

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 8
 - Fed Williams speaks
 - Fed Bostic speaks
- Jan 11: Jobless claims (weekly)
- Jan 12
 - CPI (Dec)
 - Retail sales (Nov)

EUROZONE

- Jan 8
 - DE: Industrial orders (Dec)
 - ESI (Dec)
- Jan 9
 - DE: Industrial output (Nov)
 - U/E rate (Nov)
- Jan 11
 - DE: GDP (2017, flash)
 - Industrial output (Nov)
 - ECB monetary policy account (Dec. 14 meeting)

GREECE

- Jan 9: Industrial output (Nov)
- Jan 11: U/E rate (Oct)
- Jan 12: CPI/HICP (Dec)

SEE

BULGARIA

- Jan 8-13
 - Industrial output (Nov)
 - Retail sales (Nov)
 - Trade balance (Nov)

ROMANIA

- Jan 8
 - Retail sales (Nov)
 - 5.8% 2027 T-bonds auction
 - MPC meeting
- Jan 9
 - ILO U/E rate (Nov)
 - Trade balance (Nov)
- Jan 11
 - Industrial output (Nov)
 - 3.4% 2022 T-bonds auction
- Jan 12
 - Net wages (Nov)
 - Industrial sales (Nov)
 - CPI (Dec)
 - GDP (Q3, final)
 - Fitch rating review

SERBIA

- Jan 8: PPI (Dec)
- Jan 11: MPC meeting
- Jan 12: CPI (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: According to today's newswires, preliminary talks in Germany between the CDU/CSU and SPD for the formation of a grand coalition concluded successfully. Easing political jitters pushed the EUR higher across the board hitting a fresh year-to-date peak of 1.2133 against the USD. The hawkish tone of the Account of the December ECB monetary policy meeting that was published yesterday was also behind the EUR's latest upward leg. Meanwhile, core euro area bonds were under pressure, in reaction to the Account of the ECB meeting. Focus today is on US CPI for December. Consensus is for a drop in the headline to 2.1%YoY from 2.2%YoY in the prior month mainly due to lower oil prices while core inflation is expected to remain stable at 1.7%YoY.

GREECE: Based on press reports, the Euroworking Group that convened yesterday concluded that in order to make a positive assessment on the progress made in the conditionality of the 3rd programme review, the multi-bill containing legislation for c. 60 prior actions needs to be voted in Parliament first (expected to take place on Monday) while any remaining prior actions must be fulfilled by Friday, January 19. According to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate in October 2017 was 20.7% compared to 23.3% in October 2016 and the upwards revised 20.8% in September 2017.

SOUTH EASTERN EUROPE

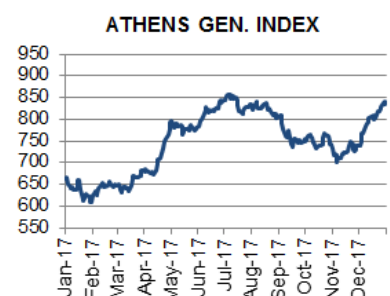
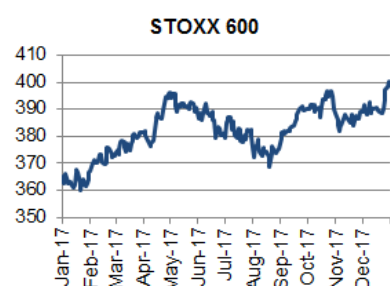
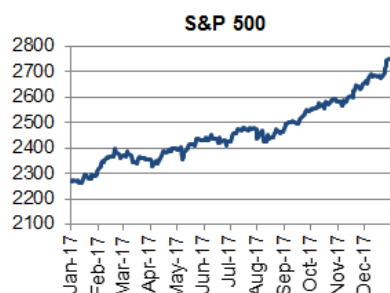
CESEE MARKETS: The majority of emerging market moved broadly higher earlier on Friday as the USD retreated.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

