



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, October 26, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Oct 25: CB Consumer sentiment
- Oct 26: New home sales
- Oct 27
 - Jobless claims (weekly)
 - Durable goods orders (Sep)
 - Pending home sales (Sep)
- Oct 28
 - GDP (1st est, Q3)
 - Employment cost index (Q3)
 - UoM Consumer confidence

EUROZONE

- Oct 24: PMI manufacturing & services (Oct)
- Oct 25: DE: Ifo business climate (Oct)

GREECE

- Oct 24/25: Euroworking group
- Oct 28: Economic sentiment indicator (Oct)

SEE

BULGARIA

- Oct 28: Gross external debt (Aug)

ROMANIA

- Oct 24: 3.5% 2022 T-bond auction
- Oct 27: 1.35% 2019 T-bond auction

SERBIA

- Oct 25
 - 5.75% RSD 2023 T-bond auction
 - Real gross wages (Sep)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In the absence of key data releases and events, major European bourses were weaker in early trade on Wednesday, taking their lead from the negative tone in Wall Street overnight amid disappointing corporate earnings results. Weaker oil prices may also had an impact. The AUD was among the main outperformers in the G10 FX space supported by reduced expectations for lower interest rates at next week's RBA policy meeting. On the data calendar, today's notable releases include US initial jobless claims as well as durable goods orders and new home sales both for September. The Fed speakers calendar is quiet as we enter the one week period ahead of the November 1-2 FOMC meeting.

GREECE: As expected, the ESM's Board of Directors authorized yesterday the disbursement of the €2.8bn pending sub-tranche related to the 1st programme review. The said sub-tranche consists of two parts: €1.1bn to be used for debt servicing needs following the completion by the Greek side of 15 attached prior actions and the remaining €1.7bn for arrears clearance after the Greek side succeeded in meeting the target of net arrears clearance for the period between June and September. In other news, official discussions in the context of the 2nd review between the Greek officials and the heads of the ECB/EC/IMF/ESM mission will continue today with labor market reforms reportedly standing as one of the main sticking issues. Reportedly, the mission heads will depart from Athens on Friday and will return in mid-November with an intention to have the review completed ahead of the December 5th Eurogroup.

SOUTH EASTERN EUROPE

CESEE MARKETS: Most emerging market assets remained under pressure earlier on Wednesday as increased expectations for a Fed rate hike this year continue to dent their high-yield allure. In FX markets, the Hungarian forint remained under pressure after the Central Bank announced yesterday its decision to ease monetary conditions further. In the local debt markets, the Serbian finance ministry sold on Tuesday RSD 23.4bn (~€190mn) of 7-year T-Bonds at an average accepted yield of 5.64%.

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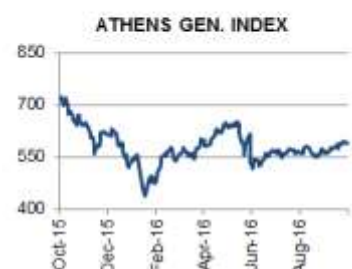
Latest world economic & market developments

GLOBAL MARKETS

In the absence of key data releases and events, major European bourses were weaker in early trade on Wednesday, taking their lead from the negative tone in Wall Street overnight amid disappointing corporate earnings results. Weaker oil prices may also had an impact. Brent crude oil price was hovering around \$50.40/bbl at the time of writing, within distance from a three-week low of \$50.13/bbl hit earlier in the day. The American Petroleum Institute (API) recorded a strong build in crude inventories while market talk suggests that Russia will probably not join OPEC to curb oil supply after Russia OPEC envoy Vladimir Voronkov was quoted saying that output cuts are “not an option” for Russia. Elsewhere, the AUD was among the main outperformers in the G10 FX space supported by reduced expectations for lower interest rates at next week’s RBA policy meeting after Australia’s Q3 headline CPI surprised on the upside. Meanwhile, the USD lost some ground following a bigger than expected decline in the Conference Board October consumer confidence index to 98.6, the lowest since July. Against a modestly weaker USD, the EUR/USD was standing close to 1.0920/25 at the time of writing, having recovered from Tuesday’s 7 ½ month low of 108.50. Looking ahead, range trading will likely prevail in the coming sessions as market participants await the key US October non-farm-arm payrolls report and the next FOMC monetary policy meeting, both due next week while cautiousness prevails ahead of the November 8th US elections. On the data calendar, today’s notable releases include US initial jobless claims as well as durable goods orders and new home sales both for September. The Fed speakers calendar is quiet as we enter the one week period ahead of the November 1-2 FOMC meeting.

