



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, November 30, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Nov 29
  - GDP (Q2 2016, 2<sup>nd</sup> est)
  - Case Shiller index (Sep)
  - Cons. confidence (Nov)
- Nov 30
  - ADP employment (Nov)
  - Personal income/ spending (Oct)
  - Core PCE deflator
  - Chicago PMI (Nov)
  - Pending home sales (Oct)
- Dec 1
  - Jobless claims (weekly)
  - ISM manufacturing (Nov)
- Dec 2
  - Non-farm payrolls (Nov)
  - U/E rate (Nov)

##### EUROZONE

- Nov 28: ECB's Draghi speaks
- Nov 29: ESI (Nov)
- Nov 30
  - HICP headline & core (Nov, flash)
  - ECB' Draghi speaks
- December 1
  - PMI manuf. (Nov, f)
  - U/E rate (Oct)
- December 4: Italy referendum

##### GREECE

- Nov 28: Euroworking Group
- Nov 29: GDP (Q3, prov.)
- Nov 30: Retail sales (Sep)

##### CYPRUS

- Dec 1: CPI (Nov)

##### SEE

##### BULGARIA

- Nov 28: Gross ext. debt (Sep)
- Dec 2: Sovereign credit reviews by S&P and Fitch

##### ROMANIA

- Nov 29: ILO u/e rate (Oct)
- Dec 2
  - Moody's sovereign review
  - Intern/I reserves (Nov)

##### SERBIA

- Nov 30
  - Trade balance (Oct)
  - Retail sales (Oct)
  - IP (Oct)
  - GDP (Q3, f)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Awaiting the outcome of the OPEC meeting and ahead of key data releases today, major currency pairs were range-bound in early European trade on Wednesday. Elsewhere, US Treasury yields were slightly higher in European trade following a bulk of positive US data yesterday. The OPEC meeting is scheduled to start at 10:00GMT in Vienna with a press conference to follow at 16:00GMT.

**GREECE:** Greece's real GDP growth of Q3 2016 was upwardly revised to +0.8%/+1.8% QoQ/YoY from +0.5%/+1.5% QoQ/YoY in the flash estimate published on November 14<sup>th</sup>. We now see a good chance of 2016 real GDP growth coming in a positive territory and even slightly exceeding the latest IMF forecast of +0.1%. This should translate in a positive carry over into next year to the tune of +0.7ppts. In other news, a number of EU officials expressed optimism over the last few sessions for a staff level agreement on Greece's 2<sup>nd</sup> programme review in time for the next Eurogroup on December 5<sup>th</sup>.

### SOUTH EASTERN EUROPE

**CESEE MARKETS:** The majority of emerging market assets gained ground earlier on Wednesday, although being broadly poised to end the month in the red, weighed down by a firmer dollar as well as higher UST yields in reaction to the US election outcome earlier in November.

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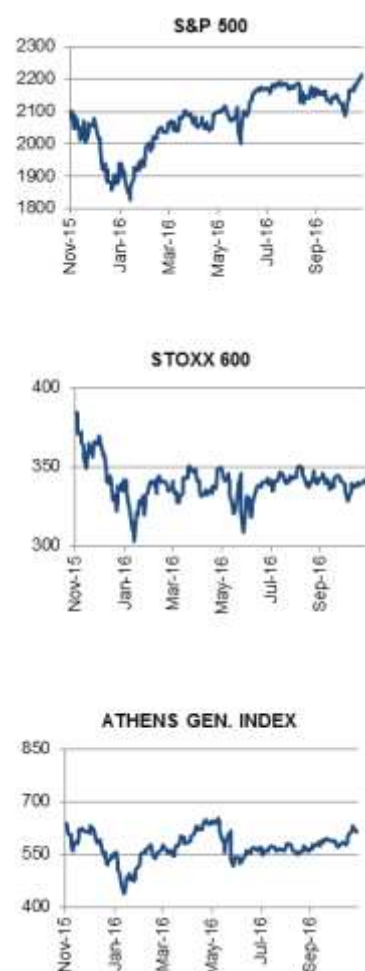
## Latest world economic & market developments

