

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Thursday, November 26, 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: The EUR remained under pressure in European trade on Thursday and German government bonds retained a firm tone amid heightened expectations for further ECB monetary policy stimulus at the next policy meeting on December 3rd. Today sees a relatively light global calendar while US markets are closed for Thanksgiving.

GREECE: The milestones that will be attached to the release of the next ESM loan installment (€1bn) will reportedly incorporate 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. The Hellenic Parliament is reportedly expected to vote on the relevant legislative law(s) by December 22nd.

SOUTH EASTERN EUROPE

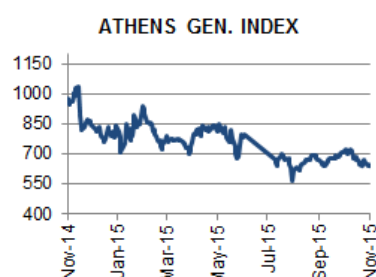
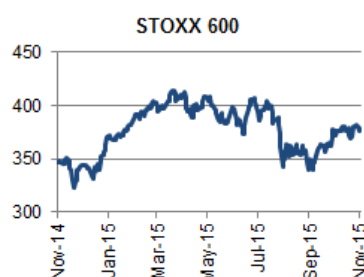
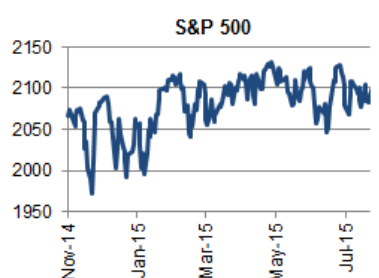
ROMANIA: The consolidated government surplus came in at RON9.0bn or 1.3% of projected GDP in the 10M-2015 up from a RON1.9bn surplus or 0.3% of GDP in the same period last year.

SERBIA: Average gross salaries and wages decreased for the 9th month running in October, falling by 3.3%YoY in real terms after a 1.9%YoY drop in the prior month.

CESEE MARKETS: The majority of **emerging stock markets** moved modestly higher in early European trade on Thursday ahead of the Thanksgiving holiday in the US, with the timid recovery in commodity prices so far this week favouring related equity. In FX markets, **CESEE currencies** remained under pressure as global risk sentiment remains fragile in view of the recent flare up of geopolitical tensions. In the local rates markets, **government bonds** broadly firmed.

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Source: Reuters, Bloomberg, Eurobank Research

Latest world economic & market developments

GLOBAL MARKETS

The EUR remained under pressure in European trade on Thursday and German government bonds retained a firm tone amid heightened expectations for further ECB monetary policy stimulus at the next policy meeting on December 3rd. According to comments by unnamed Eurozone officials, the ECB is probably considering options such as two-tiered penalty charges on banks that deposit money at the ECB and inclusion of municipal bonds in its asset purchases programme, raising market talk of more flexibility regarding the size of a potential deposit rate cut. The 2-yr German bond yield was hovering around -0.419% record lows in European trade at the time of writing while the 10-yr bond was yielding levels close to a one-month low of 0.467%. Against this background, the 2/10-yr yield curve undertook some bullish flattening today with the corresponding spread standing close to 88.43bps after ending slightly above 89bps in the prior session. Elsewhere, the EUR/USD dropped to a fresh multi-month low of 1.0565 earlier in Asia before gaining some ground testing levels around 1.0610/15 at the time of writing. A string of hefty US data yesterday which reinforced market expectations for a Fed rate hike in December, also favored the US currency. New home sales rebounded strongly in October, initial jobless claims fell more than expected currently standing to the lowest level since early 1970s while October durable goods orders surprised positively. Today sees a relatively light global calendar while US markets are closed for Thanksgiving.

GREECE

According to press reports, a preliminary informal discussion on the programme milestones that will be attached to the release of the next ESM loan installment (€1bn) will be held between high-level officials from Greece's Ministry of Finance and staff of senior inspectors representing official creditors on the sidelines of a conference to be held in Athens by the American-Hellenic Chamber of Commerce next Monday. As per the same sources, the EC/ECB/IMF/ESM mission heads are expected return to Athens on December 7th to assess the list of the aforementioned prior actions. These will reportedly incorporate 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. The Hellenic Parliament is reportedly expected to vote on the relevant legislative law(s) by December 22nd.

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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

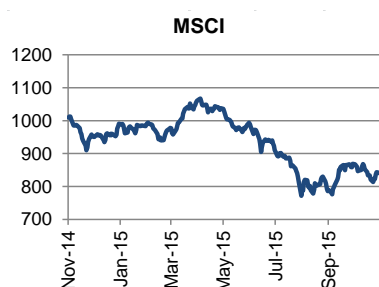
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	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

ROMANIA

The consolidated government surplus came in at RON9.0bn or 1.3% of projected GDP in the 10M-2015 up from a RON1.9bn surplus or 0.3% of GDP in the same period last year. Total revenues (27.2% of projected GDP) were still over performing the full year budget target of 3.4%, expanding by 7.9% yoy in the 10M-2015. Impressive VAT revenue growth (+11.8% yoy), Income tax (+13.3% yoy) as a result of the consumption rally and improved tax compliance were the main drivers behind the stellar performance of revenues, compensating partially for lower social contributions as a result of the 5pps decrease since last autumn) and lower property taxes. On the other hand, total expenditure (25.9% of GDP) was up by 4.0% yoy. Contained procurement related expenditure (+3.9% yoy) and lower debt servicing costs (-10.2% yoy) plus the rise in personnel expenditure (+5.4% yoy) were the main culprits on the expenditure side. Overall, the reading implies that the full year target- agreed with official lenders-of a consolidated budget deficit of 1.9% of GDP in 2015 marginally down from 2014- may be overachieved by a wider margin than previously thought. Yet, the unwarranted pro-cyclical fiscal stimulus induced by the amended Fiscal Code tax-cuts and the wide-spread public sector wage rises threaten to push the fiscal deficit above 3% of GDP in 2016. Only recently a 10% wage hike was approved by the parliament for all public sector employees except for those in public health, who have already received a generous 25% wage increase.

