

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Friday, October 16, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 14
 - Retail sales (Sep, A)
 - PPI (Sep)
 - Fed Beige Book
- October 15
 - CPI (Sept)
 - Jobless claims (Oct 10)
 - Empire state (Oct)
 - Philly Fed (Oct)
- October 16
 - IP (Sep)
 - UoM cons. Sent.(Oct,p)

EUROZONE

- October 13: Zew Survey Expectations (Oct)
- October 14: IP (Aug)
- October 16: HICP (Sep,f)

GREECE

- October 12: Submission to Parliament of the bill that includes required legislation for the 49 prior actions related to the release of the €2bn loan installment (reportedly)
- October 13: €447mn IMF loan repayment due
- October 17: Parliamentary vote on bill (reportedly)

SEE

BULGARIA

- October 12
 - T-Bonds auction
 - Trade balance (Aug)
- October 14: CPI (Sep)
- October 16: Current account balance (Aug)

ROMANIA

- October 12
 - Trade balance (Aug)
 - CPI (Sep)
 - Industrial production (Aug)
 - 5.85% 2023 T-Bonds auction
- October 14: Current account balance (Aug)

SERBIA

- October 12: HICP (Sep)
- October 14: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Wall Street edged up overnight, with the S&P 500 index jumping 1.5% to a two-month high of 2,023.86 points, while 10yr US Treasury yields rose by 5bps to 2.02% on improved risk sentiment. This performance was exacerbated by better-than-expected US inflation and jobless claims data released yesterday. Mirroring the positive tone in Wall Street, major Asian bourses closed in the black on Friday, while in Europe, most equity indices opened higher. In FX markets, the US dollar rebounded from Thursday's near two-month low, while the EUR/USD was trading close to 1.1377/78 at the time of writing after hitting a 7-week peak close to 1.1500 at some point yesterday. ECB Ewald Nowotny's comments, which raised expectations for further ECB monetary easing in the coming months, weighed on the common currency. On the US data front, industrial production for September and University of Michigan consumer sentiment for October are expected to take centre stage today, while, in the euro area, the final estimate for September headline and core HICP is expected to lure investors' attention.

GREECE: After a two-day parliamentary debate, the Hellenic Parliament is scheduled to vote late today on a multi-bill incorporating the legislation needed for the implementation of the prior actions required for the release of the first installment, amounting to €2bn, out of the outstanding €3bn sub-tranche of the first loan disbursement. On the data front, according to the preliminary State Budget Execution data for the January – September 2015 period, the budget balance recorded a ca €1.9bn deficit, improved relative to the respective 2015 Budget target (deficit at ca €1.4bn) but on the back of a significant shortfall in ordinary budget net revenue by ca €4.6bn (or -12.5%) relative to the respective 2015 Budget and the similar underperformance of ordinary budget expenditure by ca €3.1bn (or -8.4%) relative to the respective 2015 Budget.

SOUTH EASTERN EUROPE

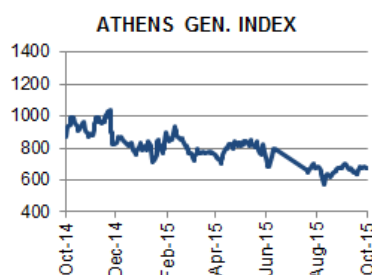
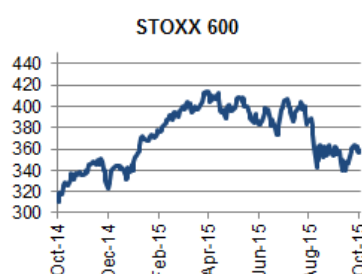
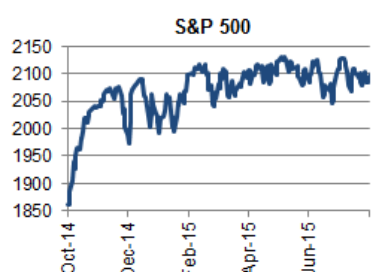
CESEE MARKETS: Emerging stock markets moved modestly higher in early European trade on Friday, receiving support from upbeat US macro data released yesterday. In the FX markets, **CESEE currencies** stood broadly weaker in early European trade. Separately, **CESEE local currency denominated government bonds** were mixed earlier on Friday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Wall Street edged up overnight, with the S&P 500 index jumping 1.5% to a two-month high of 2,023.86 points, while 10yr US Treasury yields rose by 5bps to 2.02% on improved risk sentiment. This performance was exacerbated by better-than-expected US inflation and jobless claims data released yesterday. In more detail, although headline CPI declined in September for the second month in a row (-0.2%MoM) on lower energy prices, core CPI came in at slightly stronger than expected (+0.2%MoM vs. consensus expectations for a monthly rise of 0.1%), with solid core services more than offsetting the softness in core goods. Furthermore, US initial jobless claims fell to 255k in the week ending October 10, the lowest in near 42 years and below the key level of 300k for the 32nd week in a row. Mirroring the positive tone in Wall Street, major Asian bourses closed in the black on Friday, while in Europe, most equity indices opened higher. In FX markets, the US dollar rebounded from a near two-month low of 93.806 reached on Thursday, with the DXY index hovering around levels of 94.55 in early European trade. Against this backdrop, the EUR/USD was trading close to 1.1377/78 at the time of writing after hitting a 7-week peak close to 1.1500 at some point yesterday. ECB Ewald Nowotny's comments, which raised expectations for further ECB monetary easing in the coming months, weighed on the common currency. On the US data front, industrial production for September and University of Michigan consumer sentiment for October are expected to take centre stage today, while, in the euro area, the final estimate for September headline and core HICP is expected to lure investors' attention.

