

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 22, 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: Market 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 (cancelled)

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: The ECB meets today with the majority of market participants expecting the Central Bank to stay put on interest rates and keep QE operational modalities unchanged. Focus will be on the post-meeting press conference where President Mario Draghi is anticipated to adopt once again a dovish tone.

GREECE: Discussions between the Greek government and the heads of inspector teams representing Greece's official lenders will continue today for the second session in a row focusing on the pending prior actions required for the release of the next ESM loan disbursement (€2bn). The current account balance recorded a surplus of €2,090.7mn in August 2015 marking an improvement by €248.6mn on an annual basis due to an increase in the goods, income and current transfers balance by €381.1mn, €95.6mn and €11.4mn respectively.

SOUTH EASTERN EUROPE

BULGARIA: According to the final data released by the NSI, the general government deficit in ESA 2010 terms was revised heavily upwards by BGN2.5bn or 3.1% of GDP in 2014. As a result, the general government deficit now stands at 5.8% of GDP in 2014 up from 0.8% in 2013.

ROMANIA: The finance ministry sold at an auction on Wednesday a €2bn dual tranche of 10- and 20-year Eurobonds, meeting the government's external debt target issuance for 2015.

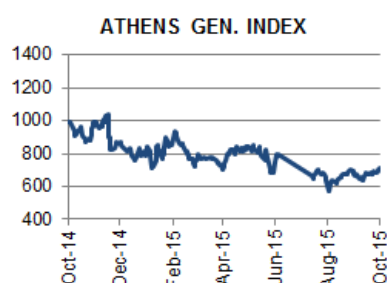
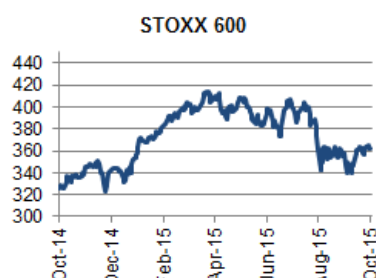
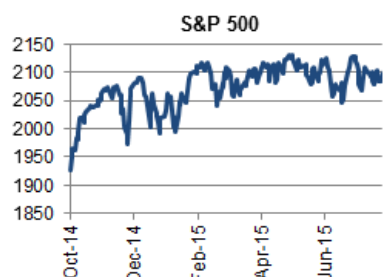
SERBIA: The Ministry of Finance sold at an auction on Wednesday ca RSD 7.072bn (~€59mn) worth of 2-year floating rate notes.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The ECB meets today with the majority of market participants expecting the Central Bank to stay put on interest rates and keep QE operational modalities unchanged. Focus will be on the post-meeting press conference where President Mario Draghi is anticipated to retain a dovish tone reiterating that the Central Bank is ready to implement further measures, if needed, to boost euro area economic activity and address deflation risks. Risks stemming from emerging markets prevail while the most recent euro area economic activity data point to some deceleration in growth in Q3. In addition, lower oil prices continue to exert a negative impact on euro area inflation with CPI headline slipping back into negative territory in September, adding further support to the view that, against this environment, the prospect of further ECB monetary policy easing before the end of this year cannot be ruled out completely. Meanwhile, the EUR/USD was hovering around 1.1310/15 at the time of writing, lower compared to levels near 1.1380 tested at some point yesterday. Technically, a clear move below recent lows of 1.1305 could potentially open the way for further depreciation with 1.1250 Fibonacci seen capping any further EUR weakness ahead of the FOMC policy meeting next week.

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GREECE

Discussions between the Greek government and the heads of inspector teams representing Greece's official lenders will continue today for the second session in a row focusing on the pending prior actions required for the release of the next ESM loan disbursement (€2bn). According to the local press, the two sides reached an agreement yesterday for an annual real GDP growth contraction of 1.3% in 2015 compared to an earlier forecast of -2.3% projected by the European Commission and Greece's draft 2016 Budget. For FY-2016, the two sides reportedly left unchanged the projection of GDP contraction of 1.3%. Nevertheless, official lenders were reportedly concerned that the Greek government may have to adopt additional measures - besides those already agreed under the existing MoU - to secure fulfillment of the FY-2015 and FY-2016 fiscal targets. According to Vice President of the European Commission Valdis Dombrovskis, the release of the next ESM loan disbursement to Greece may be officially approved by the end of next week. According to the local press, that holds provided that 67% of the required prior actions will have been met by then. As a reminder the Greek government has so far fulfilled just c. 30% out of the 49 programme milestones attached to the release of the €2bn loan disbursement. Meanwhile, the Greek cabinet will reportedly hold a meeting today to discuss on the new recapitalization framework which is expected to be submitted to Parliament by early next week, at the latest, as it has to come for vote before Friday, October 30 when the results from the stress testing exercise are reportedly expected to be officially published. In other news, French President Francois Hollande is expected to arrive in Athens later today for a two-day official visit.

