



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 23, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- World Economic Forum (23-26 Jan)

US

- Jan 24: Existing home sales (Dec)
- Jan 25
 - Jobless claims (weekly)
 - New home sales (Dec)
- Jan 26
 - Q4 DGP
 - Durable goods orders (Dec)

EUROZONE

- Jan 23: German ZEW
- Jan-24: Eurozone PMI (Jan)
- Jan 25
 - German GfK consumer confidence (Feb)
 - ECB policy meeting
- Jan 26: M3 (Dec)

GREECE

- Jan 22: Current account deficit (Nov)

CYPRUS

- Jan 28: Presidential elections (1st round)

SEE

ROMANIA

- Jan 22: 3.25% 2024 T-bonds auction
- Jan 23: M3 money supply (Dec)
- Jan 25: 1.35% 2019 T-bonds auction

SERBIA

- Jan 25: Real gross wages (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The majority of Asian equity indices opened higher on Tuesday following record highs in Wall Street overnight after the end of a three-day US government shutdown. In FX markets, the US dollar pared some of its recent losses following the US government reopening. Following BoJ's decision to maintain its policy stance unchanged, the yen weakened against the US dollar. Governor Haruhiko Kuroda's echoed his commitment to ultra-easy monetary policy and highlighted that there is still some distance to meeting the 2.0% inflation target. Elsewhere, the GBP/USD hit a post-Brexit referendum high of 1.4003 in Asian trade, benefiting from both positive UK macro data and optimism for a favorable deal with the EU. In the government bond markets, treasury yields fell for the first time in five days after the end of the US government shutdown. European bonds followed suit with Spain's 10-year yield dropping to a seven-month low of 1.36%, continuing to receive support from a credit rating upgrade by Fitch to "A-" with a stable outlook from BBB+ on Friday amid improving growth prospects and easing political risks.

GREECE: The 22 January Eurogroup acknowledged the implementation of most of the prior actions for the 3rd programme. The fourth loan tranche, which will amount to EUR6.7billion, will be disbursed to Greece in two disbursements conditional on the implementation of the remaining prior actions and the continuous and unimpeded flow of electronic auctions. At the same time the Greek authorities are expected to develop in collaboration with the institutions a comprehensive growth strategy well before the end of the programme. As regards debt relief, the Eurogroup noted that the Euroworking Group has started technical work on a growth-adjustment mechanism as part of the medium term debt relief measures to be implemented if necessary in line with the 15 June 2017 Eurogroup.

SOUTH EASTERN EUROPE

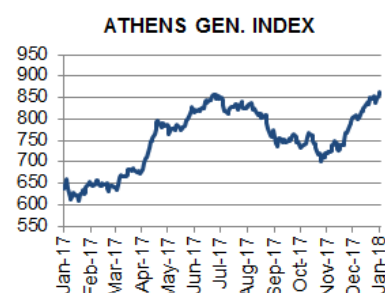
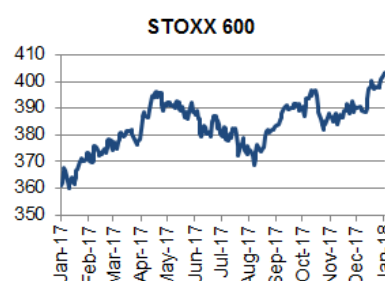
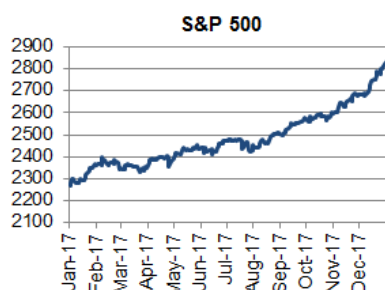
CESEE MARKETS: Emerging markets rallied earlier on Tuesday on improved investor sentiment globally following news about the end of a three-day government shutdown.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian equity indices opened higher on Tuesday following record highs in Wall Street overnight after the end of a three-day US government shutdown. The House of Representatives and the Senate passed y-day a temporary bill - the 4th in a row since October - to fund the federal government through February 8, when Congress will have to revisit budget and immigration policy. The approved bill includes a 6-yr extension of the Children's Health Insurance Program (CHIP) but no protection for the "Deferred Action for Childhood Arrivals" (DACA) program, with Democrats accepting promises from Republicans for a broad debate later on the future of "Dreamer" young immigrants. In FX markets, the US dollar pared some of its recent losses following the US government reopening, with the DXY dollar index standing at 90.500 in European trade within distance from last week's three year low of 90.113. The EUR/USD consolidated around levels of 1.2240 having hit a three-year high of 1.2323 a week ago. Following BoJ's decision to maintain its policy stance unchanged, the yen weakened against the US dollar with the USD/JPY losing 0.2% on the day to trade around 111.18 in Asian markets, after Governor Haruhiko Kuroda's echoed his commitment to ultra-easy monetary policy and highlighted that there is still some distance to meeting the 2.0% inflation target. Elsewhere, the GBP/USD hit a post-Brexit referendum high of 1.4003 in Asian trade, benefiting from both positive UK macro data and optimism for a favorable deal with the EU. In the government bond markets, treasury yields fell for the first time in five days after the end of the US government shutdown, with the 10-yr respective yield trading at 2.62% after hitting a 3 ½ year high of 2.67% y-day. European bonds followed suit with Spain's 10-year yield dropping to a seven-month low of 1.36%, while the spread over Bund narrowed to 87bps, the tightest since March 2015, helped by Spain's credit rating upgrade by Fitch to "A-" with a stable outlook from BBB+ on Friday amid improving growth prospects and easing political risks.

