

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Monday, November 09, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 12: Jobless Claims
- November 13
 - Retail sales (Oct)
 - UoM sent.(Nov, p)

EUROZONE

- November 9: OECD Economic Outlook
- November 11: ECB President Draghi speaks

GREECE

- November 9: Eurogroup
- November 11: EC/ECB/IMF/ESM mission heads reportedly expected to arrive in Athens

CYPRUS

- November 10: HICP (Oct)
- November 13: Conclusion of 8th programme review
- November 14: GDP (Q3, p)

SEE

BULGARIA

- November 9
 - Trade balance (Sep)
 - Ind. production (Sep)
 - Retail sales (Sep)
 - T-bonds auction
- November 12: CPI (Oct)
- November 13
 - GDP (Q3, p)
 - U/E rate (Oct)

ROMANIA

- November 9
 - Trade balance (Sep)
 - T-bonds auction
- November 10: Industrial production (Sep)
- November 11: CPI (Oct)
- November 13
 - GDP (Q3, A)
 - CAD (Sep)
- November 3: Retail sales (Sep)

SERBIA

- November 12
 - HICP (Oct)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The US non-farm payrolls report for the month of October surprised to the upside prompting a hawkish shift in market expectations for a December Fed rate hike. US Treasuries weakened while the US dollar firmed across the board with the DXY trading close to 6 ½ month highs.

GREECE: The Greek government and official creditors reportedly failed to bridge their differences at the Euro Working Group which took place late yesterday via teleconference on the outstanding prior actions underlying the release of the next ESM loan installment (€2bn). Against this background, the Eurogroup which is scheduled to be held later today is reportedly unlikely to approve the release of the €2bn ESM loan disbursement.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market ended little changed last week, with increased volatility coming on the back of thin trade volumes.

ROMANIA: Over the last few sessions, the tone in the RON financial markets was mainly set by the impact of a deadly nightclub fire in Bucharest on October 30. On the data front, nominal net wage growth accelerated further in September, to 8.0%YoY from 7.7%YoY in August.

SERBIA: The EUR/RSD edged higher on a weekly basis on Friday after the surprising intervention from the NBS on Thursday.

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Latest world economic & market developments

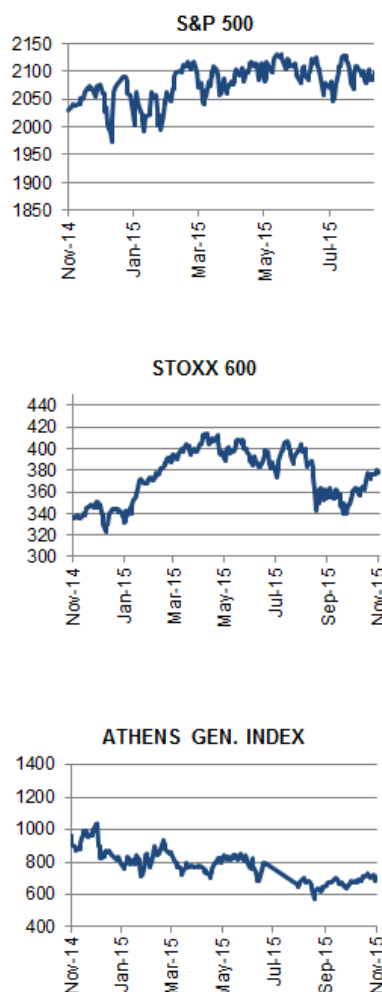
GLOBAL MARKETS

The US non-farm payrolls report for the month of October surprised to the upside revealing a 271k increase in the headline, the largest rise since December 2014, compared to market consensus for an improvement of 185k. Adding to the positive tone of the report, the respective figure of the prior two months was revised higher by 12k cumulatively while the October's unemployment rate dropped to a new 7 ½ year low of 5.0% from 5.1% previously. Furthermore, average hourly earnings increased by a higher than expected 0.4%MoM taking the annual rate to a new cyclical high of 2.5%. The above prompted a hawkish shift in market expectations for a December Fed rate hike to around 80% from c. 40% late last week ahead of the release of the said report. Responding to the firmer than expected US non-farm payrolls report, US Treasuries weakened while the US dollar firmed across the board with the DXY index standing close to 99.027 in European trade today, not far from last week's 6 ½ month high of 99.345. Meanwhile, the EUR/USD was trading near 1.0770/80 at the time of writing, close to a 7-month trough of 1.0706 hit in the prior session. With diverging Fed and ECB monetary policy outlooks continuing to play a key role in FX markets, the EUR/USD seems vulnerable to further weakness in the coming sessions. Technically, a sustained move below recent lows could pave the way for further decline towards 1.0500 or lower.