### GLOBAL MARKETS

Today's key event is the OPEC meeting scheduled to start at 10:00GMT in Vienna with a press conference to follow at 16:00GMT. Markets' base case scenario is a final agreement over an output cut in order to contain a supply glut, a development that, should be materialized, has the potential to push oil prices higher. Awaiting the outcome of the OPEC meeting and ahead of key US data releases today including the November ADP employment report, Chicago PMI for November and core PCE deflator for October, major currency pairs were range-bound in early European trade on Wednesday. The EUR/USD was hovering around 1.0635/40 at the time of writing, not much changed compared to Tuesday's settlement and within the recent trading range, failing to capitalise on an improvement in the euro area November economic sentiment index amid prevailing political jitters ahead of the Italian constitutional referendum and the re-un of Austria's presidential election both on Sunday, December 4<sup>th</sup>. Elsewhere, US Treasury yields were slightly higher in European trade following a bulk of positive US data yesterday including a higher than expected upward revision in US Q3 GDP to 3.2%QoQ annualised from 2.9% initially reported and an anemic rate of 1.4%QoQ annualised in the prior quarter. After ending at 2.30% on Tuesday, the 10-yr US Treasury yield was hovering around 2.33% at the time of writing with the 2/10-yr yield spread undertaking some bearish steepening. On the flipside, long-dated Bund yields moved lower with the 10-yr bond yielding multi-session lows near 0.54% at the time of writing amid increased expectations for further ECB policy stimulus at the December 8<sup>th</sup> monetary policy meeting. According to international press reports, the ECB is ready to temporarily step up purchases of Italian government bonds if the result of Sunday's referendum pushes sharply higher the country's borrowing costs.

### GREECE

Greece's real GDP growth of Q3 2016 was upwardly revised to +0.8%/+1.8% QoQ/YoY from +0.5%/+1.5% QoQ/YoY in the flash estimate published on November 14<sup>th</sup>. We now see a good chance of 2016 real GDP growth coming in a positive territory and even slightly exceeding the latest IMF forecast of +0.1%. This should translate in a positive carry over into next year to the tune of +0.7ppts. Separately, the economic sentiment indicator deteriorated in November 2016 coming at 92.4 units from 93.8 in October. The confidence indicators in industry and consumers decreased by -3.1 and -3.3 units respectively. On the flipside, the confidence indicators in services, retail trade and construction increased by +2.2, +0.2 and +13.3 units respectively. In other news, a number of EU officials expressed optimism over the last few sessions for a staff level agreement on Greece's 2<sup>nd</sup> programme review in time for the next Eurogroup on December 5<sup>th</sup>. In an interview to a local TV station yesterday, Benoît Coeuré, member of the Executive Board of the ECB, left open the possibility for a downward reassessment of the medium-term 3.5%-of-GDP primary fiscal target making clear though that this would be achieved gradually over a few years after the completion of the current bailout programme in mid-2018. On the same wavelength, Eurogroup President Jeroen Dijsselbloem was quoted saying in the economic affairs committee of the European Parliament that EU creditors should be "realistic" on Greece's fiscal targets beyond 2018 noting that the IMF has a point when it says that "running a primary surplus of 3.5%-of-GDP for a very long time is a huge thing to ask". Some press reports suggest today that the Greek government and official creditors are close to compromise on the labor market reform, one of the key prior actions attached to the 2<sup>nd</sup> programme review, with Greece's Minister of Finance Euclid Tsakalotos labeling, during a speech before the parliamentary committee yesterday, the month of December as a landmark for the Greek economy.



Source: Reuters, Bloomberg, Eurobank Research

November 30, 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

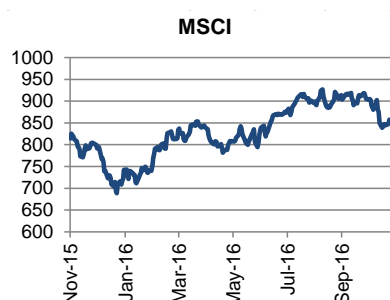
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

The majority of emerging market assets gained ground earlier on Wednesday, although being broadly poised to end the month in the red, weighed down by a firmer dollar as well as higher UST yields in reaction to the US election outcome earlier in November. Investor caution prevailed ahead of the OPEC meeting of oil producers later today, key labour data from the US on Friday and the Italian referendum on Sunday. In more detail, the MSCI Emerging Markets index stood in the black in Asian trade, in a reversal of yesterday's 0.5% drop, boosted by rallying commodity and technology shares. Nonetheless, the index is braced to end the month with losses to the tune of 5%, the largest decline since January.

