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DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Monday, November 16, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- November 15-16: G20 Summit

US

- November 16: Empire state index (Nov)
- November 17
  - CPI (Oct)
  - IP (Oct)
  - NAHB (Nov)
- November 18
  - Housing starts/permits (Oct)
  - FOMC minutes (October 27/28 meeting)
- November 19
  - Jobless Claims
  - Philly Fed (Nov)

EUROZONE

- November 16: HICP (Oct)
- November 17: DE: ZEW index (Nov)
- November 19: ECB Oct 22 meeting minutes
- November 20: Consumer confidence (Nov)

GREECE

- November 21: Government submits to parliament for approval 2016-2019 Medium-Term Fiscal Strategy

SEE

BULGARIA

- November 16
  - CAD (Sep)
  - U/E rate (Oct)
  - T-bonds auction

ROMANIA

- November 16: 2021 T-bonds auction
- November 19: 2025 T-bonds auction

SERBIA

- November 19: T-bonds auction
- November 20: CAD (Sep)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of global equity markets kicked off the week on a weaker note pressured by increased market uncertainty following Friday's terrorist attacks in Paris. In FX markets, the JPY was among the main outperformers as the latest bout of risk aversion favored its safe-haven appeal.

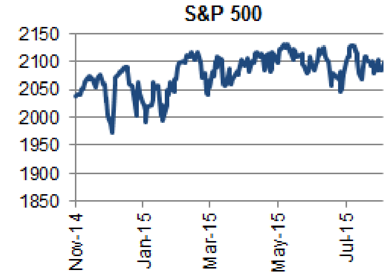
GREECE: Negotiations between the Greek government and official creditors will reportedly continue later today as the two sides have not yet reached a compromise on certain issues, including the criteria for the protection of primary residence from foreclosure and the adoption of specific actions to facilitate NPL resolution. Eurogroup President Jeroen Dijsselbloem was quoted saying yesterday that "good progress" has been made between the Greek authorities and the institutions in discussions on the prior actions for the release of the next ESM loan installment and financial sector measures "that are essential for a successful recapitalization process". The Eurogroup President added that "agreement has been reached on many issues" and the Euro Working Group will convene on Tuesday to evaluate whether Greece has met all pending prior actions for the unlocking of next ESM loan installment (€2bn) and the sub-tranche earmarked for bank recapitalization and resolution needs (€10bn).

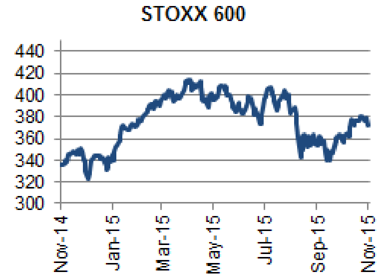
SOUTH EASTERN EUROPE

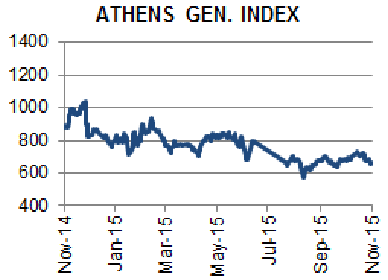
BULGARIA: The economy picked up pace in Q3-2015, growing at the strongest annual rate since Q2-2011. The released flash estimate brings third quarter output performance at 2.9%YoY in Q3-2015 up from a revised 2.6%YoY in each Q1 & Q2-2015 (from 2.3% and 2.2% respectively).

ROMANIA: According to the flash Q3 GDP estimate, real GDP growth expanded by +1.4%QoQ up from a revised flat pace in Q2. On a yearly basis, real GDP growth came in at 3.6%YoY in Q3 (sa and nsa) slightly down from 3.8%YoY in Q2.

SERBIA: The EUR/RSD remained bound within 120.25/45 and 120.55/75, last week amid light trade volumes and key macroeconomic data and events domestically.







Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The majority of global equity markets kicked off the week on a weaker note pressured by increased market uncertainty following Friday's terrorist attacks in Paris. In FX markets, the JPY was among the main outperformers as the latest bout of risk aversion favored its safe-haven appeal. Against this background, weaker-than-expected Japanese GDP data which suggested that the economy slipped back into technical recession, were shrugged off. Japan's Q3 GDP shrank by an annualized 0.8%, more than -0.2% expected, following a contraction of 0.7% in the prior quarter mainly due to a hefty drop in inventories and weak capital spending. The EUR/JPY dropped to a 6 ½ month low of 130.62 earlier today with lingering political jitters in Portugal and Spain, weaker-than-expected Eurozone Q3 GDP data and increased market expectations for further ECB monetary policy stimulus in the foreseeable future, continuing to exert a negative impact on the common currency. Elsewhere, after testing levels slightly above 1.0800 at some point on Friday, the EUR/USD retreated hovering around 1.0735/40 in European trade, not far from a multi-month trough of 1.0673 recorded a few sessions earlier as the diverging monetary policies of the Fed and the ECB remain among the key themes in FX markets. On the data front, focus this week is on US October CPI report as well as Germany's latest ZEW survey, both due on Tuesday. In addition, the minutes from the September FOMC meeting on Wednesday, also lure market attention.

