

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, December 07, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- December 10: Jobless claims (weekly)
- December 11
 - Retail sales (Nov)
 - UoM sentiment (Dec, p)

EUROZONE

- December 7: Eurogroup meeting
- December 8
 - Ecofin meeting
 - GDP (Q3)

GREECE

- December 10
 - IP (Oct)
 - CPI (Nov)
 - U/E rate (Sep)

CYPRUS

- December 8: HICP (Nov)
- December 9: GDP (Q3)

SEE

BULGARIA

- December 7
 - 2.3% 2025 T-bonds auction
 - Reserve assets (Nov)
- December 8
 - Industrial production (Oct)
 - Retail sales (Oct)
- December 9: U/E rate (Oct)

ROMANIA

- December 7: 4.75% 2025 T-bonds auction
- December 8
 - Industrial sales (Oct)
 - Net wages (Oct)
- December 10
 - Trade balance (Oct)
 - 3.5% 2022 T-bonds auction
- December 11: CPI (Oct)

SERBIA

- December 10
 - MPC meeting
 - 6% T-bonds sale
- December 11: HICP (Oct)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring the uptrend in the US equity market, most European bourses rebounded on Monday, after their worst week in about almost four months. In FX markets, the US dollar rose against its major currency peers for the second consecutive session, as better-than-expected US labor market data reinforced expectations for a fed funds rate hike at next week's FOMC meeting. On the data front, focus this week is on the euro area Q3 GDP final estimate due on Tuesday, including the composition of spending flows. In the US, jobless claims on Thursday and retail sales, producer prices for November and University of Michigan consumer sentiment for December (preliminary estimate) on Friday are also expected to lure market attention. Separately, Swiss National Bank and Bank of England interest rate decisions on Thursday will probably be closely scrutinized by market participants.

GREECE: On Friday, December 4th, the Bank of Greece submitted its Interim Report on Monetary Policy 2015 to the Speaker of the Greek Parliament. On Sunday, December 6th, the 2016 Budget passed through Parliament with 153 in favour votes from the SYRIZA-ANEL governing coalition, whereas 145 MPs voted against. According to press reports, on Tuesday, December 8th, the Greek government will commence anew meeting with the representatives of EC/ECB/ESM/IMF in order to complete the second set of 13 prior actions.

SOUTH EASTERN EUROPE

BULGARIA: On the data front, the final Q3 real GDP growth estimate (sa) came in line with the flash reading of 2.9%YoY and vs. an upwardly revised 2.6%YoY in Q2.

ROMANIA: The final estimate of the Statistical Service on the Q3 real GDP sa reading confirmed the flash estimate of 3.6%YoY compared to 3.8%YoY in Q2.

SERBIA: The EUR/RSD held above 121.00 and even climbed to a 10-month high of 121.40/60 at one point last week. However, new Central Bank interventions in the FX markets in order to halt the pair's upside momentum held the cross below 121.50, with sales of €40mn last week.

CESEE MARKETS: Emerging markets closed broadly lower last week after the ECB's decision for further monetary easing fell short of market expectations and the US non-farm payrolls report surprised to the upside adding to the view that the Fed will render in December its first rate hike since 2006. **Looking into this week,** Q3 real GDP from Turkey, November CPI from Hungary, Romania and Serbia, as well as the MPC meeting in the latter where the Central Bank is broadly anticipated to stay put on its monetary policy, take centre stage in the CESEE region.

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Latest world economic & market developments

GLOBAL MARKETS

US nonfarm payrolls increased by 211k in November, surpassing market expectations for a rise of 200k. Moreover, the October payroll growth was upwardly revised to 298k from an initial estimate of 271k. Adding to the positive tone of the said report, the unemployment rate remained unchanged at a 7 ½ year low of 5.0% even as the participation rate rose by 0.1pps to 62.5%, while wage earnings posted an increase of 0.2%MoM, from 0.4%MoM in the prior month. Significant gains in Wall Street followed the solid employment data on Friday, which increased confidence for a resilient US domestic economy against a soft global growth environment. Mirroring the uptrend in the US equity market, most European bourses rebounded on Monday, after their worst week in about almost four months. In FX markets, the US dollar rose against its major currency peers for the second consecutive session, as better-than-expected US labor market data reinforced expectations for a fed funds rate hike at next week's FOMC meeting, with the DXY index increasing 0.5% compared to Friday's settlement to 98.812 in early European trade. Against this background, the EUR/USD edged down 0.7% to 1.0809/10 at the time of writing, not far from a one-month high of 1.0981 hit in last Thursday's intraday trade. On the data front, focus this week is on the euro area Q3 GDP final estimate due on Tuesday, including the composition of spending flows. In the US, jobless claims on Thursday and retail sales, producer prices for November and University of Michigan consumer sentiment for December (preliminary estimate) on Friday are also expected to lure market attention. Separately, Swiss National Bank and Bank of England interest rate decisions on Thursday will probably be closely scrutinized by market participants.