GREECE

As expected, the ESM’s Board of Directors authorized yesterday the disbursement of the €2.8bn pending sub-tranche related to the 1st programme review. The said sub-tranche consists of two parts: €1.1bn to be used for debt servicing needs following the completion by the Greek side of 15 attached prior actions and the remaining €1.7bn for arrears clearance after the Greek side succeeded in meeting the target of net arrears clearance for the period between June and September. In more detail, according to the European Commission’s compliance report regarding the clearance of state arrears, the total stock of arrears was reduced between end-June and end-September by €1.5bn in net terms or 84% of the previous disbursement (€1.8bn) suggesting that the 80% target of net arrears clearance was fulfilled. Specifically, the stock of arrears was reduced to c. €8bn at the end of September from €9.5bn at the end of June. In a statement released shortly after the ESM BoD’s decision, Managing Director Klaus Regling acknowledged that the Greek government has accomplished a number of milestones adding that should more of the agreed reforms be implemented, Greece’s economic growth could “accelerate next year and the government may be able to start issuing bonds again next year”. In other news, official discussions in the context of the 2nd review between the Greek officials and the heads of the ECB/EC/IMF/ESM mission will continue today with labor market reforms reportedly standing as one of the main sticking issues. Reportedly, the mission heads will depart from Athens on Friday and will return in mid-November with an intention to have the review completed by the December 5th Eurogroup. According to the local press, Greece’s Prime Minister Alexis Tsipras intends to pursue a political agreement for debt relief at the December Eurogroup with the aim to achieve the inclusion of the country in the ECB’s QE program before the end of 2016. Speaking at the Syriza party congress earlier this month, Greece’s Premier said that the 2nd program review will be completed in due course, so as to facilitate Greece’s participation in the ECB’s QE program and that the debt relief measures will be specified by the end of this year.



Source: Reuters, Bloomberg, Eurobank Research

October 26, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

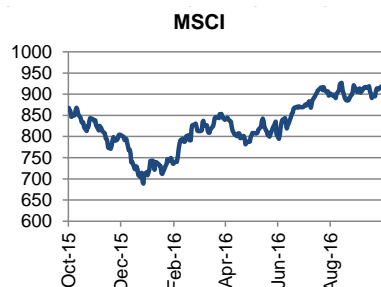
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

CESEE MARKETS

Most emerging market assets remained under pressure earlier on Wednesday as increased expectations for a Fed rate hike this year continue to dent their high-yield allure. Against this backdrop, the MSCI Emerging Markets index fell by 0.5% in Asian trade, recoiling from a multi-session peak achieved a session earlier. Bourses in the CESEE region were little changed in morning trade, while regional currencies were mixed.

In FX markets, the Hungarian forint remained under pressure after the Central Bank (MNB) announced yesterday its MPC decision to ease monetary conditions further, confounding market expectations that it would stand pat on its monetary policy. In more detail, the MNB narrowed the interest rate corridor via cutting the upper bound, the overnight lending rate, by 10 basis points to 1.05%, leaving the lower-end, the overnight deposit rate, unchanged at -0.05%. The move aims at enhancing liquidity in the interbank market and supporting lending activity. In this context, the Central Bank also decided to reduce the mandatory reserve ratio for banks from 2% to 1%, effective from 1 December 2016 and left the door open for further easing of monetary conditions. At the same time, in line with market consensus it kept unchanged the key policy (base) at 0.90%. In its previous MPC meeting in September, the MNB had also kept its policy rate unchanged but it had reduced the maximum volume offered at the three-month deposit instrument tenders by year-end, in a move aimed at supporting bank lending and purchases of government bonds.

In the local debt markets, the Serbian finance ministry sold on Tuesday RSD 23.4bn (~€190mn) of 7-year T-Bonds, which mature on July 21, 2023. The average accepted yield came in at 5.64% and the tender's bid to cover ratio stood at 1.4 yesterday. The security bears a coupon of 5.75%.