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GREECE

After a two-day parliamentary debate, the Hellenic Parliament is scheduled to vote late today on a multi-bill incorporating the legislation needed for the implementation of the prior actions required for the release of the first installment, amounting to €2bn, out of the outstanding €3bn sub-tranche of the first loan disbursement. According to a number of press reports, the draft bill is broadly expected to be ratified by a wide majority in the 300-seat Parliament. Upon parliamentary approval of the said bill, the Euro Working Group is reportedly expected to give the green light for the release of the €2bn installment at its upcoming meeting scheduled for mid-next week (Wednesday, October 21). Subsequently, the ESM Board of Directors will reportedly convene within the next two weeks to officially approve the release of the said installment tranche with an intention to arrive in Greece's State coffers before the end of October.

According to the preliminary State Budget Execution data for the January – September 2015 period, the budget balance recorded a ca €1.9bn deficit, improved relative to the respective 2015 Budget target (deficit at ca €1.4bn) but on the back of a significant shortfall in ordinary budget net revenue by ca €4.6bn (or -12.5%) relative to the respective 2015 Budget and the similar underperformance of ordinary budget expenditure by ca €3.1bn (or -8.4%) relative to the respective 2015 Budget. As a result, the primary balance recorded a surplus of ca €3.1bn, significantly outperforming the 2015 Budget target (primary surplus of ca €3.6bn). Note that the Greek Government, on October 10 2015, submitted to Parliament the draft 2016 Budget that included significant revisions for the 2015 budget target. For example the 2015 General Government primary deficit is expected at 0.25% of GDP in the draft 2016 Budget instead of a primary surplus of 3.0% of GDP in the 2015 Budget. The consequent revisions of the 2015 Budget targets are not included in the preliminary January – September 2015 State Budget Execution.

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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

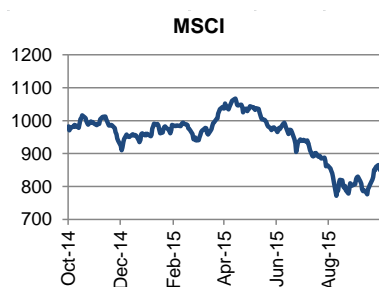
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator	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	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	B+	B-

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

Latest world economic & market developments in the CESEE region

CESEE MARKETS

Emerging stock markets moved modestly higher in early European trade on Friday, receiving support from upbeat US macro data released yesterday. The MSCI Emerging Markets index posted gains to the tune of circa 0.3% at the time of writing. The index appears poised to end the week around 1.0% higher and mark its third consecutive weekly advance, the longest for the first time since April thanks to recently scaled back expectations for an imminent Fed rate hike. Bourses in the CESEE region also advanced, with most indices moving 0.3-0.5% higher each at the time of writing compared to the prior session's settlement.

In the FX markets, **CESEE currencies** stood broadly weaker in early European trade. The Turkish lira broadly underperformed its regional peers, as scaled back expectations for a Fed rate hike overshadowed heightened domestic political uncertainty ahead of the November 1st repeat general election. Next month's ballot comes on the heels of a June 7 national poll, where no political party managed to win parliamentary majority and ensuing coalition negotiations broke down. Geopolitical tensions near the country's border with Syria and security concerns domestically have also weighed on the Turkish currency of late. Against this backdrop, the USD/TRY rose by ca 0.45% to 2.8920 at the time of writing, though remaining within distance from yesterday's 2-month trough of 2.8740. Although the lira has recovered some ground recently amid expectations for a delay in the looming inception of the Fed's rate-hiking cycle, risks to the currency remain skewed towards renewed depreciation, as the most recent opinion surveys suggest a hung parliament in next month's elections. Elsewhere, the Serbian dinar was little changed hovering around levels of 119.85 modestly above Thursday's close of 119.75, after the Central Bank intervened once again in the FX markets yesterday to stem the currency's upside momentum. The NBS reportedly purchased euros at a EUR/RSD rate of 119.70, when the pair stood ca 0.25% higher compared to the prior session's settlement.

