



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, October 06, 2016

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- Oct 7-9: IMF/World Bank annual meeting

US

- Oct 3: ISM manufact/g (Sep)
- Oct 5
 - ADP report (Sep)
 - Trade balance (Aug)
 - ISM non- manufact/g (Sep)
 - Factory orders (Aug)
- Oct 6: Jobless claims (weekly)
- Oct 7
 - NFP (Sep)
 - U/E rate (Sep)
 - Average hourly earnings (Sep)

EUROZONE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 5: PMI non- manufact/g (Sep, f)
- Oct 6: ECB Sept 8 meeting minutes
- Oct 7: ECB's Draghi, Coeure speak at IMF/World Bank meeting in Washington
- Oct 8: ECB's Draghi, Mersch

GREECE

- Oct 3: PMI manufact/g (Sep, f)
- Oct 6: U/E rate (Jul)

CYPRUS

- Oct 6: CPI (Sep)

SEE

BULGARIA

- Oct 7
 - Retail sales (Aug)
 - Industrial production (Aug)

ROMANIA

- Oct 3: International reserves (Sep)
- Oct 5: Retail sales (Aug)
- Oct 6: 3.65% 2031 T-Bonds auction
- Oct 7
 - Net wages (Aug)
 - GDP (Q2, f)
 - Sovereign credit review by Moody's

Source: Reuters, Bloomberg, Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring the positive tone in Wall Street overnight, most Asian equity indices firmed on Thursday, while major European bourses opened modestly higher. The hawkish shift in short-term Fed rate hike expectations led the 2yr US note yield to a four-month high of 0.857% yesterday. In FX markets, the EUR/USD consolidated around levels of 1.1200, supported by higher European bond yields following recent rumors suggesting that the ECB would gradually cut down its €80bn monthly asset purchases volume before the official end of the programme in March 2017. Today's calendar includes ECB September 8 meeting minutes and a speech by ECB board member Praet in N.Y, which are expected to be watched closely.

GREECE: According to the General Government data for January to August 2016 that were published yesterday, General Government Arrears to third parties (including tax arrears which remained almost stable at €1.34 on a monthly basis) were at €6.26 bn from €6.89 bn at the end of July 2016, a decrease of €0.62 bn. According to the Ministry of Economy, Development and Tourism, the new Investment Law is expected to be activated on October 12th. The Hellenic Republic Asset Development Fund (TAIPED) kicked-off the procedure for the Concession of "Egnatia Odos" Motorway and the three Vertical Axes.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets ended mixed on Wednesday amid concerns that the ECB may proceed with a tapering of its QE programme. Vindicating market expectations, Poland's Central Bank stayed put on its monetary policy maintaining the key policy (reference) rate at the current record low of 1.50%.

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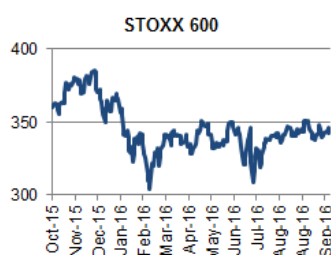
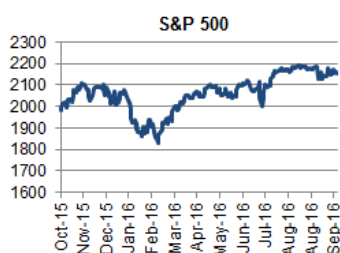
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Latest world economic & market developments

GLOBAL MARKETS

US major stock indices rose modestly overnight amid firmer than expected US data releases, which increased optimism about the growth prospects of the economy. The ISM nonmanufacturing index surged to 57.1 in September from 51.4 in August, surpassing consensus estimates for a rise to 53.0. Furthermore, July durable goods orders rose 0.1%MoM in the final estimate, slightly stronger than 0.0%MoM in the advance release. Mirroring the positive tone in Wall Street overnight, most Asian equity indices firmed on Thursday, while major European bourses opened modestly higher. The hawkish shift in short-term Fed rate hike expectations led the 2yr US note yield to a four-month high of 0.857% yesterday, before retreating to around 0.833% in early European trade on Thursday. In FX markets, the EUR/USD consolidated around levels of 1.1200, supported by higher European bond yields following recent rumors suggesting that the ECB would gradually cut down its €80bn monthly asset purchases volume before the official end of the programme in March 2017. Today's calendar includes ECB September 8 meeting minutes and a speech by ECB board member Praet in N.Y, which are expected to be watched closely.

