



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 09, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Nov 8: Presidential elections
- Nov 10: Jobless claims (weekly)
- Nov 11 UoM consumer sentiment (p, Nov)

EUROZONE

- Nov 7: Eurogroup/Ecofin meetings
- Nov 9: EC autumn forecasts

GREECE

- Nov 9: Industrial production (Sep)
- Nov 10
 - U/E rate (Aug)
 - CPI/HICP (Oct)

CYPRUS

- Nov 8: HICP (Oct)
- Nov 7-11: reunification talks
- Nov 11: Moody's sovereign rating review

SEE

BULGARIA

- Nov 8
 - Retail sales (Sep)
 - Industrial production (Sep)
- Nov 9: Trade balance (Sep)

ROMANIA

- Nov 7
 - Retail sales (Sep)
 - Net wages (Sep)
 - 2.25% T-bonds auction
- Nov 9: Trade balance (Sep)
- Nov 10: 3.65% 2031 T-bonds auction
- Nov 11
 - Industrial sales (Sep)
 - CPI (Oct)
 - MPC meeting minutes

SERBIA

- Nov 10: MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Defying most recent opinion polls, Republican candidate Donald Trump was elected to become the 45th US President. He managed to secure more than the 270 Electoral votes required after succeeding turning around a number of traditionally Democratic states and winning the bulk of the so-called swing states. Republicans have also retained the majority in Congress. The outcome of the November 8th US Presidential election triggered similar market reaction to that witnessed on the Brexit referendum earlier this year; risk-off mode prevailed boosting the safe-haven appeal of major government bonds. In FX markets, the USD came under pressure mainly against low yielding currencies such as EUR, JPY, CHF and GBP. On the flipside, the US currency gained some ground against commodity related currencies such as AUD, CAD and NZD.

GREECE: With respect to the Greek 3rd bailout programme and the ongoing 2nd review, according to Greek officials the roadmap for the short – term period ahead is reportedly as follows: a) agreement on a technical level at the November 28 Euroworking group, b) political agreement on the successful completion of the 2nd review at the December 5 Eurogroup, c) implementation of the short-term debt relief measures, which the ESM is already working on and are expected to be presented at the next Eurogroup, d) inclusion of Greece into the ECB's QE programme, and e) return to the wholesale funding markets sometime thereafter. According to a report published yesterday by the Eurobank Division of Economic Analysis, real GDP growth is forecast c. 0.2%/0.4% QoQ/YoY in Q3, while for the full year the growth reading lies between -0.3% and 0.0%.

SOUTH EASTERN EUROPE

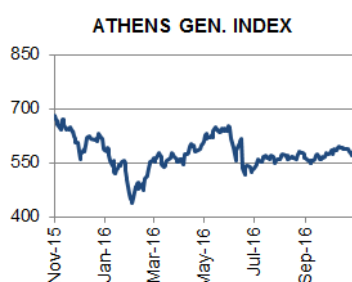
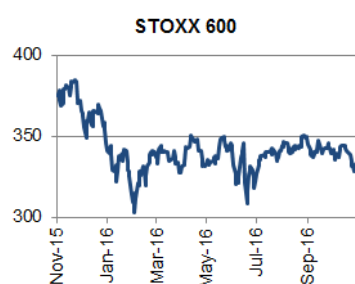
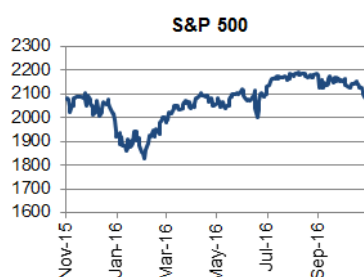
CESEE MARKETS: Emerging market assets came under selling pressure earlier on Wednesday, after nominee of the Republican Party Donald Trump unexpectedly proved to be the winner of Presidential elections in the US.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Defying most recent opinion polls, Republican candidate Donald Trump was elected to become the 45th US President. He managed to secure more than the 270 Electoral votes required – a simple majority of the 538 votes in the Electoral College – after succeeding turning around a number of traditionally Democratic states including Wisconsin and Pennsylvania and winning the bulk of the so-called swing states. Republicans have also retained the majority in Congress. They kept the majority in the 435-seat House of Representatives, as was expected, and are reportedly on track to gain a slim majority in the 100-seat Senate but not high enough to secure the 60% supermajority required for, among others, overriding a presidential veto. The outcome of the November 8th US Presidential election triggered similar market reaction to that witnessed on the Brexit referendum earlier this year; risk-off mode prevailed with European equity markets moving lower in early trade on Wednesday and futures pointing to a significant lower opening on Wall Street later in the day. Risk-off sentiment favored the safe-haven appeal of major government bonds with the 2-yr US Treasury bond yield hovering around 0.83% at the time of writing, the lowest in more than a month, after ending slightly above 0.86% in the prior session. Fed funds futures are currently assigning a probability of around 50% for a 25bps Fed rate hike in December compared to around 85% earlier this week on the view that in an environment of elevated market volatility a Fed rate hike as soon as next month comes into question. In FX markets, the USD came under pressure mainly against low yielding currencies such as EUR, JPY, CHF and GBP with the JPY gaining the most. On the flipside, the USD gained some ground against commodity related currencies such as AUD, CAD and NZD. Looking ahead, the risk-off mode is likely to prevail in the coming sessions with the USD remaining under pressure as investors need some time to digest the US Presidential election result and the potential implications on the US growth outlook and global financial markets.

