



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 05, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Jan 3: ISM-index manufacturing (Dec)
- Jan 4: FOMC Dec meeting minutes
- Jan 5
  - ADP payrolls (Dec)
  - Initial claims (weekly)
  - ISM non-manufacturing (Dec)
- Jan 6
  - Non-farm payrolls (Dec)
  - Trade balance (Nov)
  - Factory orders (Nov)

##### EUROZONE

- Jan 2
  - DE: Retail sales (Dec)
  - PMI manufacturing (Dec)
- Jan 3
  - DE: U/E (Dec)
  - CPI (Dec)
- Jan 4
  - PMI services (Dec)
  - CPI (Dec)
- Jan 5: ECB publishes account of Dec 8 policy meeting
- Jan 6
  - DE: Industrial orders (Nov)
  - ESI (Dec)

##### GREECE

- Jan 6: Commercial transactions (Nov, p)

##### SEE

##### ROMANIA

- Jan 3: International reserves (Dec)
- Jan 4: New cabinet to be endorsed in Parliament
- Jan 5
  - T-bonds auction
  - PPI (Nov)
- Jan 6
  - Retail sales (Nov)
  - MPC meeting announcement

##### SERBIA

- Jan 6: PPI (Dec)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Risk-on mode prevailed in most of European equity markets in early trade on Thursday amid optimism for an improved global growth outlook. Elsewhere, shrugging off firmer-than-expected US vehicle sales for December and the slightly hawkish tone of the December FOMC monetary policy minutes, US Treasuries were little changed on a daily basis and the USD was extending losses for the second session in a row amid market uncertainty over the extent to which US President-elect's promises over sizable tax cuts, infrastructure spending and deregulation will be implemented.

**GREECE:** According to press reports, the Greek government focuses its efforts into having the 2nd programme review concluded in February so as Greek eligible debt to be included in the ECB's QE programme by March 2017. The imminent important milestones towards this goal are the January 12th Euroworking Group and the January 26th Eurogroup. According to the President of the Greek Tourism Confederation (SETE) Andreas Andreadis, preliminary information on pre-bookings for 2017 constitutes a positive indication for the coming tourism season.

### SOUTH EASTERN EUROPE

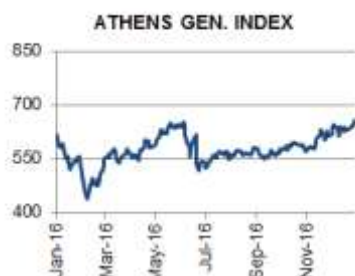
**CESEE MARKETS:** The majority of emerging market assets firmed earlier on Thursday amid optimism over global growth prospects, following recent upbeat macroeconomic data releases in several major countries around the globe. In other news, Prime Minister Sorin Grindeanu's Social Democratic Party-led coalition government won by a wide margin a vote of confidence in Parliament yesterday.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their cue from the positive tone in Asia earlier today and Wall Street overnight, risk-on mode prevailed in most of European equity markets in early trade on Thursday amid optimism for an improved global growth outlook following a string of upbeat data from the US, Euro area and Asia earlier this week. Market consensus is for an acceleration in global GDP growth to around 3.4% in 2017 from an estimated 3.0%YoY in 2016 mainly on the back of a faster EM recovery and a rebound in commodity-exporting developing economies. Elsewhere, shrugging off firmer-than-expected US vehicle sales for December and the slightly hawkish tone of the December FOMC monetary policy minutes, US Treasuries were little changed on a daily basis amid market uncertainty over the extent to which US President-elect's promises over sizable tax cuts, infrastructure spending and deregulation will be implemented. Donald Trump who will be inaugurated on January 20 is scheduled to hold a general news conference on January 11, his first formal press conference since his November election victory. On a similar mode, after moving higher in the prior session in the wake of higher than expected inflation data from Germany and France, Bund yields were also little changed on a daily basis in European trade. Euro area data revealing an increase in the euro area headline inflation to a higher than expected three-year peak of 1.1%YoY in December mainly on the back of higher oil and food prices, was shrugged off as most of that rise was already priced-in. In FX markets, amid a broader market uncertainty over the Donald Trump presidency, the USD was extending losses on Thursday for the second session in a row in spite of this week's positive US data and the general hawkish tone of the FOMC monetary policy minutes. For the remainder of the day, focus is on the ADP payroll report and the employment component of the non-manufacturing ISM report ahead of Friday's US non-farm payrolls data for December.