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The current account balance recorded a surplus of €2,090.7mn in August 2015 marking an improvement by €248.6mn on an annual basis due to an increase in the goods, income and current transfers balance by €381.1mn, €95.6mn and €11.4mn respectively. On the other hand, the services balance decreased by €239.4mn weighed down by a €400.4mn drop in the transportation balance. In the January-August period, the current account balance recorded a surplus of €3,109.3mn, €702.7mn higher compared to the same period a year earlier.

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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

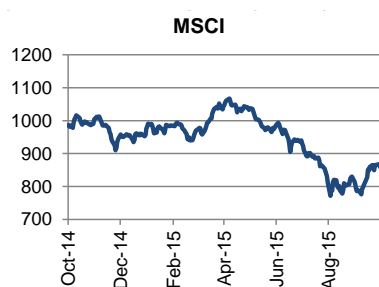
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

BULGARIA

According to the final data released by the NSI, the general government deficit in ESA 2010 terms was revised heavily upwards by BGN2.5bn or 3.1% of GDP in 2014. As a result, the general government deficit now stands at 5.8% of GDP in 2014 up from 0.8% in 2013. Accordingly, the general government debt climbed to 27% of GDP in 2014 up from 18% in 2013. The revision reflects primarily the inclusion of the Deposit Insurance Fund in the general government sector. The Deposit Insurance Fund had to be utilized to compensate insured depositors for the bankruptcy of Corporate Commercial Bank in late 2014. The revision will most likely not result in the activation of the Excessive Deficit Procedure by the European Commission given the extraordinary nature of the banking sector bail-out costs and the willingness of the Bulgarian side to pursue fiscal consolidation in 2015. From that point of view, fiscal consolidation continued at a fast pace in the first eight months of 2015. According to the Ministry of Finance, the consolidated budget surplus in cash terms came at BGN 622mn in Jan-Aug compared to a BGN 1.27bn deficit in the corresponding period of 2014. As a percentage of GDP, the consolidated budget surplus stood at 0.7% in the first eight months, up from a 1.6% deficit a year ago.

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ROMANIA

Romania sold at an auction on Wednesday a €2bn dual tranche of 10- and 20-year Eurobonds, meeting the government's external debt target issuance for 2015. Government officials had recently highlighted that the FinMin planned to issue external debt of up to €1.5bn before year-end, awaiting the most adequate market conditions to tap international markets and having also left the door open for a World Bank credit line in order to meet the 2015 foreign issuance target. In more detail, the Ministry of Finance issued yesterday €1.25bn of 10-year T-bonds at an average accepted record low yield of 2.84% and €750mn worth of 20-year bonds at 3.93% in its longest-dated Eurobond issuance. Total demand for the auction came in around €6bn, with interest skewed towards the paper of shorter maturity. In other news, the IMF reportedly noted on Wednesday upon the conclusion of a mission visit to Romania that the country is on track to meet this year's 1.9% of GDP fiscal deficit target, having room to bring forward some on-off expenses planned for next year. That said, the Fund highlighted upside risks to next year's budget deficit exceeding 3%-of-GDP in view of tax cuts, adding that the 2016 expansionary fiscal stance does not support the case for further monetary easing ahead, while the "lack of progress in structural reforms is a key obstacle to long-term growth prospects".

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SERBIA

The Ministry of Finance sold at an auction on Wednesday ca RSD 7.072bn (~€59mn) worth of 2-year floating rate notes. The average accepted yield came in at 0.57% above the key policy rate (KPR currently at 4.50%), well below compared to 0.94% + KPR achieved at an auction of similar maturity paper held in August when the KPR was stood 6.00%.