ppetropoulou@eurobank.gr

GREECE

With respect to the Greek 3rd bailout programme and the ongoing 2nd review, according to Greek officials the roadmap for the short – term period ahead is reportedly as follows: a) agreement on a technical level at the November 28 Euroworking group, b) political agreement on the successful completion of the 2nd review at the December 5 Eurogroup, c) implementation of the short-term debt relief measures, which the ESM is already working on and are expected to be presented at the next Eurogroup, d) inclusion of Greece into the ECB's QE programme, and e) return to the wholesale funding markets sometime thereafter. The level of the primary surplus target for Greece beyond 2018, an issue that will be included in the agenda of the next Eurogroup, remains a sticking point among the institutions with the IMF expressing the most serious concerns against primary surplus targets at levels unchanged at 3.5%-of-GDP for five years after 2018. In other news, the election of Donald Trump as US president is expected to undermine the importance of the upcoming visit of outgoing US President Barack Obama to Athens on November 14, particularly with respect to its potential impact on debt relief talks. On the economic front, according to a report published yesterday by the Eurobank Division of Economic Analysis, real GDP growth is forecast c. 0.2%/0.4% QoQ/YoY in Q3, while for the full year the growth reading lies between -0.3% and 0.0%. This implies a carry-over of c. +0.2pppts into 2017, which compares with a negative base effect of c. -0.3pppts this year. Note that our earlier GDP growth forecast for 2016 was -0.5%, revised from an initially expected -1.0%. The revised forecast for the full-year is based on the GDP Nowcasting framework and a mixed-data sampling methodology employing MIDAS/Bridge-type models.

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andimitriadou@eurobank.gr

November 9, 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

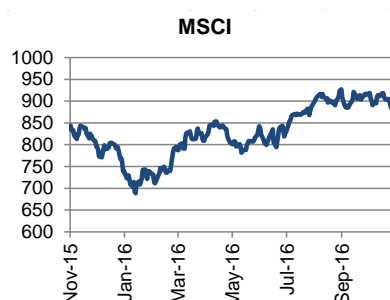
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets came under selling pressure earlier on Wednesday, after nominee of the Republican Party Donald Trump unexpectedly proved to be the winner of Presidential elections in the US. The CESEE region did not escape unscathed, although related assets seemed to fare better than LATAM and Asian peers on strong economic fundamentals and closest links to the Eurozone than US. As the day progressed, it became apparent that - despite remaining under pressure - most regional assets erased part of their earlier losses suffered in a knee-jerk response to the US election outcome. Scaled back expectations for a Fed rate hike this year in the wake of the Trump victory also may have provided some support, as higher US interest rates dent emerging markets' high yield allure.

In regional stock markets, all main stock indices stood in the red in European trade. Poland's WIG and Turkey's BIST were amongst those that fared worse, posting losses to the tune of 0.9% and 0.8%, respectively, at the time of writing, having however recovered some ground from earlier 1.9% and 2.4% daily declines shortly after the markets' open. Local currency government bonds also lost ground, extending their recent losses. Turkish paper underperformed, with the 2- and 10-year benchmark yields rose by ca 14bps each to 9.48% and 10.24%, respectively. Despite a significantly weaker US dollar, emerging market currencies broadly recoiled earlier today on mounting risk aversion. The Mexican peso led the selloff across EM currencies on growing concerns about the country's trade relations with the US, having sank by more than 13% compared to Tuesday's settlement at one point and reached a lifetime trough of 20.77/\$. In the CESEE space, regional currencies also declined with the Turkish lira leading the down-move. In more detail, the USD/TRY reached a new record peak at 3.2890 in Asian trade, before pulling back towards 3.1760 in European markets. The Turkish currency has been under pressure over the last few days on idiosyncratic factors as well, such as growing concerns about the country's economic growth prospects and persisting domestic political noise, which overshadowed a revision on the country's sovereign credit rating outlook by S&P to stable from negative announced late last week. Earlier in the week industrial production data showed that activity in the sector shrunk by 3.1%YoY in September, raising concerns that the domestic economy may have slid into contraction on a quarterly basis in Q3. Elsewhere, the Polish zloty and the Romanian leu were modestly weaker on a daily basis in European markets on Wednesday, but both currencies had pulled back from respective 2- and 4-month lows of 4.3550 and 4.5274 against the euro hit in late Asian trade. The Hungarian forint stood a shade firmer compared to the prior session's settlement, with the EUR/HUF having hit a 1-month trough of 304.64 in mid-European trade, continuing to receive support from last week's sovereign credit rating upgrade by Fitch and comparably strong domestic fundamentals, such as a current account surplus.

