

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Tuesday, November 17, 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: Wall Street rebounded overnight after three consecutive negative sessions, on speculation for a limited economic impact from Friday's terrorist attacks in Paris. Mirroring the positive tone in the US equity market, most Asian bourses closed in the black on Tuesday, while major European equities opened higher. In FX markets, the dollar strengthened against its major currency peers as investors' focus turned from the attacks in Paris to increased expectations for a fed funds rate hike in December. On the US data front, focus today is on the CPI and industrial production for October, while the November National Association of Home Builders Index is also expected to lure market attention.

GREECE: An agreement was reached early this morning between Greece and the institutions while the Greek Finance Minister Euclic Tsakalotos was quoted saying: "We have an agreement on all 48 milestones". According to press reports, the next steps for the current week are as follows: 1) the Euro Working Group (EWG) will convene today to ratify the agreement, 2) a multi-bill containing all agreed measures will go through the Greek Parliament on Thursday, and, 3) the EWG will convene anew on Friday to ratify the voting of the multi-bill.

SOUTH EASTERN EUROPE

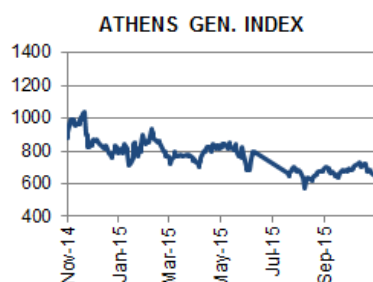
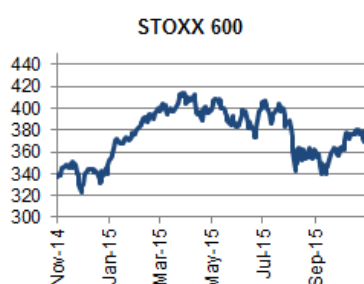
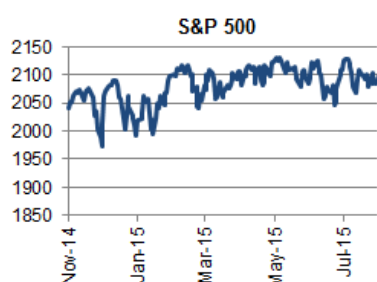
BULGARIA: The current account recorded a surplus of €182.7mn in September 2015, up from €80.9mn in September 2014.

CYPRUS: Cyprus recorded the highest annual deflation rate in EU-28 in October, with HICP coming in at -1.8% vs. -1.9% in September. HICP remained negative for the 11th consecutive month, largely on the back of falling global commodity prices. In other news, the Cypriot government reached on Monday a staff-level agreement with the teams of international creditors on the requirements to conclude the 9th review of the country's programme.

ROMANIA: The Ministry of Finance sold on Monday the planned RON 500mn (€113mn) of 2021 Treasury bonds at an average accepted yield of 2.63%, 9bps below that achieved at a prior auction of same maturity paper held in October.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Wall Street rebounded overnight after three consecutive negative sessions, on speculation for a limited economic impact from Friday's terrorist attacks in Paris. In this context, the S&P 500 index increased 1.5% yesterday, registering its biggest daily gain in more than three weeks with energy stocks capitalizing on higher oil prices. Mirroring the positive tone in the US equity market, most Asian bourses closed in the black on Tuesday, while major European equities opened higher. In FX markets, the dollar strengthened against its major currency peers as investors' focus turned from the attacks in Paris to increased expectations for a fed funds rate hike in December. In more detail, the DXY index climbed to a seven-month high of 99.625 in early European trade. Separately, the EUR/USD continued to trend lower for the third session in a row amid speculation for an increase in the ECB's unconventional policy in December, hovering near a seven-month low of 1.0655/56 at the time of writing. On the US data front, focus today is on the CPI and industrial production for October, while the November National Association of Home Builders Index is also expected to lure market attention.