GREECE

Negotiations between the Greek government and official creditors will reportedly continue later today as the two sides have not yet reached a compromise on certain issues attached to the pending programme deliverables required for the release of the next ESM loan installment (€2bn) and the sub-tranche earmarked for potential bank recapitalization and resolution purposes (€10bn). There reportedly include the criteria for the protection of primary residence from foreclosure and the adoption of specific actions to facilitate NPL resolution. On an encouraging note, an agreement has been sealed on several other issues including, inter alia, the replacement of the VAT on private education, amendments to the installment schemes for overdue tax payments & social security contributions and the governance of the domestic banks. Eurogroup President Jeroen Dijsselbloem was quoted saying yesterday that "good progress" has been made between the Greek authorities and the institutions in the discussions on the prior actions for the release of the €2bn ESM loan installment as well as financial sector measures "that are essential for a successful recapitalization process". The Eurogroup President added that "agreement has been reached on many issues" and the Euro Working Group will convene on Tuesday to evaluate whether Greece has met all pending prior actions for the unlocking of the aforementioned loan amounts. Elsewhere, according to the national account statistics for the third quarter of 2015 (flash estimate), Greece's real gross domestic product in seasonally and calendar adjusted terms declined by 0.5% QoQ /0.4% YoY. This is well above market consensus and compares with a +0.4% QoQ/+1.1% YoY reading in the prior quarter. In nominal terms, output growth in Q3 came in -0.5% QoQ/-1.8% YoY, with the implicit GDP deflator recording another negative reading (-0.7% YoY vs. -0.4% YoY in Q2), despite the across-the-board hikes in VAT rates implemented in early August.

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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

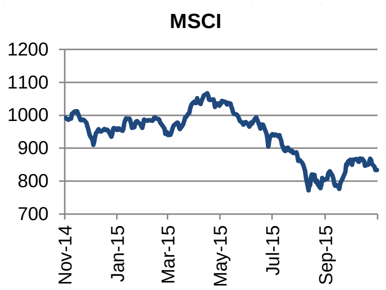
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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 economy picked up pace in Q3-2015, growing at the strongest annual rate since Q2-2011. The released flash estimate brings third quarter output performance at 2.9%YoY in Q3-2015 up from a revised 2.6%YoY in each Q1 & Q2-2015 (from 2.3% and 2.2% respectively). Preliminary data will be revised and published at a later stage and there will most probably be huge revisions and reallocations within the individual growth drivers' components. However, the flash estimates showed that final consumption appeared to have made a strong contribution to growth in Q3, switching to positive growth rates (+1.1%YoY). The spending recovery may have been driven by rising real wages, the declining energy prices – recall that Bulgaria has the highest energy consumption intensity in EU-28 – and further modest gains in employment despite the negative contribution from fiscal policies restraint. Net exports made an equally strong contribution even though exports decelerated further in Q3 (+2.6%YoY vs. +5.2%YoY in Q2) as the imports deceleration was faster (+1.2%YoY in Q3 vs. +4.7%YoY in Q2). On the negative side, investments remained in red (-0.9%YoY in Q3) for the fourth quarter running.

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ROMANIA

According to the flash Q3 GDP estimate, real GDP growth expanded by +1.4%QoQ up from a revised flat pace in Q2. On a yearly basis, real GDP growth came in at 3.6%YoY in Q3 (sa and nsa) slightly down from 3.8%YoY in Q2. Although the breakdown of the Q3 data is not yet published, we anticipate that growth has been primarily domestic demand driven. In more detail, private consumption is booming in the first three quarters as a result of the real disposable income boost by the VAT food stuff rate cut, wage increases in both private and public sector, sentiment improvement and labor market tightening. On the negative side, the growth rally is concealing warning signs of an overheating scene in the making that could eventually result in a revival of macroeconomic imbalances. In other news, RON markets started the week on a risk-off mood carrying over from the previous week's sell-off triggered by the fall of the Ponta government and by increased market expectations for a December Fed rate hike. However, sentiment improved sharply in the second part of the week, after the president nominated ex-European Commissioner Dacian Ciolos to form a new technocrat government on Tuesday. This development was widely seen as a positive development, with the EUR/RON closing the week at 4.4430, below a two-month high of 4.4640 touched on Monday. Elsewhere, ample RON liquidity kept rates up to 1-week pinned near the deposit facility rate (0.25%). Expectations of continued lose money market conditions also pushed longer rates lower, with the 3M implied rate from swaps falling 20bps over the week to 0.80% and the 12M rate falling 10bps to 1.00%. RON government bonds remained under selling pressure the first two days of the week, however starting from Wednesday the curve rallied aggressively on easing domestic political jitters.

