



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Wednesday, February 01, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Jan 30
  - Personal income / spending (Dec)
  - Core PCE (Dec)
- Jan 31
  - Chicago PMI (Jan)
  - CB Consumer Confidence (Jan)
- Feb 1
  - ADP employment (Jan)
  - ISM manufacturing (Jan)
  - FOMC decision
- Feb 2: Initial claims (weekly)
- Feb 3
  - Non-farm payrolls (Jan)
  - U/E rate (Jan)
  - ISM non-manuf (Jan)

##### UK

- Feb 2: MPC meeting & Inflation report

#### EUROZONE

- Jan 30: ESI (Jan)
- Jan 31
  - GDP (Q4 2016, 1<sup>st</sup> est)
  - HICP (Jan)
- Feb 1: PMI manuf. (Jan)
- Feb 3: PMI services (Jan)

#### GREECE

- Jan 30: Retail sales (Nov)

#### SEE

##### BULGARIA

- Jan 30: PPI (Dec)

##### ROMANIA

- Jan 31: ILO U/E rate (Dec)
- Feb 1: International reserves (Jan)
- Jan 3: Retail sales (Dec)

##### SERBIA

- Jan 31
  - Trade balance (Dec)
  - Retail sales (Dec)
  - IP (Dec)
  - GDP (Q4, p)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** The USD remained under pressure in European trade on Wednesday after comments by US President Donald Trump and the head of the National Trade Council, Peter Navarro, suggested that the new US administration will likely favor “weak dollar” policies, abandoning “strong dollar” policies advocated by predecessors over the last two decades. Meanwhile, Bund yields moved lower in spite of a surge in the euro area headline inflation rate to 1.8%YoY in January, the highest in nearly four years from 1.1%YoY in December mainly due to energy and food price inflation. However, underlying inflation pressures remained weak with core inflation being unchanged at 0.9%YoY. Focus today is on the FOMC monetary policy meeting that concludes later today. The FOMC is expected to stay on hold retaining the target range of the federal funds rate unchanged at 0.50% to 0.75%. The accompanying official statement is unlikely to change much compared to the prior one with the Committee continuing to describe risks to the outlook as “roughly balanced”.

**GREECE:** The negotiations in the context of the 2nd programme review have come to a standstill with the institutions reportedly awaiting an agreement on behalf of Greece that the official deliberations will continue within the framework that was discussed at the January 26 Eurogroup. In any case, it is unlikely that formal negotiations will be resumed before the IMF BoD convenes on February 6. In other news, according to press reports, progress is being made on significant privatisation projects.

### SOUTH EASTERN EUROPE

**SERBIA:** According to the latest quarterly National Accounts data released yesterday, real GDP growth came in at 2.5%YoY in Q4 2016, marking the 7<sup>th</sup> consecutive quarter of positive annual growth after floods-induced recession in 2014. Full-year growth is estimated at 2.7% in 2016, having recorded a significant acceleration from a 0.8% increase in 2015.

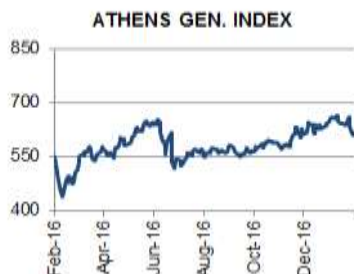
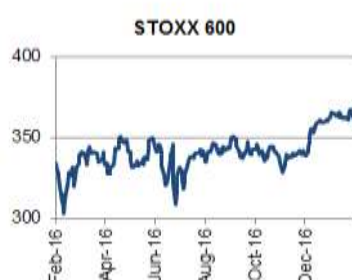
**CESEE MARKETS:** Emerging market assets were mixed earlier on Wednesday as caution prevailed ahead of the FOMC meeting announcement later on the day. In FX markets, currencies were little changed and government bonds were mixed in European trade today.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD remained under pressure in European trade on Wednesday after comments by US President Donald Trump and the head of the National Trade Council, Peter Navarro, suggested that the new US administration will likely favor “weak dollar” policies. The DXY index remained under the 100.00 level for the second consecutive session hovering around 99.736 at the time of writing, marking monthly losses of 2.6% in January. Focus is on the FOMC monetary policy meeting that concludes later today. The FOMC is expected to stay on hold retaining the target range of the federal funds rate unchanged at 0.50% to 0.75%. The accompanying official statement is unlikely to change much compared to the prior one with the Committee continuing to describe risks to the outlook as “roughly balanced”. However, a little more hawkish than currently expected statement could fuel market expectations for a March Fed rate hike, supporting the USD and extending upward pressures on US short- and intermediate-maturity yields. Meanwhile, Bund yields moved lower in spite of a surge in the euro area headline inflation rate to a four-year high of 1.8%YoY in January from 1.1%YoY in December mainly due to energy and food price inflation. However, underlying inflation pressures remained weak with core inflation being unchanged at 0.9%YoY. As ECB President Mario Draghi hinted at the January press-conference, the Governing Council will not be ready to change its monetary policy course until it assesses if higher headline inflation translates its pass-through in an underlying inflation so that the overall inflation rate leads to a process that it is durable and self-sustainingly converging to the medium-term inflation target. That said, market talk that the ECB could taper its QE programme any time soon, is likely premature. After testing levels close to 0.49% on Tuesday, the 10-yr Bund yield was hovering around 0.46% at the time of writing, compressing yield spreads against its euro area counterparts. Looking at the day ahead, focus is on the US’ manufacturing ISM and the ADP employment report both for January.