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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	2018.94	-0.6%	-1.9%	EUR/USD	1.131	-0.3%	-6.5%	UST - 10yr	2.04	1	-14	GOLD	1167	0.0%	-1.5%
Nikkei 225	18435.87	-0.6%	5.6%	GBP/USD	1.5487	0.5%	-0.6%	Bund-10yr	0.57	0	3	BRENT CRUDE	48	0.9%	-15.8%
STOXX 600	362.67	0.0%	5.9%	USD/JPY	119.71	0.2%	0.0%	JGB - 10yr	0.31	-1	-2	LMEX	2359	-1.0%	-19.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	306	0	-685
1-week	3.22	-4	-679
1-month	3.60	-4	-645
3-month	4.03	1	-582
6-month	4.25	1	-554

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.57	#N/A N/A	-447
5Y RSD	6.71	-1	-347
7Y RSD	7.07	-1	-501

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.09	-1	-118
USD Nov-24	6.42	0	-17

CDS

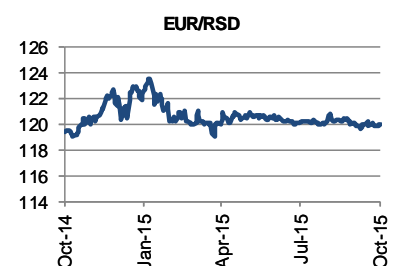
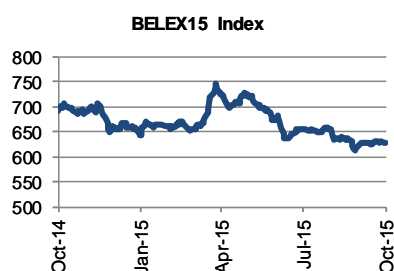
	Last	ΔDbps	ΔYTD bps
5-year	293	0	3
10-year	337	0	-19

STOCKS

	Last	ΔD	ΔYTD
BELEX15	627.1	-0.11%	-5.99%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.94	-0.03%	1.18%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.6	-2	3
1-month	1.18	-4	27
3-month	1.31	-3	-39
6-month	1.59	-2	-42
12-month	1.67	-2	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.68	-1	-63
5Y RON	2.11	-1	-60
10Y RON	3.50	1	-16

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.26	0	-47
USD Aug-23	3.46	-2	-15

CDS

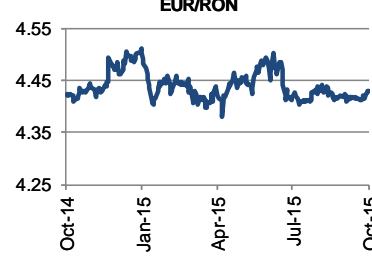
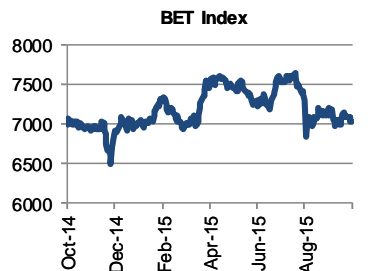
	Last	ΔDbps	ΔYTD bps
5-year	131	-1	-12
10-year	172	-1	-15

STOCKS

	Last	ΔD	ΔYTD
BET	7006.9	-0.48%	-1.07%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.429	0.03%	1.23%



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	0	-79
5Y BGN	0.61	-1	-83
10Y BGN	2.04	0	-71

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.33	5	-83
EUR Sep-24	2.65	0	-22

CDS

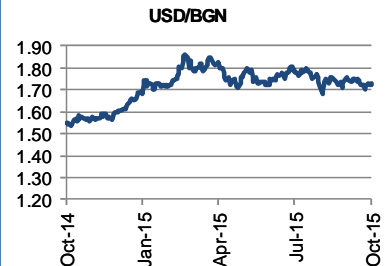
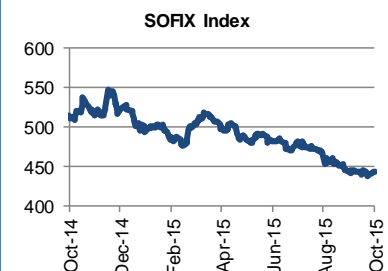
	Last	ΔDbps	ΔYTD bps
5-year	157	1	-34
10-year	201	1	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	443.9	0.04%	-14.98%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7294	-0.25%	-6.53%



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

Data updated as of 11:45 EEST of previous session

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