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SERBIA

The EUR/RSD remained bound within 120.25/45 and 120.55/75, last week amid light trade volumes and key macroeconomic data and events domestically, such as the MPC meeting where the National Central Bank keep its policy rate unchanged at 4.50%, in line with market expectations. Looking into this week, the pair is likely continue consolidating within 120.00/20-120.80/00 as NBS appears ready to intervene on both sides of spectrum.

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GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	2023.04	-1.1%	-1.7%
Nikkei 225	19393.69	-1.0%	11.1%
STOXX 600	370.11	0.2%	8.0%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.0723	-0.5%	-11.4%
GBP/USD	1.5202	-0.2%	-2.4%
USD/JPY	122.9	-0.2%	-2.6%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.26	-1	9
Bund-10yr	0.55	-1	1
JGB - 10yr	0.30	0	-3

Commodities	Last	ΔD	ΔYTD
GOLD	1092	0.8%	-7.8%
BRENT CRUDE	45	0.7%	-21.9%
LMEX	2227	0.1%	-23.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	2	-683
1-week	3.24	3	-677
1-month	3.56	8	-649
3-month	3.90	6	-595
6-month	4.09	7	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.99	-2	-509
5Y RSD	6.59	0	-359
7Y RSD	6.90	0	-518

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.11	0	-115
USD Nov-24	6.44	0	-15

CDS

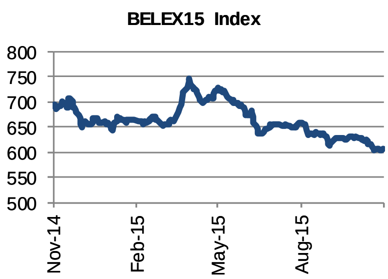
	Last	ΔDbps	ΔYTD bps
5-year	284	-2	-6
10-year	349	-2	-7

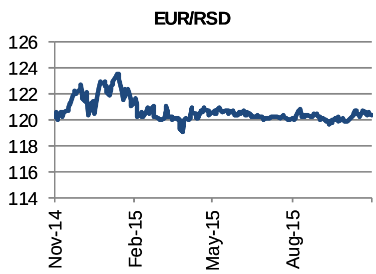
STOCKS

	Last	ΔD	ΔYTD
BELEX15	607.0	0.32%	-9.01%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	120.29	0.13%	0.88%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.57	1	0
1-month	0.84	-2	-7
3-month	1.08	-1	-62
6-month	1.36	-1	-65
12-month	1.52	-1	-50

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.50	0	-81
5Y RON	2.01	-1	-70
10Y RON	3.48	0	-18

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.15	-2	-58
USD Aug-23	3.68	1	6

CDS

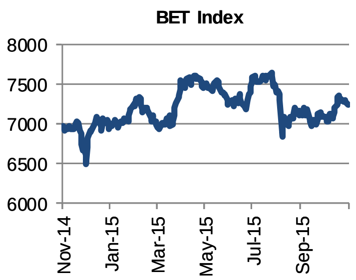
	Last	ΔDbps	ΔYTD bps
5-year	139	2	-3
10-year	181	2	-6

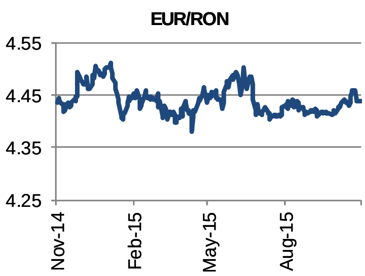
STOCKS

	Last	ΔD	ΔYTD
BET	7237.4	-0.71%	2.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4396	0.20%	0.99%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	0	-4
3-month	0.30	0	-13
6-month	0.57	0	-23
12-month	1.12	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.21	-8	-83
5Y BGN	0.57	3	-87
10Y BGN	2.07	0	-68

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.33	0	-83
EUR Sep-24	2.45	24	-41

CDS

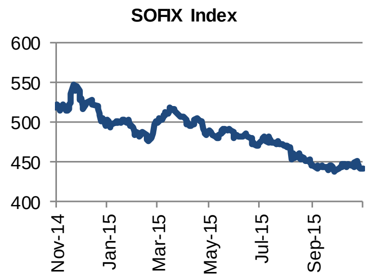
	Last	ΔDbps	ΔYTD bps
5-year	175	2	-16
10-year	223	2	-18

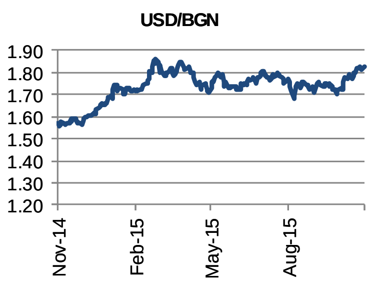
STOCKS

	Last	ΔD	ΔYTD
SOFIX	441.2	-0.06%	-15.49%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8238	-0.45%	-11.37%





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

Data updated as of 11:45 EET

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