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### GREECE

The negotiations in the context of the 2nd programme review have come to a standstill with the institutions reportedly awaiting an agreement on behalf of Greece that official deliberations will continue within the framework that was discussed at the January 26 Eurogroup. In any case, it is unlikely that formal negotiations will be resumed before the IMF BoD convenes on February 6. In other news, according to press reports, progress is being made on significant privatisation projects. The Board of Directors of the Hellenic Republic Asset Development Fund (HRADF) convened yesterday and set a deadline of March 24 2017 for the submission of binding offers for the Port of Thessaloniki (OLTH). The agreement with the selected bidder will then have to be ratified by the Greek Parliament while the investor will have to undertake investments worth €180 million in seven years. With regard to the sale of other HRADF shareholdings such as those in the Public Power Corporation (PPC), Hellenic Petroleum (ELPE), Hellenic Telecommunications Organisation (OTE) and Athens Water Supply Sewerage (EYDAP), the BoD of the HRADF reportedly approved the hiring of consultants. As regards the Hellinikon project, the HRADF approved yesterday the development plan that had been submitted by the investor Lamda Development. The plan will now be put to public consultation and once this procedure has been concluded a Presidential Decree will be issued approving among others the spatial development plan. Meanwhile, a license for the operation of a casino on the property must also be issued. With respect to the extension of the Athens International Airport (AIA) concession, the issue will be reportedly discussed later today at the Ministry of Finance with the aim to have the relevant agreement signed by the end of February 2017.

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February 1, 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

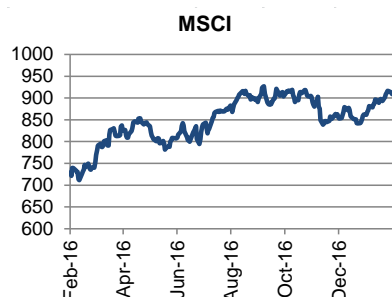
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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

### SERBIA

According to the latest quarterly National Accounts data released yesterday, real GDP growth came in at 2.5%YoY in Q4 2016, marking the 7<sup>th</sup> consecutive quarter of positive annual growth after floods-induced recession in 2014. Full-year growth is estimated at 2.7% in 2016, having recorded a significant acceleration from a 0.8% increase in 2015. The breakdown of the data is not yet available and is scheduled to be announced on February 28. However, we believe that investments likely remained among main growth drivers assisted by strong FDI inflows. A similar contribution is penciled in by net exports, while private consumption is seen on the rebound. In support of the aforementioned, data for December - also released yesterday - showed that industrial production grew by 3.9%YoY in December, picking up pace from 1.3%YoY a month earlier and bringing full-year growth to 4.7% in 2016. Meanwhile, retail sales turnover increased by 6.8%YoY following an advance of 7.4%YoY in November, which pushed the FY2016 reading to +7.5%. Furthermore, trade data for December confirmed that exports remained robust in 2016, with the full year growth coming in at 11.5%, outpacing a concomitant 6.1% rise in imports. As a result, the trade deficit shrank by 8.9% last year to come in at a shortfall of €3,959.9mn. Economic activity is anticipated to gain further momentum in 2017 as last year's positive trends are expected to continue and private consumption is anticipated to recover further on real wage growth and targeted increases in public wages and pensions.