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### GREECE

According to press reports, the Greek government focuses its efforts into having the 2<sup>nd</sup> programme review concluded in February so as Greek eligible debt to be included in the ECB's QE programme by March 2017 and Greece to return to international markets in the course of this year, ahead of the completion of the current bailout programme in August 2018. The imminent important milestones towards this goal are the January 12<sup>th</sup> Euroworking Group and the January 26<sup>th</sup> Eurogroup where the progress in the open issues – with the 2018 fiscal gap being the dominant one – is expected to be assessed. In other news, according to the President of the Greek Tourism Confederation (SETE) Andreas Andreadis, preliminary information on pre-bookings for 2017 constitutes a positive indication for the coming tourism season. The preliminary programming of airlines at Greece's regional airports is also higher by 19% compared to the previous year, although it is expected to be revised later this month. According to competent bodies, however, cruise, may be negatively affected this year due to safety concerns stemming from recent incidents in neighbouring Turkey.

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January 5, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2015	current	2016
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

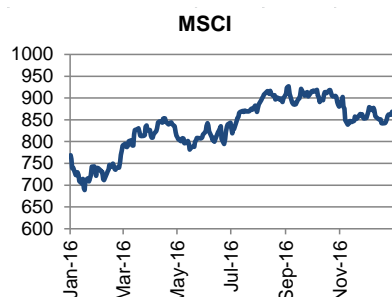
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2015	current	2016
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.4	1.0	2.1
Budget Balance/GDP	-3.7	-2.1	-1.7
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2015	current	2016
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 firmed earlier on Thursday amid optimism over global growth prospects, following recent upbeat macroeconomic data releases in several major countries around the globe. Against this backdrop, the MSCI Emerging Markets index rose by 1% in Asian markets reaching multi-week intraday highs. Elsewhere, CESEE assets were mixed.

In FX markets, the Turkish lira hit a new record low just above 3.64/USD in European trade, amid persisting domestic political woes, security concerns and worries over the country's economic prospects. The currency's depreciation pressures have been exacerbated early into 2017 after a mass shooting on New Year's Day at a nightclub in Istanbul, while December's inflation data, released earlier in the week, proved higher than anticipated and still well above the 5% official target. Well above target inflation in tandem with persisting political pressure for monetary policy easing by the Central Bank in order to support the weakening economic activity, have also weighed on the domestic currency. Also adding to the lira's woes of late has been the government's pursuit of a constitutional overhaul, which includes plans for a presidential system, having stirred skepticism over power concentration. A string of bombings over recent months has increased security concerns domestically, while geopolitical tensions with neighboring countries have also undermined appetite towards Turkish assets. Tourism, one of the economy's main income pillars, has also been significantly affected by these developments, with real GDP growth now anticipated to have slowed down to 2.6% in 2016 from 4.0% a year earlier.

Separately, the forint also stood broadly weaker against major peers at the time of writing compared to the prior session's settlement, having given up gains recorded earlier in the session. In more detail, the EUR/HUF hovered around levels of 308.70 in early European trade vs. 307.80 on Wednesday's close. The pair pulled back from a 2-month low of 307.33 reached overnight. Elsewhere, the Romanian leu retained a firm tone earlier today, with the EUR/RON hovering around levels of 4.5060 at the time of writing, within distance from a 1-month low of 4.4968 hit on Wednesday. News that Prime Minister Sorin Grindeanu's Social Democratic Party-led coalition government won by a wide margin a vote of confidence in Parliament yesterday, ending weeks of political uncertainty, favoured the leu. Recall that, PSD comfortably won the December 11<sup>th</sup> general elections, a year after resigning in the aftermath of a deadly fire in a nightclub in Bucharest. The Social Democratic Party had, however, failed to achieve parliamentary majority to form a single party government and recently announced its alliance with junior partner ALDE. Together the two parties enjoy an overall majority in Parliament.

