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Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Monday, October 19, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- October 19: NAHB Housing Index (Oct)
- October 20
  - Housing Starts (Sep)
  - Building Permits (Sep)
- October 22
  - Jobless claims (Oct 10)
  - FHFA house price index (Aug)
  - Chicago Fed (Sept)
  - Existing home sales (Sep)
- October 23: Markit manufacturing PMI (Oct)

EUROZONE

- October 22
  - ECB MPC meeting
  - Consumer confidence (Oct, A)
- October 23: PMI composite, manufacturing, services (Oct, p)

GREECE

- October 21
  - CAD (Aug)
  - EWG conf call for the assessment of the progress of structural reforms implementation so far (reports)

SEE

BULGARIA

- October 19: T-Bonds auction

ROMANIA

- October 19: RON 200mn 4.75% 2025 T-Bonds auction
- October 22: 3.25% 2021 T-Bonds auction

SERBIA

- October 20
  - CAD (Aug)
  - T-Bonds auction
- October 21: FRNs auction
- October 22: T-Bonds auction

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major Asian bourses treaded water on Monday, while in Europe, major equity indices opened higher, with the German DAX Index leading the gains. In FX markets, the US dollar firmed against its major currency peers in early European trade on stronger-than-expected US consumer sentiment. On the data front, focus today is on the NAHB US housing market index for October, while, in the euro area, construction output for August will likely lure market attention.

GREECE: On October 16th, the 300-seat Hellenic Parliament endorsed a multi-bill containing the relevant legislation for the implementation of a first set of prior actions attached to the release of the next ESM loan installment (€2bn). According to press reports on Wednesday October 21st, the EWG will confer to decide whether to release the €2bn loan sub-tranche or ask the Greek government to undertake further actions. In case of a positive decision by the EWG the actual disbursement of the ESM installment is expected until the end of October.

SOUTH EASTERN EUROPE

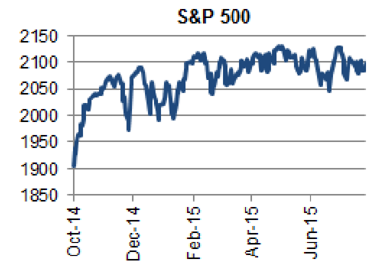
BULGARIA: The local equity market lost ground last week, while the Eurobond and local sovereign markets closed little changed. The FinMin is expected to hold an auction of the previously cancelled 10-year bonds (BGN 65mn) tender.

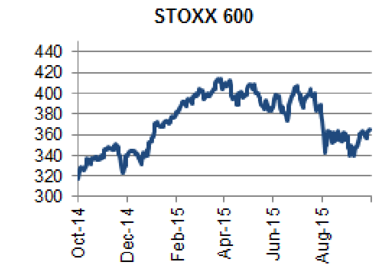
ROMANIA: The EUR/RON traded last week in a very tight range between 4.4100/220. Short term money market rates continued to fall in view of the approaching end of the current minimum reserve period (Oct 23).

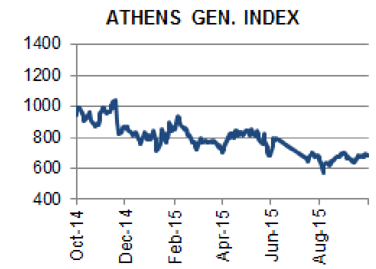
SERBIA: On the domestic political front, Prime Minister Aleksandar Vucic said on Sunday he had decided not to hold a snap general election at present, though leaving the door open for such an event in the coming months.

Latest world economic & market developments

GLOBAL MARKETS







Source: Reuters, Bloomberg, Eurobank Research

Major Asian bourses treaded water on Monday, with the Shanghai Composite Index closing 0.1% lower. Although Chinese Q3 2015 GDP growth came in better-than-expected (6.9%YoY vs. consensus estimates of 6.8%YoY, down from 7.0% in Q2 2015), it still represents the weakest quarterly growth rate since Q1 2009. Additionally, industrial production rose by 5.7%YoY in September vs. 6.1%YoY in August, falling short of market expectations for a rise of 6.0%YoY, while fixed asset investment growth (current prices) slowed more expected in September to 10.3%YoY (vs. consensus for an increase of 10.8%YoY) down from 10.9%YoY in the previous month, reporting its lowest annual rate of growth in 15 years. On the flipside, Chinese retail sales surprised slightly on the upside in September, increasing by 10.9%YoY (consensus: 10.8%YoY) from 10.8%YoY in August. In Europe, major equity indices opened higher, with the German DAX Index leading the gains on positive earnings reports and an announcement by Deutsche Bank for a management restructuring. In FX markets, the US dollar firmed against its major currency peers in early European trade on stronger-than-expected US consumer sentiment, with the DXY dollar index trading at a one-week high of 94.705 at the time of writing. In particular, the University of Michigan consumer sentiment index rose to 92.1 in the preliminary October estimate (vs. consensus estimates for 89.0) from 87.2 in September, largely shrugging off a decline in industrial production in September (-0.2%MoM) and a drop in total job openings to 5.370mn in August. Against this backdrop, the EUR/USD hit a 10-session low of 1.1340 in Asian trade on Monday, ahead of the ECB's monetary policy meeting later in the week which is likely to be closely scrutinized by investors for any hints about potential further monetary policy easing in the euro area ahead. On the data front, focus today is on the NAHB US housing market index for October, while, in the euro area, construction output for August will likely lure market attention.