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Source: Reuters, Bloomberg, Eurobank Research

GREECE

According to the General Government data for January to August 2016 that were published yesterday, General Government Arrears to third parties (including tax arrears which remained almost stable at €1.34 on a monthly basis) were at €6.26 bn from €6.89 bn at the end of July 2016, a decrease of €0.62 bn. General Government arrears reached a maximum at the end of June 2016 at €7.22 bn. Compared with the aforementioned maximum, total arrears decreased by ca €0.96 bn. In other words, from the €1.8 bn disbursed for the clearance of general government arrears to the private sector in June 2016 only €0.96 bn were actually disbursed to the private sector by the end of August 2016. According to the Ministry of Economy, Development and Tourism, the new Investment Law is expected to be activated on October 12th and the investment categories that will qualify for funding will be: general entrepreneurship, mechanical equipment, new independent SMEs, and investments of greater size. The Hellenic Republic Asset Development Fund (TAIPED) kicked-off the procedure for the Concession of "Egnatia Odos" Motorway and the three Vertical Axes, which is among the pending actions in the context of the 1st programme review for the release of the €2.8bn sub-tranche. Investors are to submit non-binding expression of interest by December 20th 2016.

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October 6, 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

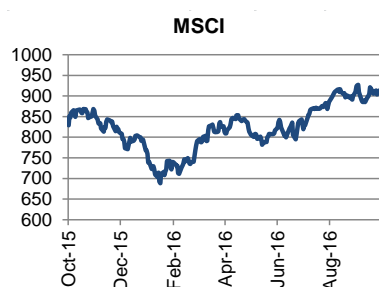
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 ended mixed on Wednesday amid concerns that the ECB may proceed with a tapering of its QE programme. These worries come at a time when the Fed appears poised to hike interest rates this year, with risky assets being most vulnerable to higher US/euro area yields. Trailing losses in Eurozone government bonds, regional benchmarks fell. Paper of longer maturing underperformed that of shorter tenor, with the 10-year Hungarian and Poland yields rising by approximately 9 and 5 basis points respectively to levels around 2.99% and 2.95% respectively.

In FX markets, regional currencies were mixed, with the Hungarian forint leading the way higher reaching a 1 ½ -year high beyond 304.85/€. Retail sales data for August, that revealed a pick up in the annual rate increase to 4.3% from 3.9% in the prior month, added to the view for an ongoing economic recovery economy and favoring the forint. However, unwinding of trade positions may have also been behind the currency's latest rally. The polish zloty was modestly firmer in the aftermath of the two-day Central Bank monetary policy meeting and Governor Adam Glapinski's comments. Vindicating market expectations, Poland's Central Bank stayed put on its monetary policy maintaining the key policy (reference) rate at the current record low of 1.50%. In the post meeting press conference, the NBP Governor highlighted that inflation rate cuts are not considered any longer, with hikes on the table from the start of 2018 and the current deflation trajectory likely to end at the end of this year.

On the flipside, the Turkish lira remained under pressure hovering close to a 2-½-month peak near 3.0655/\$ hit intraday on expectations for further monetary easing ahead. The latter was also supported by a larger-than-expected slowdown in inflation last month, in tandem with an expected deceleration in economic activity this year and the next. Additionally weighing on investor sentiment towards Turkish assets were domestic political tensions, which resurfaced earlier this week, with a purge of officials after July's failed coup being further extended.

The regional calendar is relatively light today, with government bond auctions in Hungary, Poland and Romania luring market interest. Final national accounts data from Romania for Q2 2016, CPI for September from Ukraine and an S&P review on Romania's sovereign credit rating take centre stage on Friday. That said, investor attention is mostly focused on this week's US labour data releases for any clues over the Fed's monetary policy deliberations ahead.