According to today's newswires, preliminary talks in Germany between the CDU/CSU and SPD for the formation of a grand coalition concluded successfully. Easing political jitters pushed the EUR higher across the board hitting a fresh year-to-date peak of 1.2133 against the USD, 0.8% higher on the day and poised for weekly gains of 1.4%. The hawkish tone of the Account of the last ECB monetary policy meeting in December, which was published yesterday, was also behind the EUR's latest upward leg. The Account revealed that the Governing Council could review its communication stance "early in 2018" to reflect the euro area's improving growth prospects without however "a change in sequencing". In particular, the relative importance of the forward guidance on policy rates should increase, assuming a sustained adjustment in the path of inflation. More importantly, the Account suggested that the first change might be dropping a pledge of bond purchases until inflation heads back to the inflation target. On the flipside, the USD was broadly weaker after yesterday's US PPI data came in weaker than expected showing a monthly drop in the headline for the first time in nearly 1 ½ years, not boding well for today's key US CPI data. Consensus is for a drop in the December headline to 2.1%YoY from 2.2%YoY in the prior month mainly due to lower oil prices while core inflation is expected to remain stable at 1.7%YoY. A negative surprise could potentially push the USD lower while US inflation data in line with expectations or slightly firmer could help the currency gain some ground. However, any gains are likely to prove limited on the prevailing view that any upside inflationary pressures seem capped in the coming months. In response to the hawkish tone of the ECB Account, core euro area bonds came under pressure with the 10-yr Bund yield hovering close to yesterday's five-month high of 0.533% at the time of writing, some 8.5bps higher from yesterday's intraday session lows. Whether these levels will hold, will depend to a large extent on today's US CPI. US December retail sales data are also due today while DBRS will review Italy's sovereign credit rating, currently at BBB with a stable outlook.

ppetropoulou@eurobank.gr

GREECE

Based on press reports, the Euroworking Group that convened yesterday concluded that in order to make a positive assessment on the progress made in the conditionality of the 3rd programme review, the multi-bill containing legislation for c. 60 prior actions needs to be voted in Parliament first (expected to take place on Monday) while any remaining prior actions must be fulfilled by Friday, January 19. Meanwhile, according to sources from the Ministry of Finance the next loan tranche is expected to be in the area of EUR4.5bn, out of which c. EUR3bn are earmarked for debt-servicing and EUR1.5bn for arrears clearance. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), the seasonally adjusted unemployment rate in October 2017 was 20.7% compared to 23.3% in October 2016 and the upwards revised 20.8% in September 2017. The number of employed persons increased 3.0% YoY and decreased 0.03% MoM, while the number of unemployed persons decreased by 11.1% YoY and 0.5% MoM.

andimitriadou@eurobank.gr

January 12, 2018

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.4	3.8	3.5
CPI (pa, yoy %)	-0.8	1.6	1.5
Budget Balance/GDP*	1.6	0.0	-1.0
Current Account/GDP	5.4	4.0	3.0
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	2.8	3.5	3.1
HICP (pa, yoy %)	-1.2	1.0	1.5
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.9	-6.3

* ESA 2010

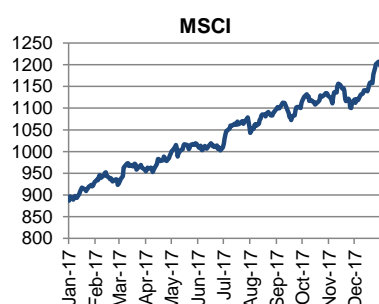
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2016	2017e	2018f
Real GDP growth %	4.8	5.5	4.0
CPI (pa, yoy %)	-1.6	1.4	3.1
Budget Balance/GDP *	-2.4	-3.7	-3.8
Current Account/GDP	-2.2	-3.0	-2.8
EUR/RON (eop)	4.54	4.67	4.62
	2017	current	2018
Policy Rate (eop)	1.75	2.00	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.8	2.0	3.0
CPI (pa, yoy %)	1.1	3.0	3.0
Budget Balance/GDP	-1.2	0.5	-0.6
Current Account/GDP	-4.0	-4.0	-3.9
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB+

Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market moved broadly higher earlier on Friday as the USD retreated. The MSCI Emerging Markets index rose by 0.8% in European trade compared to the prior session's settlement, approaching anew a recent 6 ½ year high and snapping a 3-day losing streak. The index also appears braced to register the fifth consecutive week in the black. Bourses in the CESEE region also firmed, with Bulgaria's SOFIX leading the gains with an approximate 1.1% advance.