In CESEE markets, regional bourses were broadly firmer marking advances up to 0.7%. Meanwhile, regional currencies and government bonds were mixed. In FX markets, the Polish zloty weakened after the government downwardly revised its 2016 economic growth forecast. Polish Finance Minister Mateusz Morawiecki said late on Tuesday that real GDP growth was likely to come in between 2.5-3.0% this year, in a revision of a previous government forecast of 3.4%. According to final Q3 National Accounts data released earlier today, real GDP growth was confirmed at a flash reading of 2.5%YoY, with the main driver remaining domestic consumption. In Q1 and Q2 economic activity expanded by 3.0%YoY and 3.1%YoY, respectively. In this context, the EUR/PLN hovered around levels of 4.4380 at the time of writing, near a 1-week peak of 4.4416 hit earlier in European markets.

Today's focus in the CESEE region is also on the release of the breakdown of Q3 gross domestic product data by the Statistical Office of the Republic of Serbia and CPI for November in Poland. On the former, a flash estimate released earlier in November showed that the domestic economic recovery continued through to Q3 this year, with real GDP growth coming in at 2.5%YoY following readings of 3.8%YoY in Q1 and 2.0%YoY in Q2. The breakdown of last quarter's data is likely to reveal that private investment and net exports were the main drivers of growth in Q3 as has been the case for some time now. At the same time, private consumption is expected to have provided a small, nevertheless still positive contribution in Q3, driven by higher real wages, further improvement in labor market conditions as well as recovering credit dynamics. On the latter, the headline index is anticipated to come in flat following more than two years of deflation and persistently below target (2.5%) inflation since late 2012, as the impact of low global commodity prices gradual wanes.

[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

November 30, 2016

**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	2201.72	-0.5%	7.7%	EUR/USD	1.0603	-0.1%	-2.3%	UST - 10yr	2.33	2	6	GOLD	1188	-0.5%	12.0%
Nikkei 225	18307.04	-0.3%	-3.8%	GBP/USD	1.2465	0.4%	-15.4%	Bund-10yr	0.20	-1	-43	BRENT CRUDE	47	-1.7%	27.2%
STOXX 600	339.61	-0.1%	-7.2%	USD/JPY	112.49	-0.5%	6.7%	JGB - 10yr	0.02	0	-25	LMEX	2857	0.6%	29.7%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	302	0	-1
1-week	3.15	-1	-4
1-month	3.31	0	-20
3-month	3.45	-1	-38
6-month	3.63	-1	-40

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-35
5Y RSD	5.72	0	-139
7Y RSD	5.71	0	-7

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.46	-1	-70
USD Nov-24	6.45	3	4

**CDS**

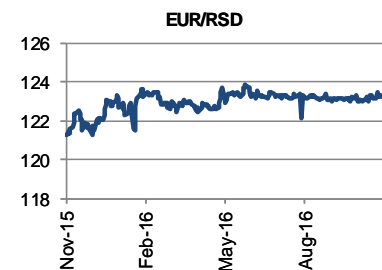
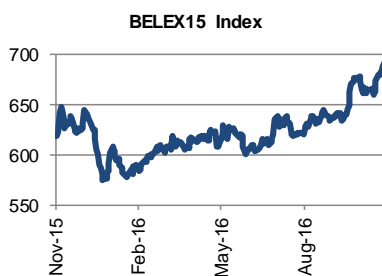
	Last	ΔDbps	ΔYTD bps
5-year	207	0	-67
10-year	254	0	-85

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	691.3	-0.14%	7.33%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.23	0.03%	-1.34%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	-2	1
1-month	0.64	-2	-5
3-month	0.8	0	-22
6-month	1.04	1	-30
12-month	1.15	0	-37

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.53	3	-40
5Y RON	2.40	-2	-40
10Y RON	3.42	-2	-36

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.24	1	-32
USD Jan-24	3.76	0	-2

**CDS**

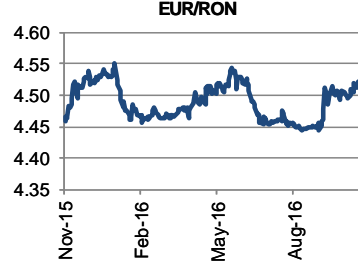
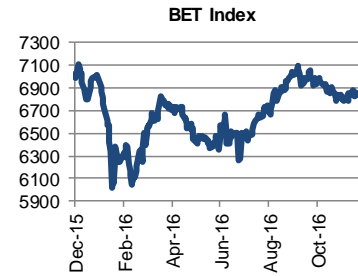
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-21
10-year	154	-1	-17

