Eurobank Global Markets Research
www.eurobank.gr/research
EurobankGlobalMarkets
Research@eurobank.gr

Eurobank

DAILY OVERVIEW
OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 25, 2015

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- November 23
  - Existing home sales (Oct)
  - Markit PMI manuf. (Nov, p)
- November 24
  - GDP (Q3, 2nd)
  - CB Consumer Confidence (Nov)
- November 25
  - Durable goods (Oct)
  - Personal income/ spending (Oct)
  - Core PCE deflator (Oct)
  - Jobless claims
  - New home sales (Oct)
  - Markit PMI services/composite (Nov, p)
  - UoM consumer sentiment (Nov, f)
- November 26: Thanksgiving holiday

EUROZONE

- November 23
  - Eurogroup meeting
  - PMI Manufacturing/ services (Nov)
- November 24: DE: Ifo (Nov)
- November 27: ESI (Nov)

GREECE

- November 27: GDP (Q3, f)

SEE

BULGARIA

- November 23: T-bonds auction
- November 25: Gross external debt (Sep)

ROMANIA

- November 23: 2.5% 2019 T-bonds auction
- November 27: ILO U/E rate (Oct)

SERBIA

- November 25: Real gross wages (Oct)

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

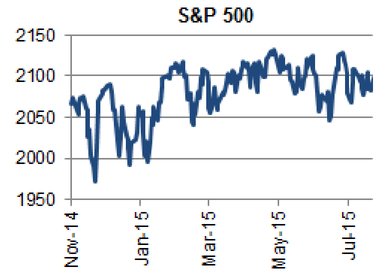
WORLD ECONOMIC & MARKET DEVELOPMENTS

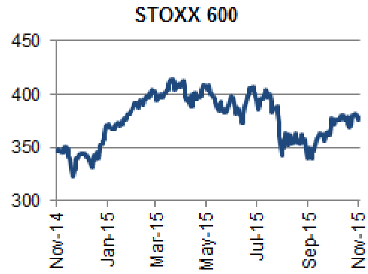
GLOBAL MARKETS: Oil supply worries pushed crude prices higher with the US crude trading in European trade close to a two-week high. Higher oil prices, weaker-than-expected US CB consumer data for November and worries over the financial impact from yesterday's downing of a Russian war plane by Turkish forces weighed on the USD, particularly against commodity currencies. On the data front, the US calendar is heavy today ahead of the Thanksgiving holiday on Thursday with market attention being focused on the October personal income and spending data, and, especially, the core PCE deflator.

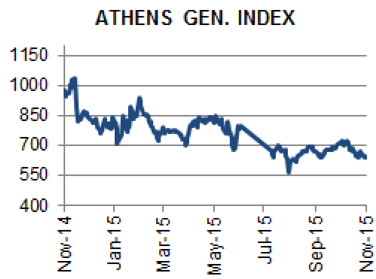
GREECE: According to recent press reports, the second list of prior actions attached to the release of the next ESM loan installment amounting to €1bn incorporates 10 items including, inter alia, a comprehensive strategy for the resolution of domestic banks' non-performing loans (NPLs), privatization of ADMIE or an alternative equivalent plan and a fiscally-neutral reform of the unified wage. In other news, in a statement released yesterday, government spokesman Olga Gerovassili said that "according to the latest data, two systemic banks managed to cover all their capital needs from private investors" and that "the other two will need about €5.7bn from the Hellenic Financial Stability Fund to conclude the process".

SOUTH EASTERN EUROPE

CESEE MARKETS: **Emerging stock markets** treaded water in early European trade on Wednesday. In FX markets, **CESEE currencies** remained under pressure as global risk sentiment remained fragile. In the local rates markets, **government bonds** broadly firmed with Turkish paper outperforming following yesterday's selloff.







Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

Shrugging off geopolitical jitters following the downing of a Russian military plane by Turkish forces yesterday, European stocks were modestly higher in early trade on Wednesday, rebounding slightly from hefty losses in the prior session. Elsewhere, oil supply worries pushed crude prices higher. The US crude was hovering around $45.72 a barrel at the time of writing, not far from a two-week closing peak of $46.12 recorded on Tuesday and above levels near €44.80 marked earlier this week. Higher oil prices, weaker-than-expected US CB consumer data for November and worries over the financial impact from yesterday's incident weighed on the USD, particularly against commodity currencies. Indicatively, the AUD/USD hit a one-month high of 0.7283 earlier today assisted by recent comments by the Reserve Bank of Australia Governor that reduced market expectations for further rate cuts in the imminent future. Yet, with the 2-yr- US Treasury bond yield hovering close to 0.93% earlier today, the highest since April 2010, any further USD weakness in the coming sessions will likely prove limited and short-lived. The US data calendar is heavy today ahead of the Thanksgiving holiday on Thursday with market attention being focused on the October personal income and spending data and, especially, the core PCE deflator.

