

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Oct 17
 - Empire State index (Oct)
 - Industrial production (Oct)
- Oct 18
 - CPI (Sep)
 - NAHB Index (Oct)
- Oct 19
 - Housing starts (Sep)
 - Housing permits (Sep)
 - Fed's Beige Book
- October 20
 - Jobless claims (weekly)
 - Philly Fed (Oct)
 - Existing home sales (Sep)

EUROZONE

- Oct 17: HICP (Sep, f)
- Oct 20: ECB monetary policy meeting & press conference
- Oct 20/21: EU Summit

GREECE

- Oct 18: Official discussions on 2nd programme review expected to commence
- Oct 20
 - Turnover Index in Industry (Aug)
 - Fiscal Data for 2012-2015 (2nd notification)

CYPRUS

- Oct 21: Fitch sovereign credit rating review

SEE

BULGARIA

- Oct 17: Current account balance (Aug)

ROMANIA

- Oct 17: 3.25% 2024 T-bond auction
- Oct 20: 3.25% 2021 T-bond auction

SERBIA

- Oct 19: 3.75% EUR T-bond auction
- Oct 20: Current account balance (Aug)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: All eyes today are on the ECB monetary policy meeting with the decision scheduled to be announced at 13:45 CET and the press conference to commence at 14:30 CET. Market consensus is for unchanged interest rates while the key issues are whether President Mario Draghi will try to dispel recent market talk of early QE tapering and if he will provide hints of a possible extension of the asset purchases programme beyond March 2017 at the December policy meeting.

GREECE: With regard to the debt relief that is being considered for Greece, the IMF reportedly pushes for a specification of the medium- and long-term measures to be made as soon as possible so that they can be taken into account in the debt sustainability analysis, which will determine the Fund's participation in the Greek programme. In other news, the Parliamentary Budget Office in its Report on the draft Budget 2017 released yesterday claims that the draft Budget 2017 is of an intensely recessionary character in the short run although a change in the economic climate due to the conclusion of the programme reviews may cancel out this effect.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging Market assets staged a mixed performance earlier on Thursday, as caution prevailed ahead of today's ECB meeting. In other news, the Serbian government sold a planned amount of €75mn of 15-year EUR-denominated T-bonds on Wednesday at an average accepted yield of 4.20%.

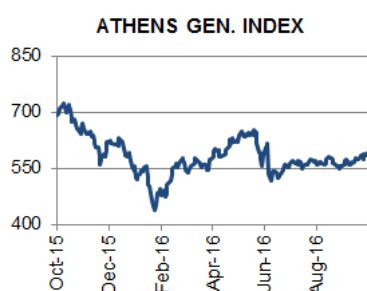
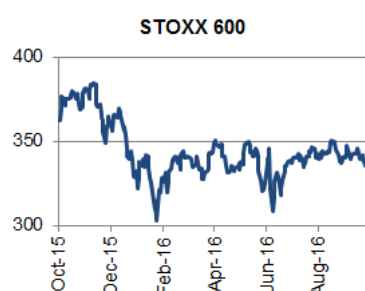
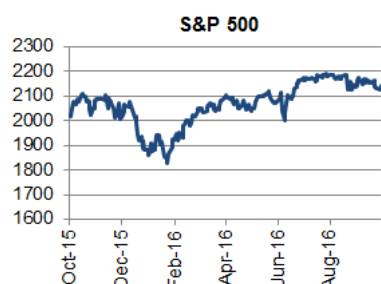
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October 20, 2016

