



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, December 21, 2015

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- December 22
  - Q3 GDP (3<sup>rd</sup> est)
  - Existing home sales (Nov)
  - FHFA House Price Index (Oct)
  - Richmond Fed manuf index (Dec)
- December 23
  - Durable goods (Nov)
  - UoM Cons Sent (Dec, f)
  - Private Consumption, Personal Income, PCE (Nov)
  - New home sales (Nov)
- December 24
  - Jobless claims (weekly)

#### EUROZONE

- December 21: Consumer confidence (Dec, a)

#### GREECE

- December 21:
  - Turnover index in industry (Oct)
  - Current account (Oct)

#### SEE

##### BULGARIA

- December 23
  - Gross External Debt (Oct)

##### ROMANIA

- December 21
  - 2019 T-bonds auction

##### SERBIA

- December 21
  - Current Account Balance (Oct)
- December 25
  - Real Gross Wages (Nov)

Source: Reuters, Bloomberg, Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Most Asian bourses closed in the black on Monday, while in Europe, major equity indices reversed fully earlier losses to stand in positive territory at the time of writing. In FX markets, the USD retained a firm tone while in commodity markets, the Brent crude oil price remained under pressure plunging to its lowest level since mid-2004.

**GREECE:** Following the signing of the 40-year lease agreement for the 14 regional airports with the selected preferred bidder Fraport AG-Copelouzos consortium, the Hellenic Republic Asset Development Fund (HRADF) is reportedly expecting today the binding bids for a 51% stake in Greece's largest port, Piraeus Port Authority (OLP), with the option to raise it to 67% over five years. According to data released today by the Hellenic Statistical Authority, the turnover index in industry (both domestic and non-domestic market) in October 2015 recorded a decline of 18.9% compared with October 2014.

### SOUTH EASTERN EUROPE

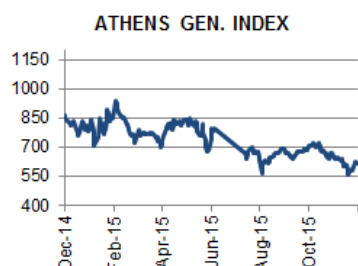
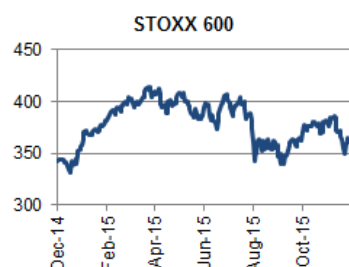
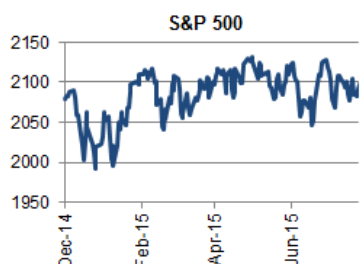
**CYPRUS:** The EU Commission approved the additional state aid of €175mn for the Cypriot Co-operative sector on the basis of an amended restructuring plan in line with the EU state aid rules.

**SERBIA:** FITCH upgraded the outlook of the Serbian economy from stable to positive, reaffirming the long-term foreign and domestic currency rating at B+

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Most Asian bourses closed in the black on Monday, on market expectations that the Chinese authorities will announce more reform measures, particularly for the state-owned firms. In Europe, major equity indices reversed earlier losses, while the Spanish benchmark IBEX 35 Index trimmed part of earlier losses to stand ca. 1.8% lower at the time of writing after falling ca. 3.0% in early European trade following yesterday's general elections in Spain that delivered a highly fragmented parliament. In more detail, the People's Party gained 123 seats (29% of the vote share), followed by the PSOE with 90 seats (22% of the vote share), the Podemos with 69 seats (21% of the vote share) and Ciudadanos with 40 seats (14% of the vote share). In FX markets, the US dollar retained a firm tone with the DXY index hovering around levels of 98.762 in European trade on Monday, within distance from Friday's close of 98.703 and not far from a multi-session high of 99.294 hit a couple of sessions earlier. In commodity markets, the Brent crude oil price plunged to \$36.7/barrel earlier today, its lowest level since mid-2004, amid speculation of a deepening supply glut from the Middle East to the US in order to preserve their market share. On the US macroeconomic calendar, the third estimate of US Q3 GDP is due on Tuesday, while November durable goods orders, private consumption expenditures and new home sales are scheduled for Wednesday.