GREECE

According to the local press and related recent comments by Eurogroup President Jeroen Dijsselbloem, certain contentious and political sensitive issues that were initially planned to be part of the second set of prior actions linked to the release of the next ESM loan installment (€1bn), will be moved on to another set of milestones which will be attached to the completion of the 1st programme review. As per the same sources, these thorny issues are, among others: (i) a second phase of pension reforms; and (ii) certain provisions related to an agreed overhaul of the income tax code, including, inter alia, abolishment of the preferential tax treatment for agricultural income, integration of the solidarity surcharge into the income tax code and increase in the income tax rate for rents. According to recent press releases, the second list incorporates 10 programme milestones including, inter alia, a comprehensive strategy for the resolution of domestic banks' non-performing loans (NPLs), privatization of ADMIE or an alternative equivalent plan and a fiscally-neutral reform of the unified wage. In other news, in a statement released yesterday, government spokesman Olga Gerovassili said that "according to the latest data, two systemic banks managed to cover all their capital needs from private investors" adding that "the other two will need about €5.7bn from the Hellenic Financial Stability Fund to conclude the process". Speaking in the press conference following the conclusion of the November 23rd Eurogroup, President Jeroen Dijsselbloem said that the decision for the transfer to the HFSF of the funds needed for the recapitalization of the domestic banking system, will be taken by the ESM Board of Directors "on a case-by-case basis", when the exact amount will be determined. This procedure requires submission of a relevant request by the Greek authorities and confirmation of the respective amount by the competent recapitalization authority. The required funds will be covered by the €10bn sub-tranche of the first loan tranche under the ESM programme (€26bn) that was approved in mid-August and is already available in a segregated account managed by the ESM.

ppetropoulou@eurobank.gr

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

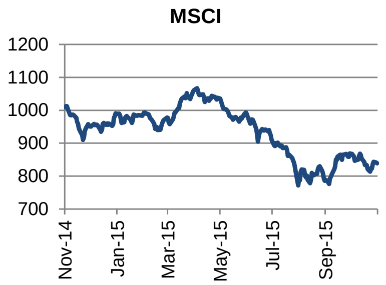
ROMANIA: Indicators	2014e	2015f	2016f
Real GDP growth %	2.9	3.4	3.8
CPI (pa, yoy %)	1.1	-0.8	0.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-0.7	-1.0
EUR/RON (eop)	4.40	4.45	4.40
	2014	current	2015f
Policy Rate (eop)	1.75	1.75	1.75

* 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

CESEE MARKETS

Emerging stock markets treaded water in early European trade on Wednesday. Caution prevailed amid flared geopolitical tensions after Turkish forces downed a Russian jet near the Syrian border yesterday, with Turkey citing violation of its air space. Meanwhile, a recovery in crude oil prices amid supply-side concerns favoured related equity.

Along these lines, the MSCI Emerging Markets index was flat on the day, while bourses in the CESEE region were mixed. Poland's main WIG index led the gains in the region with an approximate 0.45% rise at the time of writing compared to Tuesday's close. The index recovered ground from 6-year lows hit yesterday, with financial sector shares leading the way higher amid subsiding concerns over the impact from the bankruptcy of small SK Bank to the banking sector. Romania's and Ukraine's main indices followed suit with advances of around 0.35-0.45% vs. Tuesday's close. On the flipside, Turkey's main BIST index stood in a modestly negative territory in European trade, consolidating near 2-month lows hit intraday after Tuesday's 4.4% plunge which came on the back of heightened geopolitical tensions.

In FX markets, **CESEE currencies** continued to be under pressure as global risk sentiment remained fragile. The Turkish lira continued to underperform its regional peers amid mounting geopolitical tensions, with the USD/TRY hitting a new multi-session peak near 2.8930. The Polish zloty and the Hungarian forint also remained under pressure, with both standing near 2-week lows of 4.2722/EUR and 312.41/EUR, respectively.

In the local rates markets, **government bonds** broadly firmed with Turkish paper outperforming following yesterday's selloff. Indicatively, the 2- and 10-year benchmark yields slid by 11bps and 9bps respectively, retreating from 1-month closing highs of 10.34% and 9.95% hit on Tuesday.

gphoka@eurobank.gr

GLOBAL MARKETS

Stock markets	Last	ΔD	ΔYTD	FOREX	Last	ΔD	ΔYTD	Government Bonds (yields)	Last	ΔDbps	ΔYTD bps	Commodities	Last	ΔD	ΔYTD
S&P 500	2089.14	0.1%	1.5%	EUR/USD	1.0605	-0.4%	-12.3%	UST - 10yr	2.23	-1	6	GOLD	1074	-0.2%	-9.4%
Nikkei 225	19847.58	-0.4%	13.7%	GBP/USD	1.508	0.0%	-3.2%	Bund-10yr	0.49	-3	-5	BRENT CRUDE	45	-1.5%	-20.8%
STOXX 600	379.45	1.0%	10.8%	USD/JPY	122.64	-0.1%	-2.4%	JGB - 10yr	0.30	-2	-3	LMEX	2143	2.2%	-26.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	308	0	-683
1-week	3.24	0	-677
1-month	3.55	0	-650
3-month	3.90	0	-595
6-month	4.09	0	-570

