

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- November 23
 - Existing home sales (Oct)
 - Markit PMI manuf. (Nov, p)
- November 24
 - GDP (Q3, 3rd)
 - 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: In a speech in Frankfurt on Friday, ECB President Mario Draghi confirmed that the Central Bank will reassess the balance of risks at its upcoming meeting on December 3rd and it will ease its monetary policy further if it is deemed necessary. Reacting to the dovish tone the ECB President adopted, short-dated German government bonds firmed with the 2-yr bond yield hitting a fresh intraday record low earlier today. In FX markets, the EUR came under renewed pressure, marking a new seven-month low against the US dollar.

GREECE: In a statement released on Saturday, November 21st Eurogroup President Jeroen Dijsselbloem said that, on the basis of a final compliance report from the institutions, the Euro Working Group (EWG) agreed that “the Greek authorities have completed the first set of milestones and the financial sector measures that are essential for a successful recapitalization process”. As per the same statement, the EWG agreement paves the way for a formal approval by the ESM Board of Directors at its meeting on Monday, 23 November for disbursing to Greece the €2bn sub-tranche linked to the first set of milestones./ The Greek government submitted to Parliament on Friday, November 20th the final budget law for FY-2016 which is scheduled to come for vote on December 5th.

SOUTH EASTERN EUROPE

BULGARIA: The domestic equity market treaded water last week. Local sovereign and Eurobond curves moved slightly downwards with paper of longer maturity outperforming short-dated securities. The next treasury auction is scheduled on November 23rd for a planned amount of BGN 150mn (3-year notes).

SERBIA: The dovish tone assumed by the National Bank of Serbia during its last monetary policy meeting supported a EUR/RSD up-move last week, with the pair bouncing towards the upper bound of the yearly range at 120.80/00.

CESEE MARKETS: The majority of **emerging stock markets** kicked off the week on a negative footing on profit taking after last week’s rally which was instigated in the wake of the release of the FOMC October 27/28 meeting minutes indicating that the pace of rate tightening ahead will likely be gradual. A renewed drop in commodities prices also weighed on EM equity. Separately, **regional currencies** tread water and **government bonds** were broadly weaker earlier on Monday. Looking into this week, Turkey’s monetary policy meeting (Tuesday) takes centre stage in the CESEE region.

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November 23, 2015

Latest world economic & market developments

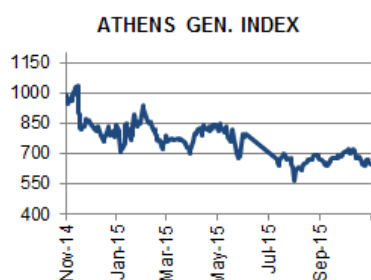
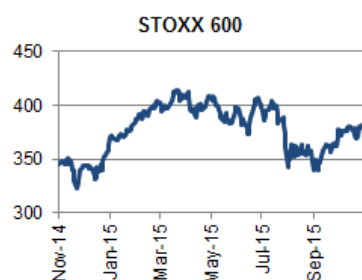
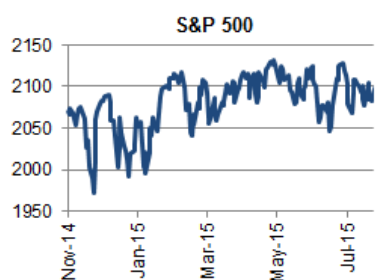
GLOBAL MARKETS

In a speech in Frankfurt on Friday, ECB President Draghi stressed that downside risks on the euro area's growth outlook have increased and the strength of economic recovery is subdued. He also expressed concerns about the risk euro area inflation to remain at current low levels for longer than expected. The ECB President confirmed that the Central Bank will reassess the balance of risks at its upcoming meeting on December 3rd and it will ease its monetary policy further if it is deemed necessary. Reacting to the dovish tone the ECB President adopted, short-dated German government bonds firmed with the 2-yr bond yield hitting a fresh intraday record low slightly below -0.39% earlier today. On the flipside, long-dated German bonds edged higher on supply jitters as Belgium, the Netherlands, Finland, Italy and Germany are all scheduled to reopen their 10-yr benchmarks this week. Against this background, the 2/10-yr Bund yield curve undertook some bearish steepening today with the corresponding spread hovering around 89.4bps in early European trade, some 2.5bps wider compared to the settlement in the prior session. In FX markets, the EUR came under renewed pressure amid heightened expectations for further ECB monetary policy stimulus ahead. The EUR/USD was trading close to 1.0635/38 at the time of writing, not far from a fresh seven-month trough of 1.0599 hit earlier in the day. Technically, strong support lies at 1.0520 (April 13 low), a level that could be potentially challenged if upcoming US data reinforce expectations for the Fed to embark on a rate tightening cycle at the next policy meeting in mid-December. In the way to Thursday's Thanksgiving Day holiday in the US, focus is on the revised Q3 GDP report (Tuesday) as well as October durable goods orders and October personal income and spending (both on Wednesday). In the euro area, today's PMIs data for November and the German November IFO survey on Tuesday, lure market attention.