GREECE

The Greek government and official creditors reportedly failed to bridge their differences at the Euro Working Group which took place late yesterday via teleconference on the outstanding prior actions underlying the release of the next ESM loan disbursement (€2bn). According to press reports, one of the main stumbling blocks include the eligibility criteria for the protection of primary residence from foreclosure. The revised criteria proposed over the weekend by the Greek government are reportedly deemed by official creditors "too generous" covering around 60% of indebted households which have applied for the so-called "Katseli" scheme (from 72% previously). On the flipside, those proposed by official lenders cover just 40%. Against this background, the Eurogroup which is scheduled to be held later today is reportedly unlikely to approve the release of the €2bn ESM loan disbursement to Greece. Meanwhile, the EC/ECB/IMF/ESM mission heads are reportedly expected to arrive in Athens on Wednesday aiming to: (i) reach an agreement with the Greek authorities on any remaining open issues by then for the release of the €2bn loan installment (as a reminder, this represents the first –out of two– installment of the €3bn outstanding sub-tranche pertaining to the €26bn loan disbursement agreed in mid-August); and (ii) determine with the Greek government the key deliverables for the release of the second and last installment amounting to €1bn.

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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

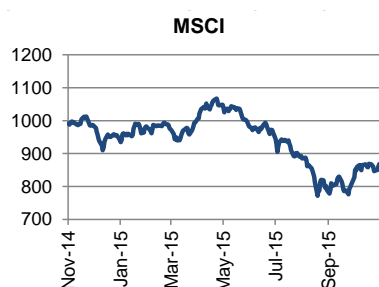
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 domestic stock market ended little changed last week, with increased volatility coming on the back of thin trade volumes. In more detail, the main SOFIX index closed in a modestly positive territory of 0.4% on a weekly basis on Friday at 448.4 points, recouping losses recorded earlier in the week after a 1.3% daily rally staged over the last session. Elsewhere, the local sovereign market also ended little changed on Friday compared to the settlement a week earlier, while the Eurobonds yield curve undertook some steepening. Focus now turns to the next treasury auction, scheduled for November 9th, where the finance ministry plans to sell BGN 150mn (~€77mn) in 5-year T-bonds.

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ROMANIA

Over the last few sessions, the tone in the RON financial markets was mainly set by the impact of a deadly nightclub fire in Bucharest on October 30. The irregularities blamed for the fire came to be seen as a symbol of the effects of perceived wide-ranging corruption in Romania, leading to large street protests in Bucharest and other cities. In response, the Ponta government unexpectedly stepped down on Wednesday. Markets were relatively quiet over the first two days of the week, reacting to the elevated uncertainty only after of the Prime Minister's surprise resignation on Wednesday. Against this backdrop, the EUR/RON hit a 1-month high near 4.4600 on Thursday, before closing the week around 4.4550 (200 pips over previous Friday's settlement). The central bank meeting on Thursday, where the NBR stayed put on its monetary policy, had no immediate impact on either FX or rates as it was largely priced in by markets. Separately, RON money market rates were little changed last week, as current and expected plentiful liquidity is keeping short term rates at low levels. Meanwhile, the initial sell off in RON-denominated government bonds, mostly in the long-end of the yield curve, following the largely unexpected developments in the domestic political landscape on Wednesday, was largely reversed before the week's end. That said, hawkish comments from Fed Chair Yellen exerted additional selling pressure on the mid to long term yields into the end of the week, while short end yields up to 3Y fared better supported by cheap money market funding. On the data front, nominal net wage growth accelerated further in September, to 8.0%YoY from 7.7%YoY in August. If the negative inflation stemming from the VAT food stuff rate cut is factored in, real wages expanded by 9.7%YoY in September marginally up from +9.6%YoY in the prior month, which is the highest reading in EU-28. The generous wage increases in some unions of the broad public sector will continue to put further upward pressure to the average wage in the near term. Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending in H12015, a trend which most probably has continued in Q3.

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SERBIA

The EUR/RSD edged higher on a weekly basis on Friday, reversing some of the pair's losses recorded earlier this month, after the surprising intervention from the NBS on Thursday near levels of 120.70/90. The move up came on the back of profit taking in RSD-denominated T-bonds by international investors. Looking ahead, renewed Central Bank interventions remain on the cards, though we think that they will not show consistency in strictly defending 121.00.