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GREECE

The 22 January Eurogroup acknowledged the implementation of most of the prior actions for the 3rd programme review including among others, the adoption of the 2018 State Budget which is compliant with the 3.5%-of-GDP primary surplus target, the initiation of electronic auctions and actions aiming to open up regulated professions, improve the investment licensing system, lift regulations that unnecessarily restrict competition in product markets and open up the energy markets. The fourth loan tranche, which will amount to EUR6.7billion, will be disbursed to Greece in two disbursements conditional on the implementation of the remaining prior actions and the continuous and unimpeded flow of electronic auctions. The first sub-tranche in the order of EUR5.7billion will be disbursed in February and will be used towards covering debt servicing needs and clearing state arrears as well as building a cash buffer to support Greece's return to the market. The second disbursement will be used for arrears clearance and will be released in spring subject to progress on state arrears clearance (using also own resources) and electronic auctions. Meanwhile, it was pointed out that the Greek authorities are expected to develop in collaboration with the institutions a comprehensive growth strategy well before the end of the programme. Elaborating on this point, Eurogroup President Mario Centeno pointed out that a sizeable primary surplus and reform momentum must stay on and outlive the programme in order to unlock the growth potential and regain investors' confidence and these elements must be incorporated in the holistic growth strategy. As regards debt relief, the Eurogroup noted that the Euroworking Group has started technical work on a growth-adjustment mechanism as part of the medium term debt relief measures to be implemented if necessary in line with the 15 June 2017 Eurogroup.

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January 23, 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

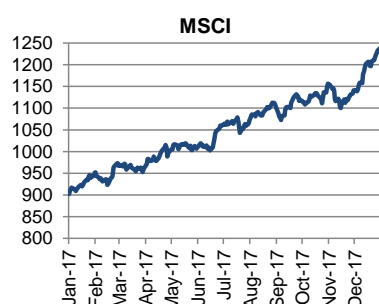
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging markets rallied earlier on Tuesday on improved investor sentiment globally following news about the end of a three-day government shutdown. Taking the cue from record highs in Wall Street overnight, the MSCI Emerging Markets index extended a 7-session rally reaching a new decade high. The said index stood ca 1% higher earlier today compared to Monday's settlement, which added to a 3.4% jump recorded since January 12. Along similar lines, the majority of bourses in the CESEE region also firmed. Turkey's BIST 100 led the gains with a 0.8% rise, while Poland's WIG moved 0.7% higher, reaching a lifetime high intraday. Hungary's main stock index also reached record peaks earlier on Tuesday. Romania's BETI lagged behind to stand flat on the day at the time of writing – albeit having reached a 7-month high in morning trade - as domestic political risks and economic overheating concerns linger.

In FX markets, regional currencies were modestly weaker earlier today, as the US modestly firmed compared to Monday's settlement. Meanwhile, local currency government bonds were mixed, with Hungarian long-term paper having recovered some ground this week following losses incurred since Thursday due to a surge in yields following a disappointing Central Bank interest swap tender. Separately, Romania's finance ministry rejected yesterday all bids of a planned auction of April 2024 treasury bonds amid poor investor demand.