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### GREECE

Following the signing of the 40-year lease agreement for the 14 regional airports with the selected preferred bidder Fraport AG-Copelouzos consortium, the Hellenic Republic Asset Development Fund (HRADF) is reportedly expecting today the binding bids for a 51% stake in Greece's largest port, Piraeus Port Authority (OLP), with the option to raise it to 67% over five years. The expected proceeds from the privatization of OLP are reportedly estimated at c. €350mn. As per the same sources, the agreement between the HRADF, National Bank of Greece (NBG) and the consortium Jermyn Street Real Estate Fund IV LP for the completion of the sale of a 90% stake in Astir Palace Group in Vouliagmeni for €400mn is expected to be announced by the end of this week. Upon completion of the said privatization plan, the HRADF is expected to acquire €100mn while the remaining €300mn will be channeled to the NBG which holds the majority stake in the resort. The ESM Board of Directors is reportedly expected to convene by Tuesday, December 22<sup>nd</sup> to approve the release of the pending €1bn loan installment. This holds under the assumption that, by then, the Greek government will have issued one remaining ministerial decree related to a downward revision in the process of diagnostic tests. According to data released today by the Hellenic Statistical Authority, the turnover index in industry (both domestic and non-domestic market) in October 2015 recorded a decline of 18.9% compared with October 2014. In October 2015 the annual change in the mining and quarrying sector turnover index was -12.5%, whereas the annual change in the manufacturing sector turnover index was -19.0%.

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BULGARIA: Indicators	2014e	2015f	2016f
Real GDP growth %	1.7	2.9	3.0
CPI (pa, yoy %)	-1.4	0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	2.5	1.4
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

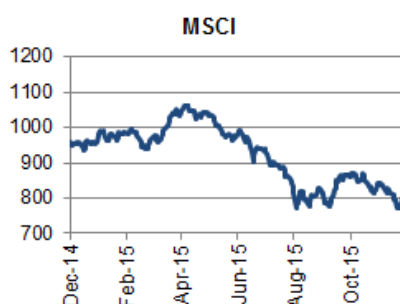
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2014e	2015f	2016f
Real GDP growth %	2.9	3.5	4.1
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	4.50

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

### CYPRUS

The EU Commission approved the additional state aid of €175mn for the Cypriot Co-operative sector on the basis of an amended restructuring plan in line with the EU state aid rules. The Cooperative sector, which stands for 25% of the total domestic banking assets, was deemed viable, it was exempted from bail-in and, thus, it was decided that program funds would be used for its recapitalization in March 2013. Upon approval by the EU Commission in February 2014, the government utilized €1.5bn from program funds. As a result, the Cypriot State has become the 99% shareholder of the Cooperative Central Bank, which in turn obtained control over the previously independent cooperative credit institutions. In line with the centralization and rationalization foreseen under the original restructuring plan, the number of independent cooperative credit institutions was reduced from over 90 to 18 through mergers. The need for additional state support of Co-operatives emerged after the Transparency exercise carried out by the Single Supervisory Mechanism (SSM) of the ECB. The Cooperative Central Bank was compelled to raise the coverage ratio of NPLs to 50% (by €0.5bn approximately), resulting in a capital shortfall of €175mn.

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### SERBIA

On Friday afternoon, FITCH upgraded the outlook of the Serbian economy from stable to positive, reaffirming the long-term foreign and domestic currency rating at B+. The rating agency cited the successful implementation of the public sector consolidation plan resulting in a substantial improvement in fiscal and external imbalances. In addition, the agency took note of the upgrade by nine notches achieved within the World Bank Doing Business ranking report. Finally, the rating agency cited the resolution of the 17 strategic public enterprises that have received protection from bankruptcy procedures until May 2016 and the public sector wage bill reform as key challenges in the year ahead. The outlook appraisal is the first rating agency reaction since the initiation of the plan in late 2014.

In FX markets, the strong rally of EUR/RSD that has started from December 1st prolonged into this week with a fresh 10-month high at 122.35/55. In order to halt the depreciation momentum, National Bank of Serbia sold €70mn at the levels around 122.10 bringing the total amount sold at €280mn since the beginning of the month. From Thursday onwards, pressure subsided and the domestic currency started to retrace to finally regain almost 1/3 of the losses since October 23rd (when the rally started). The large portion of that retrace came on Friday on a very light volumes and overall EUR sell sentiment in the region. Looking forward, EUR/RSD should find support around 121.0, the level above which Central bank could intervene in order to halt large daily fluctuation, as they did many times before.