Separately, **CESEE local currency denominated government bonds** were mixed earlier on Friday. Turkish paper trimmed part of its recent gains with the 2- and 10-year benchmark bond yields rising by 4bps to 10.27% and 8bps to 9.95%, respectively, after easing by 30-40bps each in the prior two sessions. On the other hand, Poland's corresponding yields slid by 2bps and 3bps at the time of writing to 1.72% and 2.66%, respectively.

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October 16, 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	2023.86	1.5%	-1.7%	EUR/USD	1.1357	-0.2%	-6.1%	UST - 10yr	2.01	0	-16	GOLD	1176	-0.6%	-0.7%
Nikkei 225	18291.80	1.1%	4.8%	GBP/USD	1.5457	0.0%	-0.8%	Bund - 10yr	0.55	-1	0	BRENT CRUDE	50	0.9%	-12.5%
STOXX 600	363.70	0.8%	6.2%	USD/JPY	119.12	-0.2%	0.5%	JGB - 10yr	0.32	0	-1	LMEX	2431	0.0%	-16.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	321	-33	-670
1-week	3.43	-32	-658
1-month	3.82	-27	-623
3-month	4.18	-27	-567
6-month	4.38	-36	-541

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.78	9	-427
5Y RSD	7.05	0	-313
7Y RSD	7.26	0	-482

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.13	-1	-113
USD Nov-24	6.44	0	-15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	338	0	-18

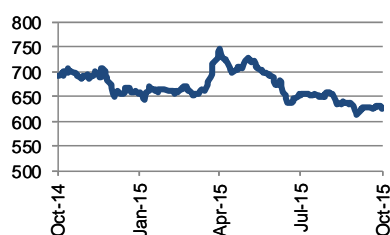
STOCKS

	Last	ΔD	ΔYTD
BELEX15	626.8	-0.13%	-6.04%

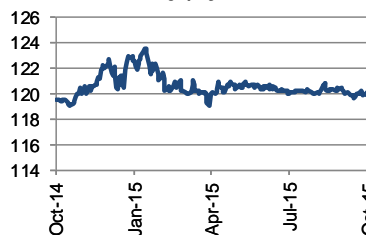
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.95	-0.04%	1.17%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	-6	6
1-month	1.17	-2	26
3-month	1.32	-4	-38
6-month	1.61	4	-40
12-month	1.68	2	-34

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.71	0	-60
5Y RON	2.12	0	-59
10Y RON	3.44	0	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.26	-1	-47
USD Aug-23	3.43	-2	-19

CDS

	Last	ΔDbps	ΔYTD bps
5-year	128	-4	-14
10-year	170	-3	-17

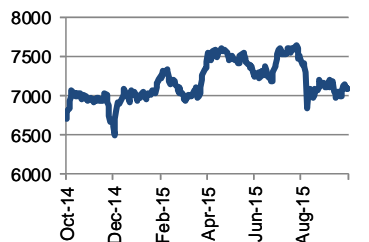
STOCKS

	Last	ΔD	ΔYTD
BET	7100.2	0.17%	0.24%

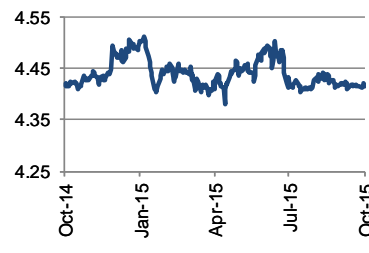
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4156	0.07%	1.54%

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	0.32	0	-11
6-month	0.60	0	-20
12-month	1.19	0	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.27	-1	-77
5Y BGN	0.60	0	-84
10Y BGN	2.19	0	-56

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.33	-5	-83
EUR Sep-24	2.64	-5	-22

CDS

	Last	ΔDbps	ΔYTD bps
5-year	165	-4	-26
10-year	208	-4	-32

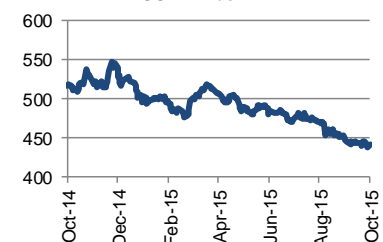
STOCKS

	Last	ΔD	ΔYTD
SOFIX	441.4	0.33%	-15.45%

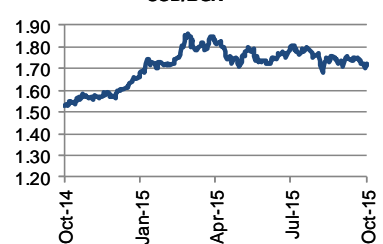
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7222	-0.25%	-6.14%

SOFIX Index



USD/BGN



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

Data updated as of 11:40 EEST

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