Looking into the remainder of the week, the tone in emerging market assets will likely be set by global developments as investors digest the outcome of the US election. Albeit now appearing to have been placed on the backburner, MPC meetings in Poland (Wednesday) and Serbia (Thursday) are amongst the most notable events to watch in the CESEE region. Both Central Banks are anticipated to stay put on their monetary policies and maintain their benchmark rates at the current record low levels of 1.50% and 4.00%, respectively. Also in focus is the release of the Central Bank meeting minutes in Romania (Friday) and Hungary (Wednesday), inflation data for October in Romania and a sovereign credit review on Ukraine by Fitch, all due on Friday. A Treasury bond auction in Romania (Thursday) and trade data for September (Romania, Hungary, Bulgaria) also lure market attention.

November 9, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	307	0	4
1-week	3.21	1	2
1-month	3.33	0	-18
3-month	3.52	0	-31
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	-78
7Y RSD	5.57	-1	-212

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.31	-1	-86
USD Nov-24	6.46	1	5

CDS

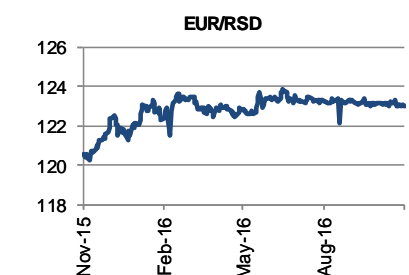
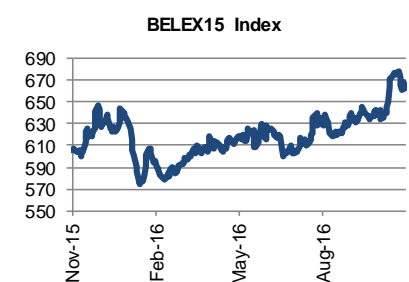
	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	245	0	-94

STOCKS

	Last	ΔD	ΔYTD
BELEX15	665.7	0.60%	3.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.05	0.03%	-1.19%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.55	-2	2
1-month	0.64	0	-5
3-month	0.73	0	-29
6-month	0.94	0	-40
12-month	1.08	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.34	0	-59
5Y RON	2.21	0	-59
10Y RON	3.09	0	-69

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.93	0	-64
USD Jan-24	2.96	-3	-82

CDS

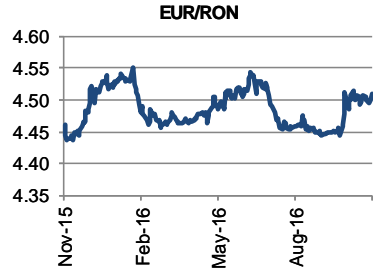
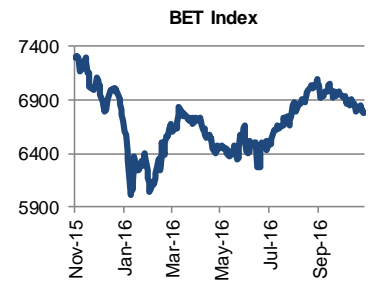
	Last	ΔDbps	ΔYTD bps
5-year	102	0	-31
10-year	145	0	-26

STOCKS

	Last	ΔD	ΔYTD
BET	6809.8	-0.18%	-2.78%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.509	-0.21%	0.11%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.19	0	-20
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	0.17	0	-43
5Y BGN	0.48	1	-80
10Y BGN	1.89	0	-77

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.05	-2	-2
EUR Sep-24	1.50	12	-92

CDS

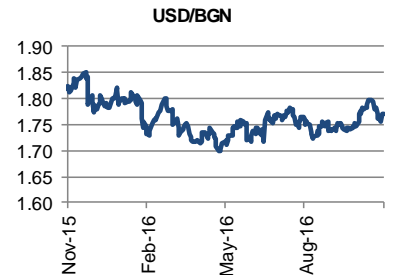
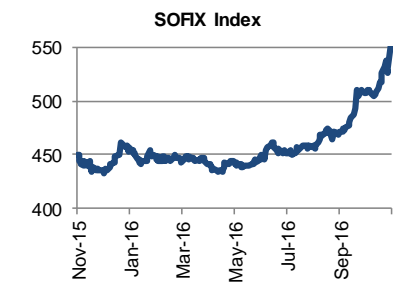
	Last	ΔDbps	ΔYTD bps
5-year	138	-3	-34
10-year	181	-3	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	559.7	1.53%	21.44%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7698	0.11%	1.72%



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

Data updated as of 17:00 EET of previous session

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
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

Stylios 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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