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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	2005.55	-1.8%	-2.6%	EUR/USD	1.0852	-0.1%	-10.3%	UST - 10yr	2.21	1	4	GOLD	1072	0.5%	-9.5%
Nikkei 225	18916.02	-0.4%	8.4%	GBP/USD	1.4889	0.0%	-4.4%	Bund-10yr	0.56	1	2	BRENT CRUDE	37	-0.7%	-36.1%
STOXX 600	363.27	0.6%	6.1%	USD/JPY	121.39	0.0%	-1.4%	JGB - 10yr	0.28	1	-5	LMEX	2180	2.5%	-25.2%

## CESEE MARKETS

## SERBIA

## Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	303	1	-688
1-week	3.20	1	-681
1-month	3.52	2	-653
3-month	3.83	1	-602
6-month	4.04	0	-575

## RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.66	-2	-542
5Y RSD	5.12	-1	-506
7Y RSD	7.67	0	-440

## RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.19	0	-107
USD Nov-24	6.41	0	-18

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	274	0	-16
10-year	339	0	-17

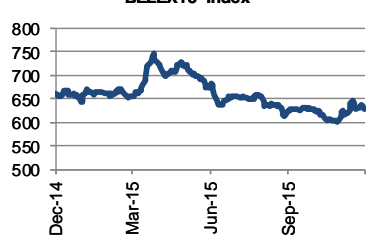
## STOCKS

	Last	ΔD	ΔYTD
BELEX15	627.9	-1.23%	-5.87%

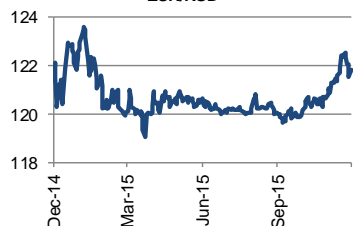
## FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.81	-0.11%	-0.37%

BELEX15 Index



EUR/RSD



## ROMANIA

## Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.5	-1	-7
1-month	0.7	0	-21
3-month	1.02	-2	-68
6-month	1.34	0	-67
12-month	1.53	1	-49

## RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.45	0	-86
5Y RON	2.00	-1	-71
10Y RON	3.74	-1	8

## RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.06	1	-67
USD Aug-23	3.74	-1	12

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	134	2	-8
10-year	175	1	-12

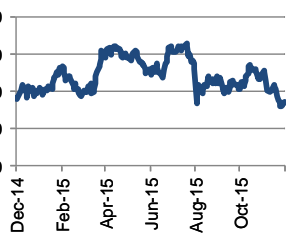
## STOCKS

	Last	ΔD	ΔYTD
BET	6851.5	0.74%	-3.27%

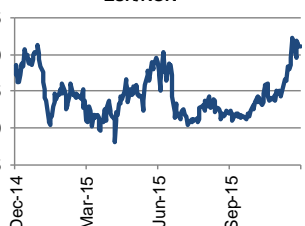
## FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5104	-0.01%	-0.60%

BET Index



EUR/RON



## BULGARIA

## Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.17	-1	-5
3-month	0.28	-1	-15
6-month	0.54	0	-25
12-month	0.99	-1	-51

## BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.04	-8	-100
5Y BGN	0.45	0	-100
10Y BGN	1.97	0	-78

## BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.16	0	-100
EUR Sep-24	2.46	6	-41

## CDS

	Last	ΔDbps	ΔYTD bps
5-year	167	0	-24
10-year	218	0	-22

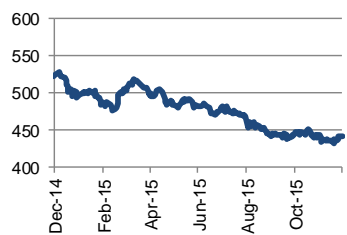
## STOCKS

	Last	ΔD	ΔYTD
SOFIX	441.4	0.17%	-15.47%

## FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8024	-0.14%	-10.31%

SOFIX Index



USD/BGN



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

Data updated as of 12:30 EET

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