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.73	-2	-530
5Y RSD	5.04	0	-514
7Y RSD	6.89	0	-519

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	-1	-124
USD Nov-24	6.40	0	-19

CDS

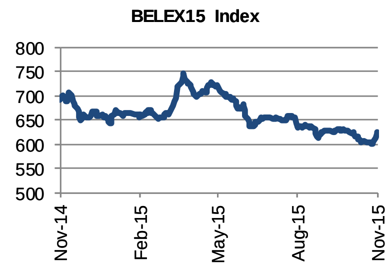
	Last	ΔDbps	ΔYTD bps
5-year	274	-10	-16
10-year	339	-10	-17

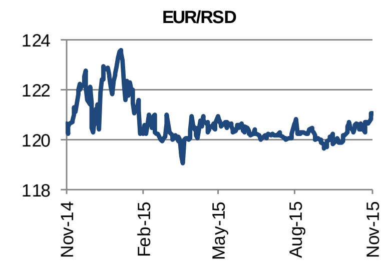
STOCKS

	Last	ΔD	ΔYTD
BELEX15	626.1	0.51%	-6.13%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.08	-0.03%	0.23%





ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.68	-3	11
1-month	0.84	0	-7
3-month	1.08	-2	-62
6-month	1.37	1	-64
12-month	1.51	0	-51

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.46	-1	-85
5Y RON	1.94	0	-77
10Y RON	3.53	1	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Sep-20	1.09	1	-64
USD Aug-23	3.58	2	-4

CDS

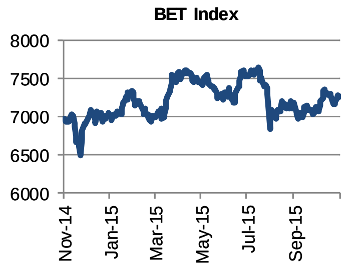
	Last	ΔDbps	ΔYTD bps
5-year	131	1	-12
10-year	173	1	-14

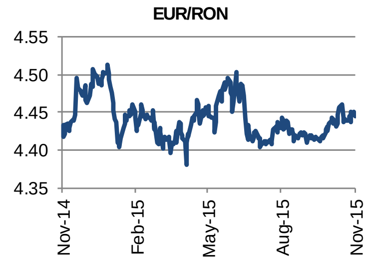
STOCKS

	Last	ΔD	ΔYTD
BET	7269.4	0.21%	2.63%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4442	0.15%	0.88%





BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	-1
1-month	0.18	0	-4
3-month	0.31	0	-13
6-month	0.57	0	-23
12-month	1.12	0	-39

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.31	-1	-73
5Y BGN	0.54	-2	-91
10Y BGN	2.05	0	-70

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.30	-5	-86
EUR Sep-24	2.45	-39	-42

CDS

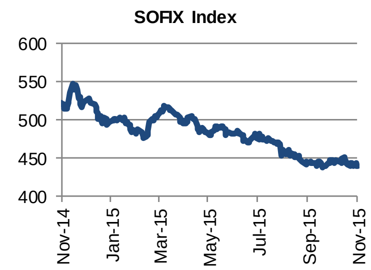
	Last	ΔDbps	ΔYTD bps
5-year	167	3	-24
10-year	218	4	-22

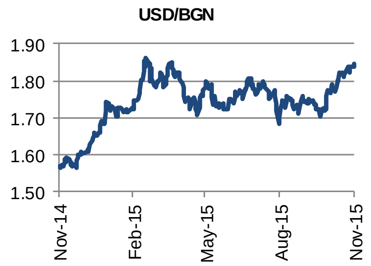
STOCKS

	Last	ΔD	ΔYTD
SOFIX	439.0	-0.26%	-15.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8443	-0.35%	-12.35%





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

Data updated as of 12:15 EET

Contributors

Paraskevi Petropoulou
G10 Markets Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (*Special Contributor*)
Research Economist, Eurobank Ergasias
+30 210 3337305
IGKIONIS@eurobank.gr

Anna Dimitriadou (*Special Contributor*)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Arkadia Konstantopoulou (*Special Contributor*)
Research Assistant, Eurobank Ergasias
+30 210 3371224
arkonstantopoulou@eurobank.gr

Olga Kosma (*Special Contributor*)
Economic Analyst, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: *Group Chief Economist*
pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: *Deputy Chief Economist*
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: *Economic Analyst*
andimitriadou@eurobank.gr, + 30 210 3718 793

Ioannis Gkionis: *Research Economist*
igkionis@eurobank.gr + 30 210 33 71 225

Stylianos Gogos: *Economic Analyst*
sgogos@eurobank.gr + 30 210 33 71 226

Olga Kosma: *Economic Analyst*
okosma@eurobank.gr + 30 210 33 71 227

Arkadia Konstantopoulou: *Research Assistant*
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

Paraskevi Petropoulou: *G10 Markets Analyst*
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: *Research Economist*
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatiou: *Senior Economist*
tstamatiou@eurobank.gr, + 30 210 3371228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

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