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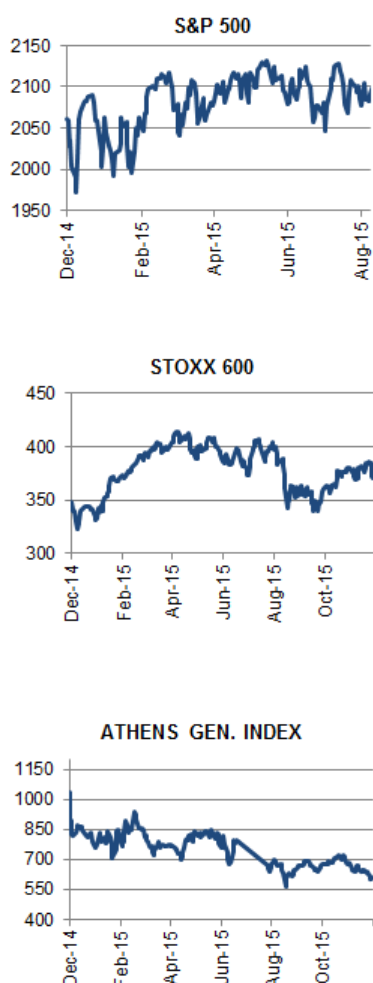
GREECE

On Friday, December 4th, the Bank of Greece submitted its Interim Report on Monetary Policy 2015 to the Speaker of the Greek Parliament. In the report the BoG highlights the smooth progress of the negotiations between the Greek government and its partners and the successful recapitalization of the four Greek systemic banks as factors that raise expectations for the successful implementation of the programme and the return of the country to sustainable growth. The report also stresses the importance of political stability and consensus as pre-conditions for the continuation of the implementation of the agreement and the commencement of discussions on debt-relief.

On Sunday, December 6th, the 2016 Budget passed through Parliament with 153 in favour votes from the SYRIZA-ANEL governing coalition, whereas 145 MPs voted against. The budget deficit is expected at -2.1% of GDP in 2016 from -3.2% of GDP in 2015. The primary balance, in the most restrictive Third Economic Adjustment Programme terms, is expected at 0.53% of GDP (a primary surplus) for 2016 from -0.20% of GDP (a primary deficit) in 2015. The 2016 Budget includes €5.7 bn in public spending cuts including €1.8 bn from pensions and €0.5bn from defense for 2016 as well as tax revenue increases of ca €2.0 bn.

According to press reports, on Tuesday, December 8th, the Greek government will commence anew meeting with the representatives of EC/ECB/ESM/IMF in order to complete the second set of 13 prior actions, which includes among others, the thorny issues of the privatization of ADMIE (Independent Power Transmission Operator), the framework for the sale of NPLs and the implementation of the single wage grid for the public sector.

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Source: Reuters, Bloomberg, Eurobank Research

BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.9	3.0
CPI (pa, yoy %)	-1.4	0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	2.5	1.4
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

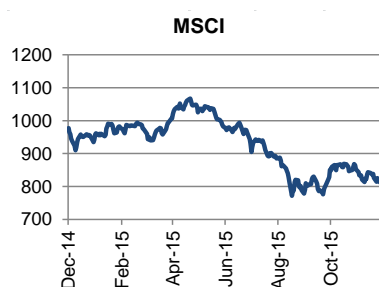
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
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	4.50

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	BB-	B+

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

Latest world economic & market developments in the CESEE region

BULGARIA

The domestic stock market kicked off December on a negative footing as liquidity dried up leaving investors on the sidelines. In more detail, the main SOFIX index drifted ca 0.6% lower on the week to a 30-month low of 435.36 points on Friday's settlement. This is the fourth consecutive weekly decrease for the major index posting a total of 3.28% loss. The Eurobond market remained relatively quiet last week, with some steepening undertaken in the long-end of the yield curve. Local bonds remained well supported with the 3-5 year sector outperforming and losing another 22bps for the week. The next treasury auction for BGN 65mn (10Y) is scheduled for today. On the data front, the final Q3 real GDP growth estimate (sa) came in line with the flash reading of 2.9%YoY and vs. an upwardly revised 2.6%YoY in Q2. The data contained revisions and reallocations within the individual growth drivers' components. The largest revisions were in the categories of inventories and net exports. In any case, final consumption made a strong contribution to growth in Q3, switching to positive YoY rates in Q3 against negative readings recorded in 1H-2015.

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ROMANIA

The final estimate of the Statistical Service on the Q3 real GDP sa reading confirmed the flash estimate of 3.6%YoY compared to 3.8%YoY in Q2. Both private consumption and gross fixed capital formation posted very strong dynamics. On the other hand, net exports exerted a negative contribution to growth in Q3, which is broadly expected as domestic demand recovery is accompanied by a recovery of imports in the case of Romania. Had it not been for the negative contribution of the volatile agriculture sector, as a result of the unfavorable weather conditions, growth would have been even higher. We anticipate an equally strong output performance in Q4, as indicated in the latest strong sentiment readings.