Today's focus is monthly on Turkey's government bond auctions. The calendar is particularly light on Wednesday, with Poland's December unemployment rate being the most notable data for release. On Thursday, wage data for December from Serbia and data from Turkey, such as capacity utilization and confidence indicators for January, lure market attention. Additionally, Romania holds a government bond auction of 2020 paper. On Friday, Poland holds plans to sell government bonds. Lastly, the first round of the Cypriot presidential elections will be held on Sunday. According to latest opinion polls, incumbent President Nicos Anastasiades (DISY) is the frontrunner, leading by a wide margin of more than 10 ppts. Stavos Malas (AKEL) and Nikolas Papadopoulos (DIKO) follow suit running neck and neck. According to the electoral system, if no candidate achieves in the first round an absolute majority, a run-off will be held between the first two candidates.

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January 23, 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	2832.97	0.8%	6.0%	EUR/USD	1.224	-0.2%	2.0%	UST - 10yr	2.62	-3	22	GOLD	1337	0.3%	2.6%
Nikkei 225	24124.15	1.3%	6.0%	GBP/USD	1.3955	-0.2%	3.2%	Bund-10yr	0.54	-2	12	BRENT CRUDE	69	0.3%	3.6%
STOXX 600	403.27	0.3%	3.6%	USD/JPY	110.7	0.2%	1.8%	JGB - 10yr	0.08	0	3	LMEX	3395	0.6%	-0.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-1
1-week	2.61	0	0
1-month	2.82	0	-3
3-month	3.10	0	-2
6-month	3.22	0	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.26	0	-2
5Y RSD	4.61	1	-26
7Y RSD	4.98	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.11	0	11
USD Nov-24	6.05	-31	2

CDS

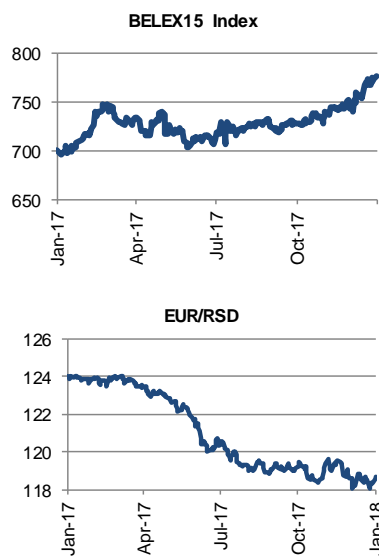
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-15
10-year	151	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	772.8	-0.46%	1.70%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.67	0.01%	0.20%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.11	0	2
1-month	1.56	0	-31
3-month	1.98	0	-7
6-month	2.22	0	-5
12-month	2.36	0	4

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	0	2
5Y RON	3.89	0	11
10Y RON	4.34	0	3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	#N/A	N/A
USD Jan-24	3.27	-1	27

CDS

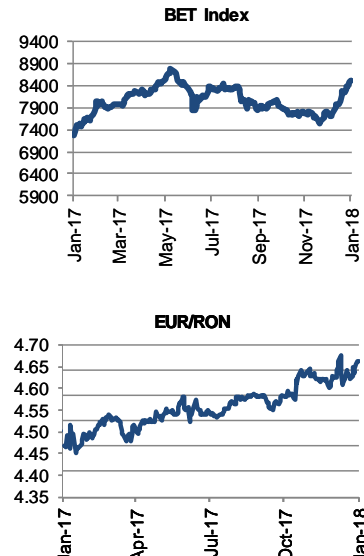
	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	128	0	-5

STOCKS

	Last	ΔD	ΔYTD
BET	8495.3	0.06%	9.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6662	0.02%	-0.03%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	0	-2
3-month	-0.19	0	-1
6-month	-0.05	0	0
12-month	0.32	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	-1	-1
5Y BGN	0.11	2	-4
10Y BGN	0.97	0	1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	0	18
EUR Sep-24	0.70	0	13

CDS

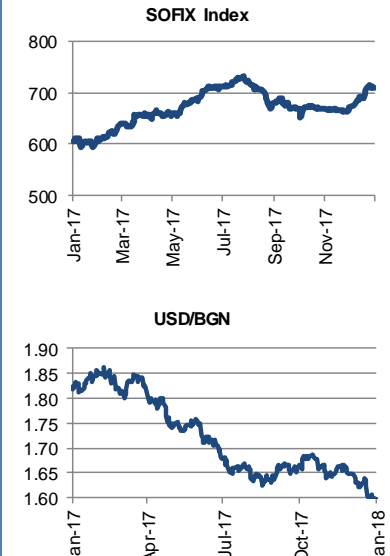
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	109	0	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	709.2	0.16%	4.68%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.598	-0.18%	1.97%



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

Data updated as of 11:00: EST

January 23, 2018

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