Today's focus in the CESEE region is on government bond auctions in Romania, Hungary and Poland. Official reserves data for December in Poland and Ukraine are also due later on Thursday. Looking into the remainder of the week, retail sales data in Romania and Hungary as well as industrial production in Hungary for November lure market attention on Friday. Also in the spotlight is the MPC meeting in Romania, where the Central Bank is anticipated to leave unchanged the key policy rate at the current record low level of 1.75%. Nonetheless, upcoming key labour market data from the US this week is likely to set the tone for emerging market assets in the coming days.

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January 5, 2017

## 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	2270.75	0.6%	1.4%	EUR/USD	1.0511	0.2%	-0.1%	UST - 10yr	2.42	-1	-2	GOLD	1174	0.9%	1.9%
Nikkei 225	19520.69	-0.4%	2.1%	GBP/USD	1.228	-0.4%	-0.6%	Bund-10yr	0.27	-1	6	BRENT CRUDE	56	-0.2%	-0.8%
STOXX 600	365.13	0.0%	1.0%	USD/JPY	116.38	0.7%	0.5%	JGB - 10yr	0.06	-1	1	LMEX	2696	2.1%	1.4%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	305	5	5
1-week	3.17	0	0
1-month	3.34	-1	-1
3-month	3.49	2	2
6-month	3.67	1	1

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-1
5Y RSD	5.34	-1	-1
7Y RSD	5.67	0	-2

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.20	-3	-12
USD Nov-24	6.45	1	4

#### CDS

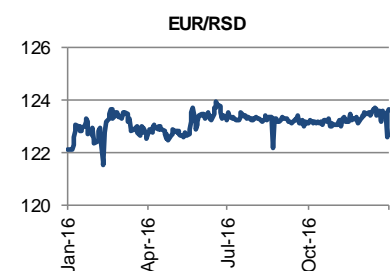
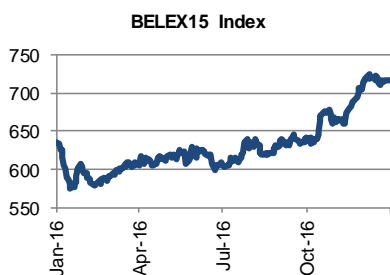
	Last	ΔDbps	ΔYTD bps
5-year	208	0	0
10-year	255	0	-1

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	716.2	-0.05%	-0.17%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.64	-0.11%	-0.15%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.52	0	-4
1-month	0.67	0	-9
3-month	0.86	0	-4
6-month	1.12	0	1
12-month	1.24	0	-1

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.51	-1	-11
5Y RON	2.38	0	-14
10Y RON	3.45	-1	-20

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.06	-7	-8
USD Jan-24	3.76	-4	-10

#### CDS

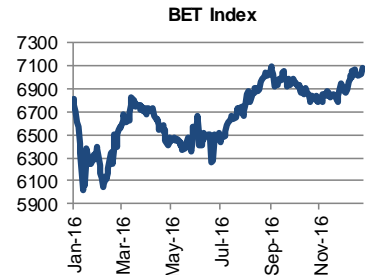
	Last	ΔDbps	ΔYTD bps
5-year	105	-3	-4
10-year	148	-3	-5

#### STOCKS

	Last	ΔD	ΔYTD
BET	7222.9	0.10%	1.95%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5118	-0.04%	0.60%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.10	-10	-10
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.08	0	0
12-month	0.40	0	0

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.14	-4	-1
5Y BGN	0.49	-2	-2
10Y BGN	1.84	0	-6

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.47	0	-15
EUR Sep-24	1.60	-78	-8

#### CDS

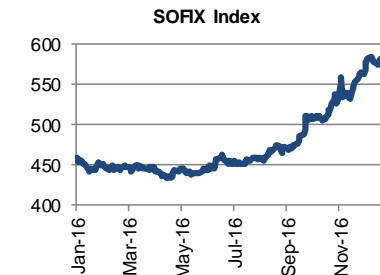
	Last	ΔDbps	ΔYTD bps
5-year	138	-8	-15
10-year	179	-8	-14

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	588.7	-0.05%	0.39%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8609	0.21%	-0.13%



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

Data updated as of 10:50 EET

January 5, 2017

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