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SERBIA

The EUR/RSD held above 121.00 and even climbed to a 10-month high of 121.40/60 at one point last week. However, new Central Bank interventions in the FX markets in order to halt the pair's upside momentum held the cross below 121.50, with sales of €40mn last week. Looking ahead, increased EUR demand is likely to keep the dinar under pressure into year end.

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CESEE MARKETS

Emerging markets closed broadly lower last week after the ECB's decision for further monetary easing fell short of market expectations and the US non-farm payrolls report surprised to the upside adding to the view that the Fed will render in December its first rate hike since 2006. Polish markets, considered amongst the most liquid in the CESEE region led, the losses with the main WIG index plunging by 3.0% on a weekly basis, underperforming a concomitant drop of 1.7% in the broader MSCI Emerging Markets index. Additionally, the Polish zloty eased to an 11-month trough close to 4.3400/EUR on Thursday, while the corresponding 10-year government bond yield registered on the same day the highest one-session increase in approximately 15 months to 2.852%. **Looking into this week**, Q3 real GDP from Turkey, November CPI from Hungary, Romania and Serbia, as well as the MPC meeting in the latter where the Central Bank is broadly anticipated to stay put on its monetary policy, take centre stage in the CESEE region.

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December 7, 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	2091.69	2.1%	1.6%	EUR/USD	1.082	-0.5%	-10.6%	UST - 10yr	2.27	1	10	GOLD	1084	-0.3%	-8.6%
Nikkei 225	19698.15	1.0%	12.9%	GBP/USD	1.5068	-0.3%	-3.3%	Bund-10yr	0.65	-3	11	BRENT CRUDE	43	-0.8%	-25.6%
STOXX 600	375.33	1.3%	9.6%	USD/JPY	123.38	-0.2%	-3.0%	JGB - 10yr	0.33	-1	0	LMEX	2172	1.6%	-25.5%

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	7.34	0	-474

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.06	0	-120
USD Nov-24	6.41	0	-18

CDS

	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	338	-1	-18

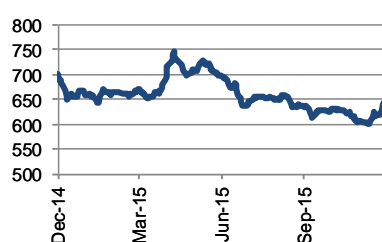
STOCKS

	Last	ΔD	ΔYTD
BELEX15	647.9	1.01%	-2.86%

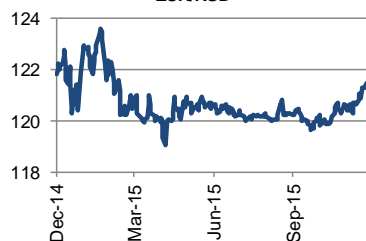
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.46	-0.08%	-0.09%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

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

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.47	0	-84
5Y RON	2.01	0	-70
10Y RON	3.64	1	-2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.13	-1	-60
USD Aug-23	3.65	3	3

CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	0	-9
10-year	174	1	-12

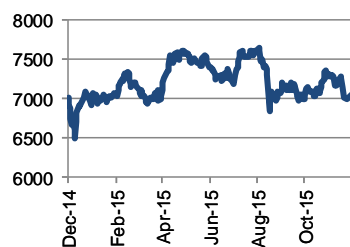
STOCKS

	Last	ΔD	ΔYTD
BET	7049.0	0.42%	-0.48%

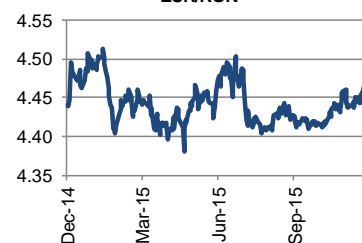
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.474	0.23%	0.21%

BET Index



EUR/RON



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	0.23	-2	-81
5Y BGN	0.42	-5	-103
10Y BGN	1.93	0	-82

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.28	-9	-88
EUR Sep-24	2.39	-83	-48

CDS

	Last	ΔDbps	ΔYTD bps
5-year	166	0	-25
10-year	216	0	-24

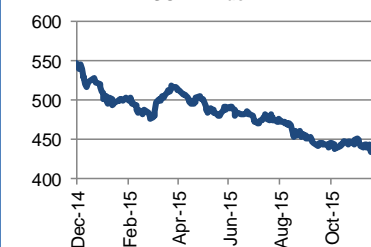
STOCKS

	Last	ΔD	ΔYTD
SOFIX	437.3	0.45%	-16.24%

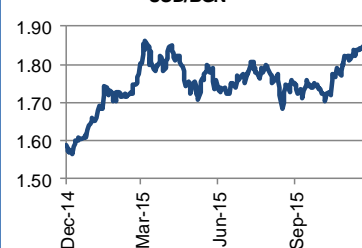
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8075	-0.57%	-10.57%

SOFIX Index



USD/BGN



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

Data updated as of 11:10 EET

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