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

All eyes today are on the ECB monetary policy meeting with the decision scheduled to be announced at 13:45 CET and the press conference to commence at 14:30 CET. Market consensus is for unchanged interest rates while the key issues are whether President Mario Draghi will try to dispel recent market talk of early QE tapering and if he will provide hints of a possible extension of the asset purchases programme beyond March 2017 at the December policy meeting. Awaiting the conclusion of the ECB meeting, the 10-yr Bund yield was hovering around 0.03% at the time of writing, the highest boundary of the range that prevails since July while the prospect of a renewed decline cannot be ruled out especially if the ECB President succeeds in confounding early QE tapering talk. Against a broadly firmer USD following New York Fed President Dudley's hints that a 25bps rate hike by the end of this year "is not really that a big deal" given that the economy is "reasonably close" to the Fed's 2% inflation target and maximum employment, the EUR/USD was hovering around 1.0962 in early European trade after marking a new three-month low of 1.0950 earlier in Asia. Technically, immediate support lies at recent lows ahead of 1.0910 (June 24 trough), a level that could be potentially tested if the ECB President adopts a more dovish than expected tone. However, in view of the pair's recent speedy and hefty losses since late September, there is little to suggest that the EUR/USD is poised for further significant weakness in the coming sessions, especially after taking into account that the US President election is looming and market participants have already priced-in to a certain extent the prospect of further ECB policy stimulus at the December meeting. Elsewhere, the GBP was little changed against the USD on a daily basis standing though some 7% higher from a multi-year low of 1.1450 recorded nearly two weeks ago amid heightened market worries over a "hard" Brexit. Firmer than expected UK inflation data for September released earlier this week and yesterday's labor report which suggested that the market continued to show resilience to the Brexit referendum outcome, may have also had some impact. Looking ahead, short to medium term risks seem skewed for renewed GBP weakness given the expected deterioration of the UK economic activity and heightened worries over a "hard" Brexit.

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GREECE

With regard to the debt relief that is being considered for Greece, the IMF reportedly pushes for a specification of the medium- and long-term measures to be made as soon as possible so that they can be taken into account in the debt sustainability analysis, which will determine the Fund's participation in the Greek programme. Meanwhile, the view of the German side, as stated publicly on several occasions by the German FinMin, is that at this stage public debt is not a problem for Greece, which should focus on the agreed reforms. In other news, the Parliamentary Budget Office in its Report on the draft Budget 2017 released yesterday claims that the draft Budget 2017 is of an intensely recessionary character in the short run although a change in the economic climate due to the conclusion of the programme reviews may cancel out this effect. Among others, the report also states that the foreseen mixture of cost cutting and tax revenue increases may exacerbate the recession or limit recovery prospects and, worse still, act as a disincentive to work and entrepreneurship. Nevertheless, according to the report, a growth friendly and socially fair plan to cut primary expenditure may lead to expansionary fiscal consolidation.

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October 20, 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

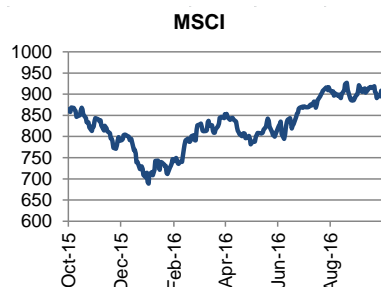
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 staged a mixed performance earlier on Thursday, as caution prevailed ahead of today's ECB meeting. In **FX markets**, the Mexican peso reached the highest level in six weeks at 18.4558/\$ earlier today after the final presidential debate in the US reportedly favored Democratic Candidate Hilary Clinton over Republican nominee Donald Trump. In the CESEE space, the Turkish lira recovered some ground after coming under significant pressure recently amid increased domestic political noise, while the prospect of further Central Bank monetary easing also continues to weigh on the currency. In detail, the USD/TRY hovered around levels of 3.0680 standing near yesterday's 1-week low of 3.0525, in a pull back from a record high of 3.1130 hit a few days ago. The currency appeared to draw support from government advisors' recent comments suggesting that the Central Bank may hold its fire and stay put on its monetary policy this month. The Central Bank holds its MPC meeting today. The market's median forecast is for the MPC to reduce by 25bps its overnight lending rate to 8.00% and maintain unchanged the overnight borrowing and key policy (repo) rates at 7.25% and 7.50% respectively. Despite persistently above target inflation, the CBT is broadly expected to slash the overnight lending rate further as it anticipates inflation to decline in the short term while economic activity is poised for a slowdown this year. That said, stable interest rates today cannot be ruled out either in view of the recent sharp weakening of the lira and the recently softer political rhetoric from government officials over further monetary easing. The expected 25bps cut on the overnight lending rate is unlikely to have a significant impact on the lira. However, if the CBT decides to keep all three main interest rates unchanged the Turkish currency is likely to recover further ground in the short-term.

In the **external debt markets**, the Serbian government sold a planned amount of €75mn of 15-year EUR-denominated T-bonds on Wednesday. The average accepted yield came in at 4.20% and the bid to cover ratio at 1.3. The issue matures on October 2031 and bears an annual coupon of 3.75%.