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GREECE

On October 16th, the 300-seat Hellenic Parliament endorsed a multi-bill containing the relevant legislation for the implementation of a first set of prior actions attached to the release of the next ESM loan installment (€2bn). Out of a total 294 attending deputies, the bill received 154 in-favor votes, all coming from governing coalition partners SYRIZA/ANEL, while there was also one absentee SYRIZA MP. The bill, comprised of 21 articles, was voted on a roll-call basis as a single entity. In addition to the bill, the Government should now focus on the preparation of the various ministerial and other decrees that will lead to the completion of the prior actions specified in the early October 2015 Euroworking Group (EWG). According to press reports on Wednesday October 21st, the EWG will confer to decide whether to release the €2bn loan sub-tranche or ask the Greek government to undertake further actions. In case of a positive decision by the EWG the actual disbursement of the ESM installment is expected until the end of October. Furthermore, according to local press, the heads of the technical teams of the ECB, the EC, the ESM and the IMF are expected to arrive in Athens tomorrow in order to offer advice for the completion of the first package and to prepare in collaboration with the Greek Authorities, the second package of prior actions, which will then have to be approved by the EWG and ratified by the Greek Parliament by November 4th.

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Latest world economic & market developments in the CESEE region

BULGARIA

The local equity market lost ground last week, with the main SOFIX index ending 1.2% lower on a weekly basis on Friday near a 27-month trough hit a couple of days earlier. Except for few block deals bringing weekly turnover to €1.4mn, trading activity remained constrained. Separately, the Eurobond and local sovereign markets closed little changed last week, though longer-term yields declined, with the corresponding benchmark curve undertaking some bullish flattening. In other news, the FinMin placed on Monday BGN 50mn (~€25.6mn) in 5-year T-Notes at an average accepted yield of 0.97% and a bid to cover ratio of 1.38. On Oct 19th the FinMin is re-taping the previously cancelled auction for 10-year bonds (BGN 65mn).

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ROMANIA

The EUR/RON traded last week in a very tight range between 4.4100/220. Short term money market rates continued to fall in view of the approaching end of the current minimum reserve period (Oct 23). In more detail, the implied 1W rate dropped to 0.50% on Friday from 0.80% at the prior week's close, while O/N rates headed towards the central bank's deposit facility rate of 0.25%. Rates above 1M remained mostly unchanged, but downside potential remains on the cards over the following period, as a large government bond redemption and coupons of around RON 7.8bn on Oct 26 are expected to boost RON market liquidity. Against this backdrop, government bonds portrayed a rather mixed picture. The benchmark bond yields of 2-year maturity or longer remained largely unchanged. Meanwhile, those of six-month tenure moved some 15bps lower to 1.00% compared to the previous Friday's close and 12-month yields eased ca 10bps on a weekly basis on Friday to 1.20%. A primary market auction for RON 700mn of 12M T-Bills on Thursday recorded an all-time low average yield of 1.20%, compared to the previous low of 1.35% achieved at a similar auction in August.

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SERBIA

In the FX markets, the EUR/RSD ended little changed on a weekly basis on Friday, remaining bound within a 119.70/90-119.90/10 range after the Central Bank intervened anew in the FX markets to stem the dinar's appreciating momentum. According to the pair's technical picture, despite recent downside pressures there is no clear direction due to repeated Central Bank interventions which do not allow a confirmation of a sustainable bearish pattern. On the upside, the 120.90 yearly high appears to remain a strong resistance level. On the domestic political front, Prime Minister Aleksandar Vucic said on Sunday he had decided not to hold a snap general election at present, though leaving the door open for such an event in the coming months. The coalition government, which comprises of Prime Minister's Serbian Progressive Party (SNS) and junior partner Socialist Party of Serbia (SPS), enjoys strong parliamentary majority and the most recent opinion polls reportedly suggest that SNS comfortably leads these surveys despite the implementation of fiscal austerity measures, such as cuts in public sector wages and pensions. The current government's tenure is due to expire in about two years, following the March 2014 elections. However, the Prime Minister had recently signaled that the prospect of snap elections was on the cards, promising to announce his final decision by mid-October, possibly considering that a new election victory would strengthen and prolong his government's mandate.