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SERBIA

Average gross salaries and wages decreased for the 9th month running in October, falling by 3.3%YoY in real terms after a 1.9%YoY drop in the prior month. The aforementioned declines reflect fiscal consolidation measures adopted by the government late last year, such as cuts in civil servants wages, which have weighed on domestic consumption this year.

CESEE MARKETS

The majority of **emerging stock markets** moved modestly higher in early European trade on Thursday ahead of the Thanksgiving holiday in the US, with the timid recovery in commodity prices so far this week favouring related equity. Along these lines, the MSCI Emerging Markets index stood 0.3% higher on the day at the time of writing, poised to snap a 3-session losing streak. In FX markets, **CESEE currencies** remained under pressure as global risk sentiment remains fragile in view of the recent flare up of geopolitical tensions. In response, the Turkish lira continued to underperform its regional peers, with the USD/TRY hitting a new multi-session peak near 2.9045 in Asian trade. Separately, the Polish zloty slid to a new 2-week low of 4.2757/EUR earlier today, while the Hungarian forint consolidated near yesterday's 312.57/EUR multi-session lows. In the local rates markets, **government bonds** broadly firmed. Turkish paper underperformed giving back some of yesterday's gains. In more detail, the 2- and 10-year benchmark yields rose by 9bps and 8bps, respectively, compared to the prior session's settlement, standing at 10.30% and 9.90% at the time of writing. With key data and events looming next week, such as the much anticipated ECB monetary policy meeting, November's US non-farm payrolls and Fed Chair Janet Yellen's speech, we anticipate regional assets remain in a consolidation mode over the coming days. An ECB decision next week incorporating an extension of the Central Bank's monetary policy stimulus will likely favour CESEE assets the most among the EM space.

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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	2087.23	-0.1%	1.4%	EUR/USD	1.0578	-0.6%	-12.6%	UST - 10yr	2.23	-1	6	GOLD	1070	-0.6%	-9.7%
Nikkei 225	19847.58	-0.4%	13.7%	GBP/USD	1.5085	0.0%	-3.2%	Bund-10yr	0.47	-5	-7	BRENT CRUDE	45	-2.2%	-21.3%
STOXX 600	380.73	1.4%	11.1%	USD/JPY	122.87	-0.3%	-2.6%	JGB - 10yr	0.30	-2	-3	LMEX	2143	2.2%	-26.5%

CESEE MARKETS

SERBIA

Money Market

	Last	ΔDbps	ΔYTD bps
BELIBOR			
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	7.40	#N/A N/A	-142

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	3.03	-1	-123
USD Nov-24	6.40	0	-19

CDS

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

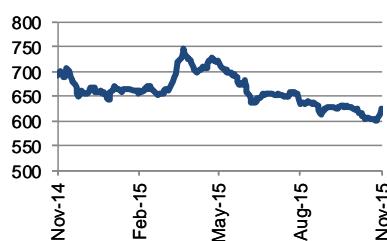
STOCKS

	Last	ΔD	ΔYTD
BELEX15	625.6	0.43%	-6.21%

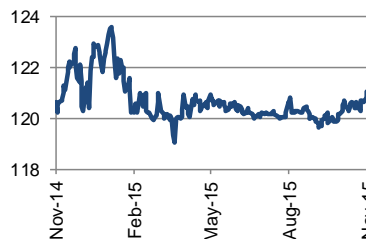
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	121.07	-0.03%	0.23%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

	Last	ΔDbps	ΔYTD bps
ROBOR			
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	3.52	0	-14

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

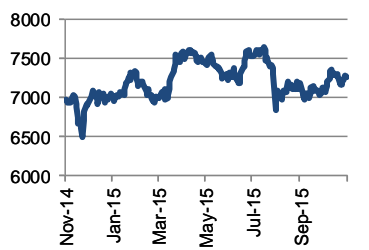
STOCKS

	Last	ΔD	ΔYTD
BET	7194.7	-0.82%	1.58%

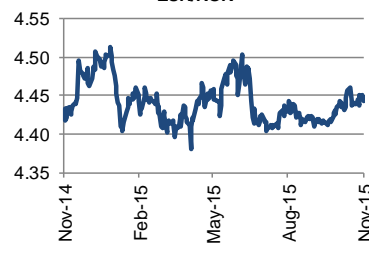
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.442	0.20%	0.93%

BET Index



EUR/RON



BULGARIA

Money Market

	Last	ΔDbps	ΔYTD bps
SOFIBOR			
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	0.30	-2	-74
5Y BGN	0.55	-1	-90
10Y BGN	2.03	0	-72

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.27	0	-89
EUR Sep-24	2.43	-21	-44

CDS

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

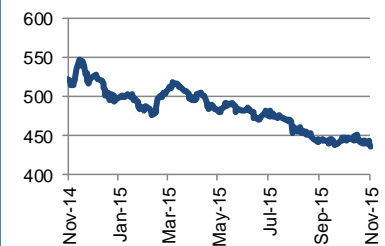
STOCKS

	Last	ΔD	ΔYTD
SOFIX	436.3	-0.87%	-16.44%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8492	-0.62%	-12.58%

SOFIX Index



USD/BGN



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

Data updated as of 16:55 EET of previous session

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