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GREECE

An agreement was reached early this morning between Greece and the institutions while the Greek Finance Minister Euclid Tsakalotos was quoted saying: "We have an agreement on all 48 milestones". The thorny issue of first residence foreclosure has been reportedly settled with foreclosure protection covering 25% of debtors, whereas protection may be extended to another 35% of debtors who will undergo a property evaluation test, which will determine whether they are entitled to foreclosure protection or not. The agreement will allow for the release of the remaining part of the first tranche of the ESM loan amounting to €2bn as well as the €10bn (or part of that amount if needed) earmarked for the recapitalization of the Greek banks. According to press reports, the next steps for the current week are as follows: 1) the Euro Working Group (EWG) will convene today to ratify the agreement, 2) a multi-bill containing all agreed measures will go through the Greek Parliament on Thursday, and, 3) the EWG will convene anew on Friday to ratify the voting of the multi-bill. The representatives of the institutions will reportedly remain in Athens by November 25 at the latest and by then they must agree with the Greek officials on: i) the new package of prior actions that will be attached to the release of another ESM loan installment of €1bn; and (ii) the 2016 Budget and the 2016-19 Medium-Term Fiscal Strategy, which are both reportedly expected to be submitted to Parliament by the end of this week.

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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

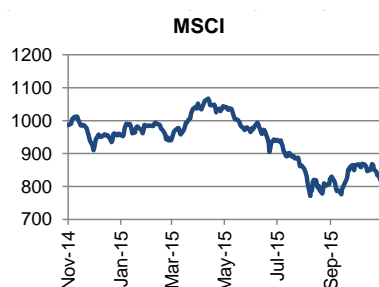
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 current account recorded a surplus of €182.7mn in September 2015, up from €80.9mn in September 2014. As a result, the current account surplus widened to €1.36bn in January-September 2015 up from €1.03bn over the same period a year earlier. As GDP percent, the current account surplus widened to 3.2% up from 2.4% in the first nine months of 2014. In terms of components, the said improvement was primarily driven by the further compression of the trade deficit (from 4.7% to 2.8%).

CYPRUS

Cyprus recorded the highest annual deflation rate in EU-28 in October, with HICP coming in at -1.8% vs. -1.9% in September. HICP remained negative for the 11th consecutive month, largely on the back of falling global commodity prices. Lower energy prices, strong compliance with programme's conditionalities, sentiment improvement, lower unemployment and a rise in real incomes have been amongst the main culprits in Cyprus's economic recovery this year. According to flash estimate released late last week, real GDP growth accelerated to +0.5%QoQ/+2.2%YoY in Q3-2015 up from +0.5%QoQ/+0.6%YoY in Q2-2015 following three years in recession. Although the breakdown of the data is not yet available, it is highly likely that the consumption rebound has continued in Q3-2015. All in all, the data is illustrative of the progress Cyprus has made within the last 2 ½ years within the programme. The said figures predispose that FY-2015 growth may exceed the revised government projection for 1.5%, which stands above our 1.2% forecast. Even though Cyprus is set to graduate successfully from the programme in March 2016, authorities will have to deal with the challenge of high NPLs stock in order to ensure sustainable growth in the medium-term.

In other news, the Cypriot government reached on Monday a staff-level agreement with the teams of international creditors on the requirements to conclude the 9th review of the country's programme. Based on media reports, the endorsement of the review is subject to four prior actions. Namely, 1) parliamentary adoption of legislation which allows the transformation of the Telecomm Utility (CYTA) from a semi government organization to a limited liability private company in order to be privatized 2) the endorsement by the Council of Ministers of a new regulation for CYTA employees 3) the decision on a ministerial level for the separation of activities of the EAC power company in line with the EU energy market directive 4) Institutions' approval of the recently adopted law that facilitates the securitization and sale of loans.