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October 20, 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	2141.64	0.1%	4.8%	EUR/USD	1.0963	-0.2%	1.0%	UST - 10yr	1.75	1	-52	GOLD	1271	0.7%	19.7%
Nikkei 225	16998.91	0.2%	-10.7%	GBP/USD	1.2297	0.0%	-16.6%	Bund-10yr	0.03	-1	-60	BRENT CRUDE	52	1.2%	40.3%
STOXX 600	343.09	0.2%	-6.2%	USD/JPY	103.27	0.6%	16.3%	JGB - 10yr	-0.06	-1	-32	LMEX	2392	0.0%	8.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	304	3	1
1-week	3.17	1	-2
1-month	3.32	1	-19
3-month	3.48	0	-35
6-month	3.65	0	-38

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	#N/A N/A	#N/A N/A	543
5Y RSD	4.35	#N/A N/A	-77
7Y RSD	5.64	0	-206

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.27	-8	-89
USD Nov-24	6.54	-3	12

CDS

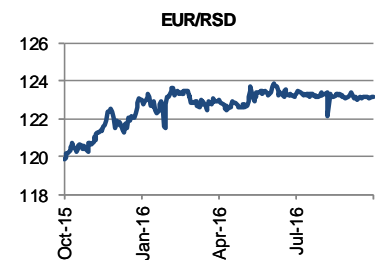
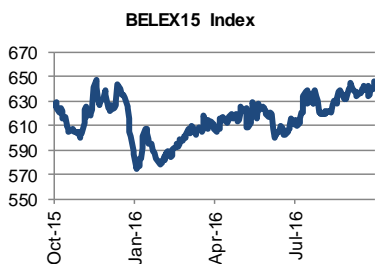
	Last	ΔDbps	ΔYTD bps
5-year	199	0	-75
10-year	244	0	-95

STOCKS

	Last	ΔD	ΔYTD
BELEX15	649.0	0.51%	0.76%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.15	-0.01%	-1.27%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	2	-9
1-month	0.57	1	-12
3-month	0.7	1	-32
6-month	0.93	0	-41
12-month	1.08	0	-44

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.41	-1	-52
5Y RON	2.16	-2	-64
10Y RON	3.02	-4	-76

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.80	0	-76
USD Jan-24	2.97	-3	-81

CDS

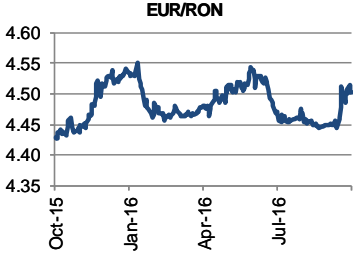
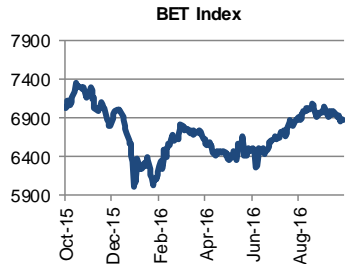
	Last	ΔDbps	ΔYTD bps
5-year	103	-1	-30
10-year	148	-1	-24

STOCKS

	Last	ΔD	ΔYTD
BET	6850.8	0.09%	-2.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5022	0.02%	0.26%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.30	-7	-31
1-month	-0.15	0	-30
3-month	-0.05	0	-31
6-month	0.09	0	-43
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.19	1	-41
5Y BGN	0.54	-2	-73
10Y BGN	1.88	0	-78

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.18	2	-25
EUR Sep-24	1.44	21	-98

CDS

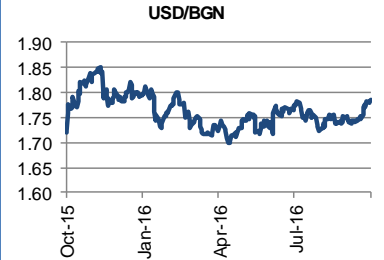
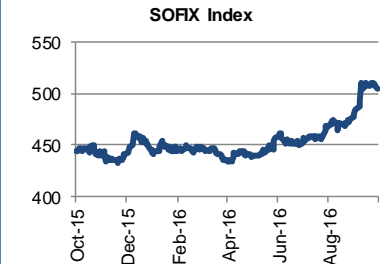
	Last	ΔDbps	ΔYTD bps
5-year	136	-5	-36
10-year	177	-5	-39

STOCKS

	Last	ΔD	ΔYTD
SOFIX	504.3	-0.12%	9.41%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.7842	-0.16%	0.90%



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

Data updated as of 11:30 EEST

October 20, 2016

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