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October 6, 2016

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities												
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔD	ΔYTD				
S&P 500	2150.49	-0.5%	5.2%	EUR/USD	1.1211	0.1%	3.3%	(yields)	1.69	1	-58	GOLD	1271	0.2%	19.7%
Nikkei 225	16819.24	0.5%	-11.6%	GBP/USD	1.2752	0.2%	-13.5%	UST - 10yr	-0.03	2	-66	BRENT CRUDE	52	2.0%	39.2%
STOXX 600	343.99	-0.6%	-6.0%	USD/JPY	103.1	-0.2%	16.5%	Bund-10yr	-0.06	2	-32	LMEX	2445	-0.6%	11.0%
								JGB - 10yr							

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	0	-3
1-week	3.13	-3	-6
1-month	3.30	2	-21
3-month	3.46	-5	-37
6-month	3.65	-5	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	2.65	-5.10	-94
5Y RSD	4.35	0	-77
7Y RSD	5.66	0	-203

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.19	8	-98
USD Nov-24	6.56	1	15

CDS

	Last	ΔDbps	ΔYTD bps
5-year	198	0	-76
10-year	241	1	-99

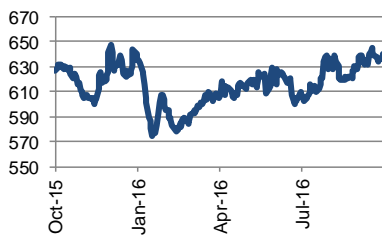
STOCKS

	Last	ΔD	ΔYTD
BELEX15	638.4	-0.31%	-0.88%

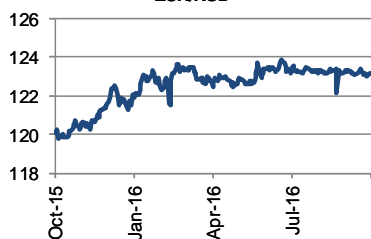
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.14	0.00%	-1.26%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-10
1-month	0.55	1	-14
3-month	0.69	0	-33
6-month	0.92	0	-42
12-month	1.09	1	-43

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.39	0	-54
5Y RON	2.14	2	-66
10Y RON	2.88	2	-90

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.67	3	-90
USD Jan-24	2.80	10	-98

CDS

	Last	ΔDbps	ΔYTD bps
5-year	103	3	-31
10-year	147	0	-25

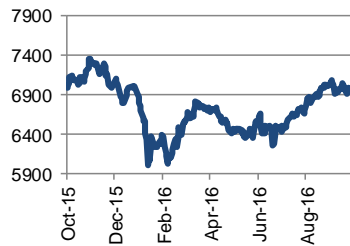
STOCKS

	Last	ΔD	ΔYTD
BET	6956.4	-0.35%	-0.67%

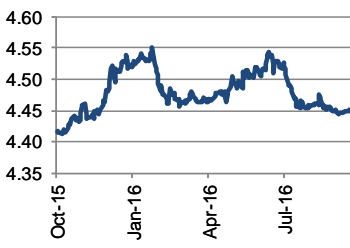
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4599	-0.04%	1.21%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	0	-31
1-month	-0.15	1	-30
3-month	-0.05	0	-31
6-month	0.11	0	-42
12-month	0.41	0	-56

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	1	-42
5Y BGN	0.55	0	-73
10Y BGN	1.85	0	-81

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-15	-3
EUR Sep-24	1.42	1	-100

CDS

	Last	ΔDbps	ΔYTD bps
5-year	136	1	-36
10-year	177	1	-39

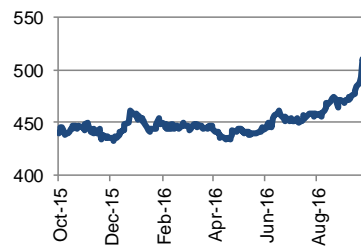
STOCKS

	Last	ΔD	ΔYTD
SOFIX	509.0	-0.12%	10.41%

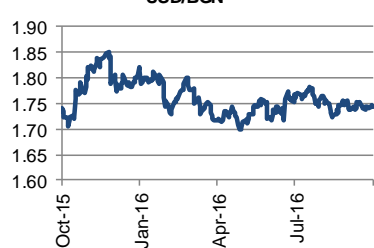
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7445	0.07%	3.20%

SOFIX Index



USD/BGN



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

Data updated as of 16:30 EEST of previous session

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