In FX markets, the majority of regional currencies also firmed earlier today as the US dollar gave back all of the gains it recorded this week dropping to multi-month lows against a basket of hard currencies. The Serbian dinar was largely unchanged, with the EUR/RSD trading around 118.55 at the time to stand within distance from a recent 3 ½ year low close to 118.00, in the wake of the MPC meeting yesterday. In more detail, the Central Bank (NBS) maintained on Thursday the key policy rate at the current record low level of 3.50% for the 3rd consecutive month vindicating our and market expectations. Behind its decision NBS cited the impact of prior monetary easing and contained inflation pressures. On the latter, it noted that CPI stood at 3%YoY in December last year, which is the midpoint of the target tolerance band (3.0±1.5%). According to November's data, headline CPI stood at 2.8%YoY, having remained persistently within the target band since late 2016. The corresponding core index came in at 1.4%YoY over the same month, below the lower bound of the said tolerance band. December inflation data is due for release later today. The Committee reiterated at its meeting yesterday that inflation will likely remain within the said target range in the period ahead, adding that some weakening below the midpoint is to be evidenced in H1 2018 due to base effects, while increasing domestic demand will likely act in the opposite direction. Against this backdrop, we anticipate the Central Bank to hold its horses in H1 2018 and start hiking interest rates towards the end of the year as inflationary pressures become more pronounced.

In the local rates markets, the Romanian finance ministry sold yesterday a planned amount of RON 500mn (~€ 107.82mn) in a re-tap of T-bonds that mature on March 8, 2022 and bear a coupon of 3.4%. The paper was sold at an average price of 98.4938 and a yield of 3.8%. The latter stands well above an average yield of 2.71% achieved at an auction in September when the paper was last sold. The tender's bid to cover ratio came in at 1.62 yesterday. Last year, the MoF had repeatedly rejected all bids at auctions of the same paper due to lack of demand.

Today's macroeconomic data releases include CPI data for December in Romania, Hungary, Bulgaria and Serbia. Among those already announced, inflation in Romania inched slightly higher to 3.32%YoY - close to the upper bound of the target interval (2.5±1%) - from 3.23%YoY in November, coming in nearly in line with a consensus of 3.35%YoY. On the other hand, headline CPI readings in Hungary and Bulgaria eased to 2.1% YoY and 2.8%YoY, respectively, in December from 2.5%YoY and 3.0%YoY in the prior month. Elsewhere, Romania's final Q3 GDP data confirmed real growth at a preliminary estimate of 8.8%YoY, bringing the year to Q3 GDP growth at 7.0% YoY in unadjusted terms. Meanwhile, Turkey's current account deficit widened more than anticipated in November at \$4.2bn from \$3.74bn in October. December inflation data from Serbia is due at 11:00 GMT, while Fitch is expected to announce its sovereign credit rating review on Romania later today.

gphoka@eurobank.gr

January 12, 2018

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	2754.10	0.2%	3.0%	EUR/USD	1.2049	0.8%	0.4%	UST - 10yr	2.56	1	16	GOLD	1323	0.4%	1.5%
Nikkei 225	23710.43	-0.3%	4.2%	GBP/USD	1.3537	0.2%	0.1%	Bund-10yr	0.59	5	17	BRENT CRUDE	70	0.4%	3.9%
STOXX 600	397.22	-0.3%	2.1%	USD/JPY	111.46	0.0%	1.1%	JGB - 10yr	0.07	-1	2	LMEX	3373	0.8%	-1.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	0	-2
1-week	2.61	0	0
1-month	2.82	0	-3
3-month	3.10	0	-2
6-month	3.22	1	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.26	0	-1
5Y RSD	4.68	#N/A	N/A
7Y RSD	5.02	0	-16

