economic stability, return to positive economic growth, restructuring of the public debt and radical reform of the public sector. As was planned, the Greek government submitted yesterday to the Hellenic Parliament the draft 2016 Budget based on the assumption of GDP contracting by 2.3% and 1.3% in 2015 and 2016 respectively, in line with the official forecasts. It envisions cost-saving measures of c. €0.5bn and c. €1.9bn in 2015 and 2016 respectively and projects revenue-generating measures amounting to c. €1.5bn and c. €2.5bn for 2015 and 2016 respectively. The draft Budget forecasts – in programme terms – a primary deficit of 0.24%-of-GDP in 2015 and a surplus of 0.52%-of-GDP in 2016 following a projected surplus of 0.35%-of-GDP in 2014.

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Latest world economic & market developments in the CESEE region

CYPRUS

Quoting an unnamed Cypriot official, FT reported yesterday that Cyprus is planning to raise €1.5bn via the issuance of a new 10-year benchmark bond before year-end. Along these lines, Minister of Finance Harris Georgiadis confirmed that a new bond issuance is on the plans by the end of 2015 in line with the annual funding programme, but the exact timing and details have yet to be determined. The news comes on top of a late September decision by S&P to raise the country's long-term sovereign credit rating by one notch (from B+ to BB-, yet still below investment grade) while maintaining a positive outlook. Cyprus has made the fastest come-back to international markets among other Euroarea programme countries. In late April, the Republic tapped international markets for the second time since June 2014 raising €1bn through a new 7Y bond at a yield of 4%. So far, it has successfully completed eight programme reviews including the latest endorsement by the IMF Executive Board on September 23rd. Upon the €500mn ESM disbursement within the day, Cyprus will have made use of a combined €7.2bn out of the total €10bn package (€6.3bn by ESM and €882mn by IMF). More importantly, Cyprus has made significant adjustment progress within the programme in a number of areas including and not limited to restoring the health of the banking sector, the complete lift of capital controls, the fixing of the public finances and the addressing of earlier macroeconomic imbalances.

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ROMANIA

Romania's finance ministry sold at an auction on Monday the planned RON 100mn (€ 22.7mn) of July 2027 T-bonds, at an average accepted yield of 3.97%. The latter was well above a yield of 2.94% achieved at a prior auction of the same paper held in February. The tender's bid to cover ratio came in at 1.56 and the issue bears an annual coupon of 5.8%.

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CESEE MARKETS

Emerging stock markets were trading water in early European trade on Tuesday, as their recent rally - instigated by scaled back expectations for a Fed rate hike in the near future - ran out of steam. The downbeat non-farm payrolls report released late last week from the US prompted a dovish shift in FOMC rate hike expectations, which favoured high yielding assets. However, the rally is unlikely to continue unabated as the Fed remains poised to hike interest rates at some point or another in the coming months, in a move that is anticipated to weigh on risky assets. Against this backdrop, the MSCI Emerging Markets index posted modest gains at the time of writing, though marking its fifth consecutive session in the black and hitting a 2-week peak intraday. Separately, **CESEE currencies** and **government bonds** were little changed on a daily basis in early European trade. In FX markets, the Turkish lira broadly underperformed its regional peers at the time of writing with the USD/TRY standing 0.3% higher compared to the prior session's settlement at 2.9920. Although the pair hit a 2-week trough at 2.9775 in Asian trade, it remains within distance from a record peak near 3.0745 hit late last month amid heightened domestic political uncertainty ahead of the November 1st repeat general elections. In **external debt markets**, the International Swaps and Derivatives Association, Inc. (ISDA) announced y-day that a credit event had occurred after Ukraine failed to meet its obligation to redeem \$500mn of government debt that matured on September 23 by the end of a 10-day grace period. An auction will be held this week to settle outstanding CDS transactions. The news comes ahead of a bondholders' vote next week on the country's debt restructuring. **Focus today** in the CESEE region is on Poland's MPC meeting, where the market's consensus is for the Central Bank to stand pat at its monetary policy and maintain its key policy rate at the current record low of 1.50%.

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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

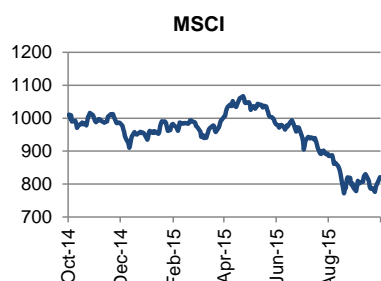
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.5
CPI (pa, yoy %)	1.1	-0.5	1.8
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-1.5
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	2.50

* 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

October 6, 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	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

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	293	12	3
10-year	338	10	-18

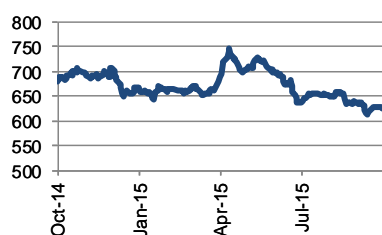
STOCKS

	Last	ΔD	ΔYTD
BELEX15	627.5	-0.04%	-5.92%

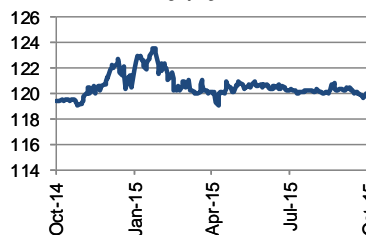
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.92	0.00%	1.19%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
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	125	-6	-18
10-year	165	-5	-22

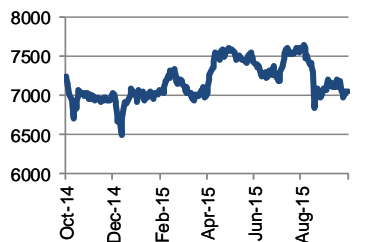
STOCKS

	Last	ΔD	ΔYTD
BET	7069.7	0.27%	-0.19%

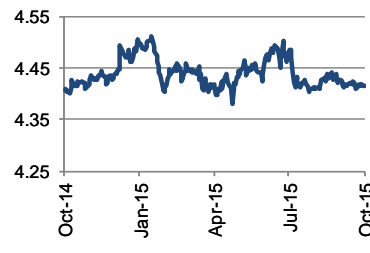
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4199	0.01%	1.44%

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	0.32	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	173	-5	-18
10-year	218	-6	-23

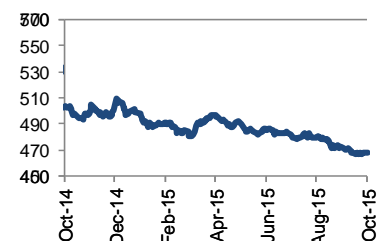
STOCKS

	Last	ΔD	ΔYTD
SOFIX	444.6	0.19%	-14.84%

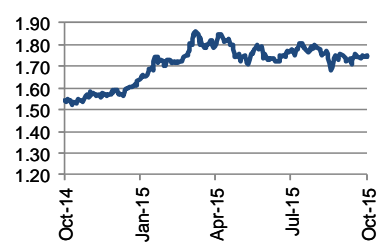
FOREX

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

SOFIX Index



USD/BGN



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

Data updated as of 11:45 EEST

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