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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: Indicators	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*

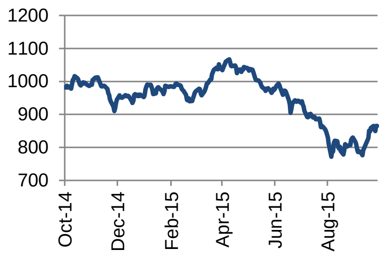
** on a cash basis*

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

MSCI



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

GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD
S&P 500	2033.11	0.5%	-1.3%
Nikkei 225	18131.23	-0.9%	3.9%
STOXX 600	365.01	0.5%	6.6%

FOREX	Last	ΔD	ΔYTD
EUR/USD	1.132	-0.3%	-6.4%
GBP/USD	1.5465	0.2%	-0.7%
USD/JPY	119.4	0.0%	0.2%

Government Bonds (yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.04	1	-13
Bund-10yr	0.56	1	2
JGB - 10yr	0.33	1	0

Commodities	Last	ΔD	ΔYTD
GOLD	1173	-0.3%	-1.0%
BRENT CRUDE	50	-1.5%	-13.3%
LMEX	2423	-0.3%	-16.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	306	1	-685
1-week	3.27	4	-674
1-month	3.65	4	-640
3-month	4.03	7	-582
6-month	4.25	9	-554

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.76	-1	-427
5Y RSD	7.05	0	-313
7Y RSD	7.26	0	-482

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.12	-1	-115
USD Nov-24	6.42	-2	-17

CDS

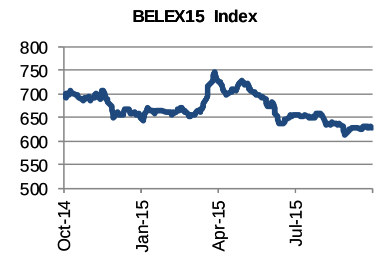
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	337	-1	-19

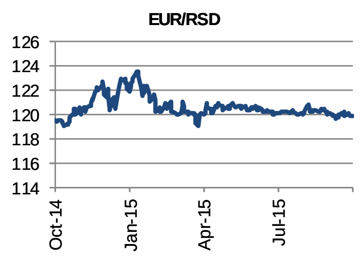
STOCKS

	Last	ΔD	ΔYTD
BELEX15	629.0	-0.21%	-5.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.86	0.04%	1.24%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	0	6
1-month	1.17	0	26
3-month	1.33	1	-37
6-month	1.6	-1	-41
12-month	1.69	1	-33

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.69	-4	-62
5Y RON	2.12	-2	-59
10Y RON	3.45	1	-21

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.24	-1	-49
USD Aug-23	3.41	-2	-20

CDS

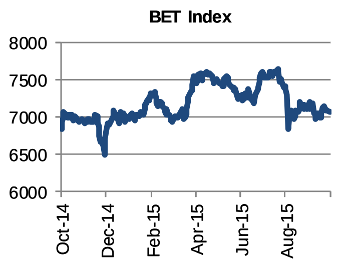
	Last	ΔDbps	ΔYTD bps
5-year	129	0	-14
10-year	170	0	-16

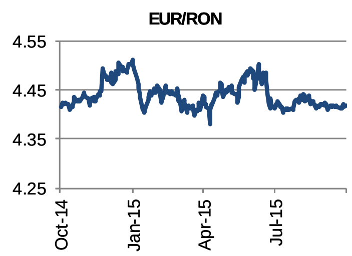
STOCKS

	Last	ΔD	ΔYTD
BET	7075.4	-0.25%	-0.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4189	-0.11%	1.46%





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	0.59	0	-20
12-month	1.18	0	-32

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.25	-2	-79
5Y BGN	0.61	0	-83
10Y BGN	2.18	0	-57

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.37	-7	-79
EUR Sep-24	2.65	11	-22

CDS

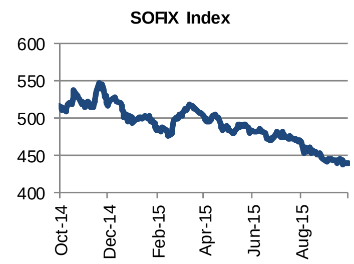
	Last	ΔDbps	ΔYTD bps
5-year	161	-3	-30
10-year	203	-5	-37

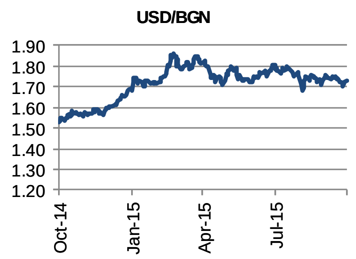
STOCKS

	Last	ΔD	ΔYTD
SOFIX	440.0	0.08%	-15.73%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.728	-0.27%	-6.45%





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

Data updated as of 13:00 EEST

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