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.05	1	5
USD Nov-24	6.05	-31	2

CDS

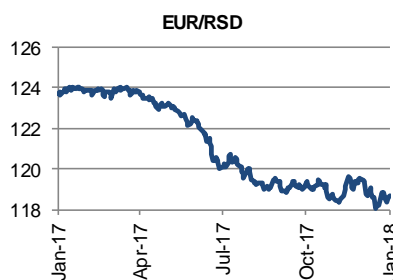
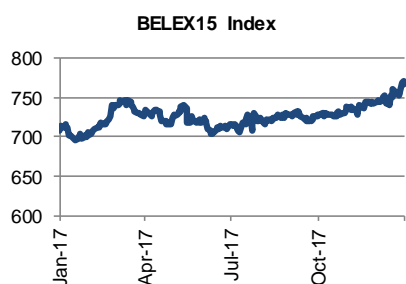
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	155	0	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	767.8	0.04%	1.05%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	119.81	-0.95%	-0.75%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.13	-1	4
1-month	1.57	-8	-30
3-month	1.98	-5	-7
6-month	2.22	-3	-5
12-month	2.33	-1	1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.35	0	-3
5Y RON	3.81	0	3
10Y RON	4.23	0	-9

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	0	-11
USD Jan-24	3.25	2	25

CDS

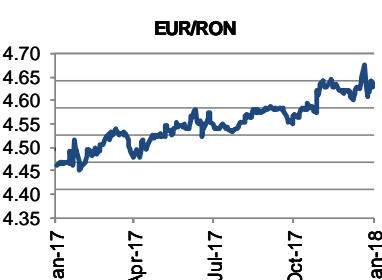
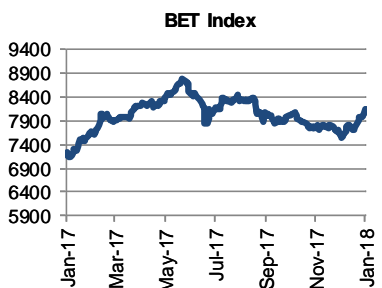
	Last	ΔDbps	ΔYTD bps
5-year	87	1	-3
10-year	129	0	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8155.6	1.50%	5.18%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6426	-0.10%	0.48%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	1	0
3-month	-0.18	0	0
6-month	-0.05	0	0
12-month	0.32	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	1	1
5Y BGN	0.10	2	-5
10Y BGN	0.98	0	1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.00	-37	7
EUR Sep-24	0.60	-19	2

CDS

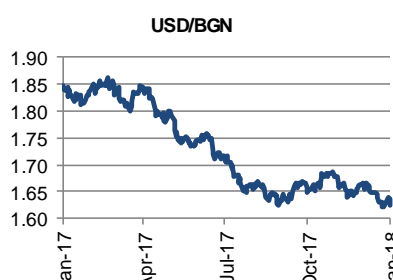
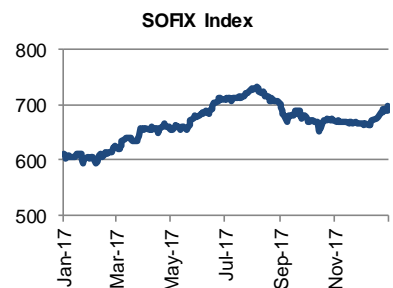
	Last	ΔDbps	ΔYTD bps
5-year	58	2	-39
10-year	101	3	-40

STOCKS

	Last	ΔD	ΔYTD
SOFIX	702.8	0.69%	3.74%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6232	0.85%	0.38%



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

Data updated as of 17:00 EST of previous session

January 12, 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
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 Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@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

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokrousos: 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 37 18 793

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

Mariana Papoutsaki
mpapoutsaki@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 Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, + 30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

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