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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	2099.20	0.0%	2.0%	EUR/USD	1.0784	0.4%	-10.9%	UST - 10yr	2.34	2	17	GOLD	1095	0.4%	-7.6%
Nikkei 225	19642.74	2.0%	12.6%	GBP/USD	1.5091	0.2%	-3.1%	Bund-10yr	0.71	2	17	BRENT CRUDE	48	0.8%	-16.6%
STOXX 600	378.78	-0.3%	10.6%	USD/JPY	123.43	-0.3%	-3.0%	JGB - 10yr	0.34	1	1	LMEX	2285	-0.2%	-21.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	-1	-684
1-week	3.24	0	-677
1-month	3.55	-1	-650
3-month	3.89	-1	-596
6-month	4.09	0	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.46	0	-462
5Y RSD	6.62	6	-357
7Y RSD	6.82	2	-526

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.04	2	-122
USD Nov-24	6.44	0	-15

CDS

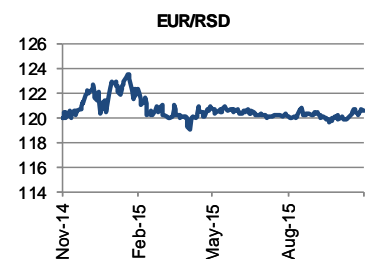
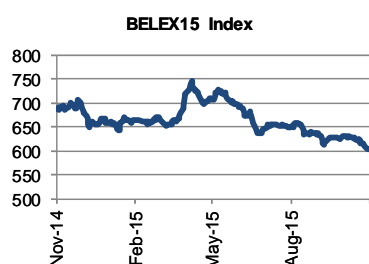
	Last	ΔDbps	ΔYTD bps
5-year	281	-1	-9
10-year	346	-1	-10

STOCKS

	Last	ΔD	ΔYTD
BELEX15	603.7	-0.13%	-9.49%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.68	0.11%	0.55%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.62	0	5
1-month	0.93	0	2
3-month	1.13	-2	-57
6-month	1.41	0	-60
12-month	1.57	1	-45

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.55	-1	-76
5Y RON	2.12	1	-59
10Y RON	3.59	1	-7

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.24	-2	-49
USD Aug-23	3.80	14	18

CDS

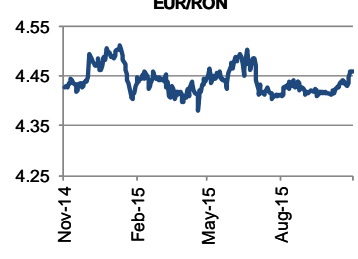
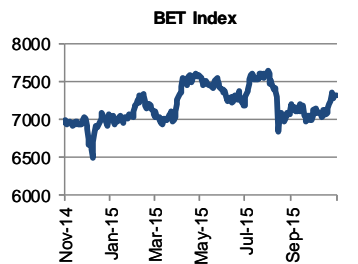
	Last	ΔDbps	ΔYTD bps
5-year	135	2	-8
10-year	177	2	-10

STOCKS

	Last	ΔD	ΔYTD
BET	7322.2	0.04%	3.38%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4585	-0.02%	0.56%



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	-23
12-month	1.12	0	-38

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.26	0	-78
5Y BGN	0.55	2	-89
10Y BGN	2.05	0	-70

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.37	-14	-79
EUR Sep-24	2.48	-22	-39

CDS

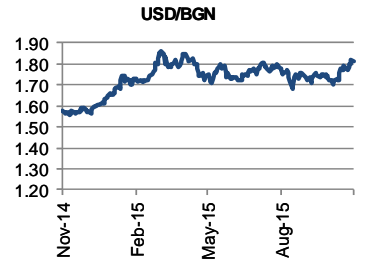
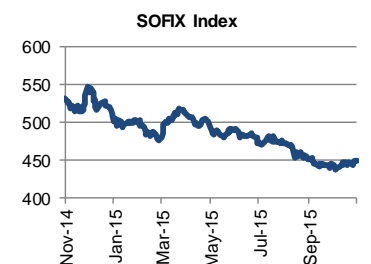
	Last	ΔDbps	ΔYTD bps
5-year	172	3	-19
10-year	220	3	-20

STOCKS

	Last	ΔD	ΔYTD
SOFIX	448.3	-0.05%	-14.13%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8136	0.40%	-10.87%



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