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ROMANIA

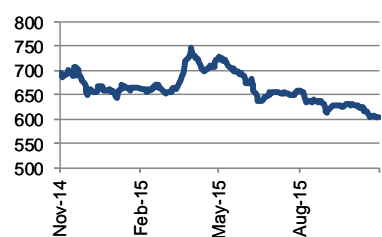
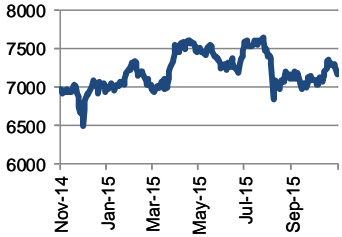

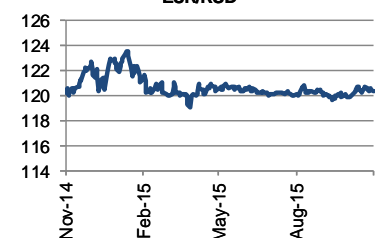
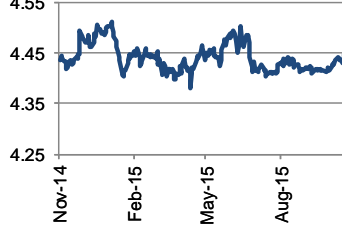
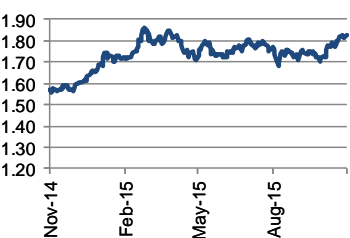
The Ministry of Finance sold on Monday the planned RON 500mn (€113mn) of 2021 Treasury bonds at an average accepted yield of 2.63%, 9bps below that achieved at a prior auction of same maturity paper held in October. The tender's bid to cover ratio came in at 1.7, while the issue bears and annual coupon of 3.25%.

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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	2023.04	-1.1%	-1.7%	EUR/USD	1.0715	-0.5%	-11.4%	UST - 10yr	2.25	-1	8	GOLD	1086	0.2%	-8.4%
Nikkei 225	19393.69	-1.0%	11.1%	GBP/USD	1.5191	-0.3%	-2.5%	Bund-10yr	0.54	-1	0	BRENT CRUDE	44	-0.9%	-23.1%
STOXX 600	368.94	-0.2%	7.7%	USD/JPY	123.05	-0.3%	-2.7%	JGB - 10yr	0.30	0	-3	LMEX	2227	0.1%	-23.6%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA			
Money Market				Money Market				Money Market			
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	-1	-684	O/N	0.57	1	0	LEONIA	0.01	0	-1
1-week	3.24	0	-677	1-month	0.84	-2	-7	1-month	0.17	0	-4
1-month	3.55	-1	-650	3-month	1.08	-1	-62	3-month	0.31	0	-13
3-month	3.89	-1	-596	6-month	1.36	-1	-65	6-month	0.57	0	-23
6-month	4.09	0	-570	12-month	1.52	-1	-50	12-month	1.12	0	-38
RS Local Bonds				RO Local Bonds				BG Local Bonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps
3Y RSD	4.01	0	-508	3Y RON	1.50	0	-81	3Y BGN	0.24	-5	-80
5Y RSD	6.60	1	-358	5Y RON	2.00	-2	-71	5Y BGN	0.56	2	-89
7Y RSD	6.90	0	-518	10Y RON	3.49	1	-17	10Y BGN	2.10	0	-65
RS Eurobonds				RO Eurobonds				BG Eurobonds			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.11	0	-115	EUR Sep-20	1.15	-2	-58	EUR Jul-17	0.33	0	-83
USD Nov-24	6.44	0	-15	USD Aug-23	3.68	2	7	EUR Sep-24	2.47	10	-40
CDS				CDS				CDS			
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	284	-2	-6	5-year	139	2	-3	5-year	175	2	-16
10-year	349	-2	-7	10-year	181	2	-6	10-year	223	2	-18
STOCKS				STOCKS				STOCKS			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	603.7	-0.21%	-9.49%	BET	7170.6	-1.63%	1.24%	SOFIX	438.3	-0.73%	-16.05%
FOREX				FOREX				FOREX			
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.31	0.11%	0.86%	EUR/RON	4.4387	0.22%	1.01%	USD/BGN	1.8253	-0.53%	-11.44%
BELEX15 Index 				BET Index 				SOFIX Index 			
EUR/RSD 				EUR/RON 				USD/BGN 			

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

Data updated as of 16:40 EET of previous session

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