GREECE

In a statement released on Saturday, November 21st Eurogroup President Jeroen Dijsselbloem said that, on the basis of a final compliance report from the institutions, the Euro Working Group (EWG) agreed that "the Greek authorities have completed the first set of milestones and the financial sector measures that are essential for a successful recapitalization process". As per the same statement, the EWG agreement paves the way for a formal approval by the ESM Board of Directors at its meeting on Monday, 23 November for disbursing to Greece the €2bn sub-tranche linked to the first set of milestones. Furthermore, the statement read that the ESM Board of Directors will make case-by-case decisions on the transfer to the HFSF of the funds needed for the recapitalisation of the Greek banking sector, out of the €10bn earmarked for this purpose. The Greek government submitted to Parliament on Friday, November 20th the final budget law for FY-2016 which is scheduled to come for vote on December 5th. It envisages flat year-on-year growth in 2015, downwardly revised from real GDP contraction of -2.3% projected in the draft budget that was submitted last month. For 2016, the final budget projects real GDP contraction of -0.7% from -1.3% previously. The draft budget targets respective general government primary balances (programme definition) of -0.20%-of-GDP (or €349mn shortfall) in 2015 and +0.53%-of-GDP (or €919mn surplus) in 2016. To facilitate attainability of these targets, the new budget introduces a number of (permanent) fiscal measures for FY-2015 and FY-2016 worth respectively c. €1.5bn and c. €5.7bn on a net basis.

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Source: Reuters, Bloomberg, Eurobank Research

November 23, 2015

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

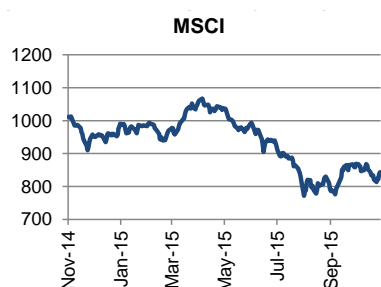
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

L-T ccy	Credit Ratings		
	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

BULGARIA

The domestic equity market treaded water last week. The main SOFIX index closed 0.3% lower on Friday compared to the prior week's settlement, consolidating near a 2-month-low around 440 points hit in mid-October. Liquidity remained constrained with weekly turnover barely exceeding €750k. In other news, the Ministry of Finance successfully re-tapped its 10-year bond issue on Monday at an average accepted yield of 2.56% and nominal value of BGN 70mn. The bid/cover ratio came at 1.57. Banks remained the major buyers on the primary market acquiring 77.5% of the issue, followed by investment intermediaries with 8.57%. Insurance companies and pension funds were allotted 2.14% and 0.36%, respectively, and other investors the rest. The next treasury auction is scheduled on November 23rd for a planned amount of BGN 150mn (3-year notes). Local sovereign and Eurobond curves moved slightly downwards last week with paper of longer maturity outperforming short-dated securities.

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SERBIA

The dovish tone assumed by the National Bank of Serbia during its last monetary policy meeting supported a EUR/RSD up-move last week. The pair bounced towards the upper bound of the yearly range at 120.80/00. The door appears open for further EUR/RSD gains ahead, though these may be capped by renewed Central Bank intervention in the FX markets in order to cushion the pair's upside momentum. Along these lines we anticipate range-trading to continue around 120.30-121.0 in the coming sessions.