**STOCKS**

	Last	ΔD	ΔYTD
BET	6801.5	0.18%	-2.90%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.516	-0.03%	-0.04%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.18	0	-19
1-month	-0.16	0	-32
3-month	-0.07	0	-33
6-month	0.08	0	-45
12-month	0.40	0	-57

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.24	0	-37
5Y BGN	0.66	-1	-62
10Y BGN	2.01	0	-64

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.02	0	-5
EUR Sep-24	1.91	-5	-51

**CDS**

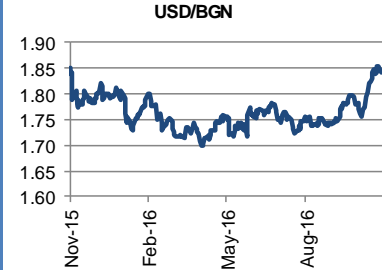
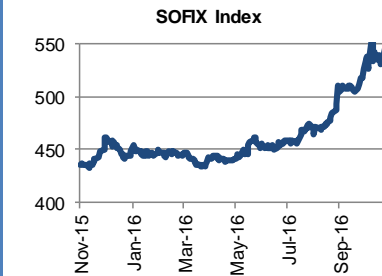
	Last	ΔDbps	ΔYTD bps
5-year	149	0	-22
10-year	187	0	-29

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	564.1	1.40%	22.40%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8445	-0.04%	-2.40%



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

Data updated as of 12:45 EET of previous session

November 30, 2016

## Contributors

**Paraskevi Petropoulou**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718991  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr)

**Galatia Phoka**  
Research Economist, Eurobank Ergasias  
+30 210 3718922  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr)

**Ioannis Gkionis (Special Contributor)**  
Research Economist, Eurobank Ergasias  
30 210 3337305  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr)

**Anna Dimitriadou (Special Contributor)**  
Economic Analyst, Eurobank Ergasias  
+30 210 3718793  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr)

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

**Theodoros Stamatiou (Special Contributor)**  
Senior Economist, Eurobank Ergasias  
30 210 3371228  
[tstamatiou@eurobank.gr](mailto:tstamatiou@eurobank.gr)

## Regional Contributors

**Vessela Boteva**  
Expert, trading desk, Eurobank Bulgaria  
+359 (2) 8166 491  
[vboteva@postbank.bg](mailto:vboteva@postbank.bg)

**Zoran Korac**  
FX dealer, Eurobank ad Beograd  
+381 11 206 5821  
[zoran.korac@eurobank.rs](mailto:zoran.korac@eurobank.rs)

**Bogdan Radulescu, CFA**  
Senior Trader, Bancpost  
+40 21 3656291  
[bogdan.radulescu@bancpost.ro](mailto:bogdan.radulescu@bancpost.ro)

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos: Group Chief Economist**  
[pmonokrousos@eurobank.gr](mailto:pmonokrousos@eurobank.gr), +30 210 37 18 903

**Dr. Tassos Anastasatos: Deputy Chief Economist**  
[tanastasatos@eurobank.gr](mailto:tanastasatos@eurobank.gr), +30 210 33 71 178

## Research Team

**Anna Dimitriadou: Economic Analyst**  
[andimitriadou@eurobank.gr](mailto:andimitriadou@eurobank.gr), +30 210 3718 793

**Ioannis Gkionis: Research Economist**  
[igkionis@eurobank.gr](mailto:igkionis@eurobank.gr) +30 210 33 71 225

**Stylios Gogos: Economic Analyst**  
[sgogos@eurobank.gr](mailto:sgogos@eurobank.gr) +30 210 33 71 226

**Olga Kosma: Research Economist**  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr) +30 210 33 71 227

**Arkadia Konstantopoulou: Research Assistant**  
[arkonstantopoulou@eurobank.gr](mailto:arkonstantopoulou@eurobank.gr) +30 210 33 71 224

**Paraskevi Petropoulou: G10 Markets Analyst**  
[ppetropoulou@eurobank.gr](mailto:ppetropoulou@eurobank.gr), +30 210 37 18 991

**Galatia Phoka: Research Economist**  
[gphoka@eurobank.gr](mailto:gphoka@eurobank.gr), +30 210 37 18 922

**Theodoros Stamatiou: Senior Economist**  
[tstamatiou@eurobank.gr](mailto: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](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

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