Today's calendar is particularly thin. The focus now turns on Thursday's government bond auctions in Hungary and Romania, MNB's Macroprudential Report release, the updated Inflation Report in Turkey and Ukraine's MPC meeting.

gphoka@eurobank.gr

October 26, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD					
S&P 500	2143.16	-0.4%	4.9%	EUR/USD	1.0922	0.3%	0.6%	(yields)	UST - 10yr	1.76	0	-51	GOLD	1274	0.0%	20.0%
Nikkei 225	17391.84	0.2%	-8.6%	GBP/USD	1.2214	0.2%	-17.1%	Bund-10yr	0.05	2	-58	BRENT CRUDE	50	-1.2%	34.6%	
STOXX 600	340.69	-0.7%	-6.9%	USD/JPY	104.18	0.0%	15.2%	JGB - 10yr	-0.06	0	-33	LMEX	2432	2.1%	10.4%	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	0	1
1-week	3.19	1	0
1-month	3.31	0	-20
3-month	3.46	-3	-37
6-month	3.65	-1	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	-104
5Y RSD	4.33	-1	-80
7Y RSD	5.61	0	-209

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.28	-1	-89
USD Nov-24	6.52	0	11

CDS

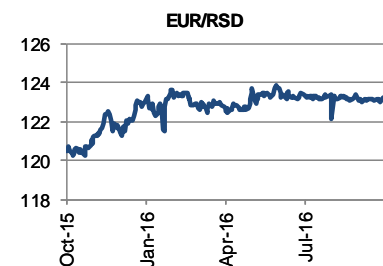
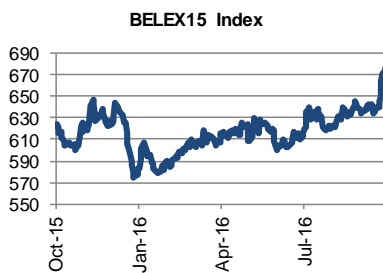
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-75
10-year	244	0	-95

STOCKS

	Last	ΔD	ΔYTD
BELEX15	671.3	-0.79%	4.22%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.21	0.00%	-1.32%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.63	11	10
1-month	0.64	6	-5
3-month	0.72	3	-30
6-month	0.95	2	-39
12-month	1.08	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.38	0	-55
5Y RON	2.12	0	-68
10Y RON	2.96	-1	-82

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.75	0	-82
USD Jan-24	2.91	-1	-88

CDS

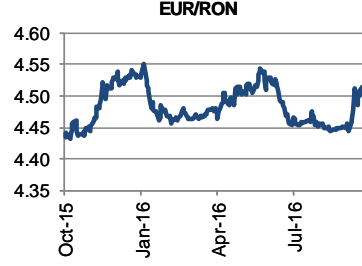
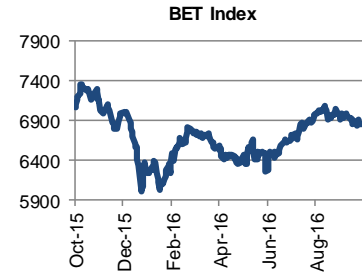
	Last	ΔDbps	ΔYTD bps
5-year	103	1	-30
10-year	146	1	-26

STOCKS

	Last	ΔD	ΔYTD
BET	6793.8	0.01%	-3.01%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4897	0.06%	0.54%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-31
1-month	-0.15	0	-30
3-month	-0.05	0	-31
6-month	0.10	0	-43
12-month	0.41	0	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.18	0	-42
5Y BGN	0.51	-1	-77
10Y BGN	1.86	0	-80

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.26	5	-33
EUR Sep-24	1.41	0	-101

CDS

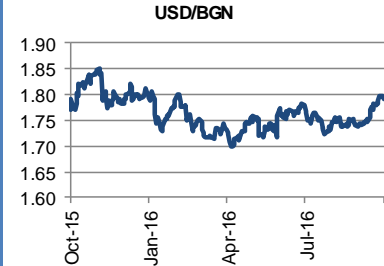
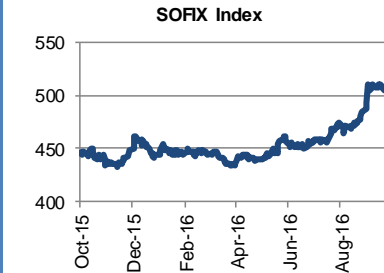
	Last	ΔDbps	ΔYTD bps
5-year	133	0	-39
10-year	173	-1	-43

STOCKS

	Last	ΔD	ΔYTD
SOFIX	519.0	0.26%	12.59%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.791	0.15%	0.52%



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

Data updated as of 11:50 EEST

October 26, 2016

Contributors

Paraskevi Petropoulou
Economic 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

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@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
pmonokroussos@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: Research Economist
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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