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CESEE MARKETS

The majority of **emerging stock markets** kicked off the week on a negative footing on profit taking after last week's rally which was instigated in the wake of the release of the FOMC October 27/28 meeting minutes indicating that the pace of rate tightening ahead will likely be gradual. A renewed drop in commodities prices also weighed on EM equity. Against this backdrop, the MSCI Emerging Markets index stood ca 0.4% lower at the time of writing compared to the prior session's settlement, following a 2.7% jump last week, the index's best weekly performance in over a month. Major indices in the CESEE region were mixed in European trade, though appearing to be faring better than their EM peers remaining supported by increased expectations for further ECB monetary policy stimulus. Separately, **regional currencies** tread water and **government bonds** were broadly weaker earlier on Monday. In FX markets, the Turkish lira underperformed other CESEE currencies with the USD/TRY easing by ca 0.5% compared to the prior session's settlement to 2.8440, remaining though within distance from a 2-week trough of 2.8120 hit in the prior session. Elsewhere, the Hungarian forint was little changed hovering near Friday's 1-month peak of 308.62/EUR after Fitch affirmed late last week the country's sovereign credit ratings at 'BB+' with outlook positive. **Looking into this week**, Turkey's monetary policy meeting (Tuesday) takes centre stage in the CESEE region. The market's consensus is for the Central Bank to stand pat at its monetary policy, maintaining the key policy rate at 7.50%.

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November 23, 2015

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	2089.17	0.4%	1.5%	EUR/USD	1.0631	-0.1%	-12.1%	UST - 10yr	2.28	2	11	GOLD	1071	-0.6%	-9.6%
Nikkei 225	19879.81	0.1%	13.9%	GBP/USD	1.5155	-0.2%	-2.7%	Bund-10yr	0.52	4	-2	BRENT CRUDE	44	-2.0%	-23.6%
STOXX 600	380.59	-0.3%	11.1%	USD/JPY	123.15	-0.3%	-2.8%	JGB - 10yr	0.32	0	-1	LMEX	2135	-0.8%	-26.7%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA							
Money Market				Money Market				Money Market							
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	LEONIA	Last	ΔDbps	ΔYTD bps
T/N	308	0	-683	O/N	0.53	2	-4	1-month	0.01	0	-1	1-month	0.18	0	-4
1-week	3.24	0	-677	1-month	0.88	4	-3	3-month	0.31	0	-13	3-month	0.31	0	-13
1-month	3.55	-1	-650	3-month	1.08	2	-62	6-month	0.57	0	-22	6-month	0.57	0	-22
3-month	3.89	-1	-596	6-month	1.37	-1	-64	12-month	1.12	0	-38	12-month	1.12	0	-38
6-month	4.09	0	-570	12-month	1.52	-1	-50	BG Local Bonds							
RS Local Bonds				RO Local Bonds				BG Local Bonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
3Y RSD	3.75	#N/A	N/A	3Y RON	1.48	0	-83	3Y BGN	0.32	14	-72	5Y BGN	0.57	-3	-88
5Y RSD	6.60	0	-358	5Y RON	1.96	-1	-75	5Y BGN	0.57	-3	-88	10Y BGN	2.08	0	-68
7Y RSD	7.38	0	-143	10Y RON	3.54	1	-12	BG Eurobonds							
RS Eurobonds				RO Eurobonds				BG Eurobonds							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
USD Nov-17	3.05	0	-121	EUR Sep-20	1.10	0	-63	EUR Jul-17	0.30	-2	-86	EUR Sep-24	2.41	2	-46
USD Nov-24	6.40	1	-19	USD Aug-23	3.61	2	0	CDS							
CDS				CDS				CDS							
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps
5-year	284	0	-6	5-year	129	-1	-14	5-year	164	-1	-27	5-year	212	0	-29
10-year	349	1	-7	10-year	171	-1	-16	10-year	212	0	-29	STOCKS			
STOCKS				STOCKS				STOCKS							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
BELEX15	602.9	-0.20%	-9.61%	BET	7254.1	0.32%	2.42%	SOFIX	442.0	0.43%	-15.35%	FOREX			
FOREX				FOREX				FOREX							
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD
EUR/RSD	120.70	-0.03%	0.54%	EUR/RON	4.4478	0.08%	0.80%	USD/BGN	1.8398	-0.14%	-12.14%	BELEX15 Index			
BELEX15 Index				BET Index				SOFIX Index							
EUR/RSD				EUR/RON				USD/BGN							

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:35 EET

November 23, 2015

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