### CESEE MARKETS

Emerging market assets were mixed earlier on Wednesday as caution prevailed ahead of the FOMC meeting announcement later on the day. In developing stock markets, most key bourses stood in the black today. Despite ending in the red for the last three consecutive sessions the MSCI Emerging Markets index closed last month with gains of 5.4%, in a development which marks the best January performance in five years. Trailing the uptrend in major global bourses, emerging market equity has rallied over recent weeks on the prevailing perception that US President Donald Trump's expansionary fiscal plans will boost growth in the world's largest - and by implication the global - economy. In the CESEE space, Polish stocks extended yesterday's gains, outperforming regional peers on optimism ahead of earnings reports. The main WIG index rose by 0.8% in European trade following a 0.3% rise in the prior session, approaching anew a 1.5-year high reached late last week.

In FX markets, currencies were little changed in European trade today. The Romanian leu underperformed its regional peers weighed down by increased fiscal slippage concerns. Following repeated delays and the recent disagreement on the size of spending on intelligence agencies, the government approved on Tuesday the 2017 budget which envisions a general government deficit of 3.0% of GDP. The budget will be sent to Parliament today and is expected to pass as the coalition government enjoys a comfortable majority. Along these lines, the EUR/RON traded at 4.5200 in European markets today vs. 4.4996 on Tuesday's settlement, having tested multi-session highs of 4.5255 in late Asian trade. Elsewhere, the Turkish lira retained a firm tone earlier today as the US dollar remained under pressure. Despite standing modestly higher compared to the prior session's settlement, the USD/TRY hovered around levels of 3.7775 at the time of writing, within reach from a 1-week low of 3.7658 hit intraday in the prior session. In the local debt markets regional government bonds were mixed in European trade on Wednesday. Romanian paper underperformed its CESEE peers, weighed down by heightened fiscal worries. In more detail, the 3- and 10-year benchmark bond yields rose by 7.1bps and 16.0bps, respectively, compared to Tuesday's close, standing at 1.898% and 3.92% at the time of writing.

February 1, 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	2278.87	-0.1%	1.8%	EUR/USD	1.0782	-0.1%	2.5%	UST - 10yr	2.47	2	3	GOLD	1210	0.0%	5.0%
Nikkei 225	19148.08	0.6%	0.2%	GBP/USD	1.2603	0.2%	2.0%	Bund-10yr	0.46	3	26	BRENT CRUDE	56	0.3%	-1.9%
STOXX 600	363.82	1.0%	0.7%	USD/JPY	113.36	-0.5%	3.2%	JGB - 10yr	0.10	1	5	LMEX	2856	2.3%	7.4%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	0	-1
1-week	3.11	0	-6
1-month	3.34	1	-1
3-month	3.47	1	0
6-month	3.68	1	2

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-1
5Y RSD	5.46	0	11
7Y RSD	5.69	0	6

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.14	-1	-18
USD Nov-24	6.47	0	6

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	205	0	-2
10-year	248	0	-8

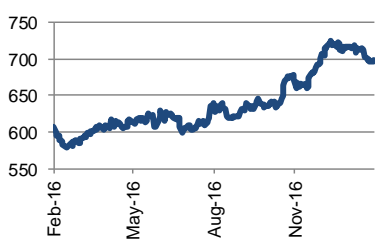
**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	699.2	0.03%	-2.53%

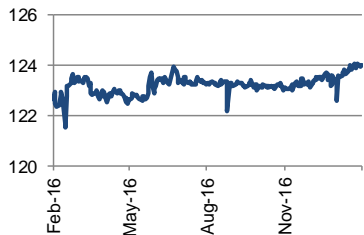
**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	124.00	0.01%	-0.44%

**BELEX15 Index**



**EUR/RSD**



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	1	-8
1-month	0.63	3	-13
3-month	0.85	3	-5
6-month	1.04	2	-7
12-month	1.21	1	-4

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.77	7	15
5Y RON	2.81	9	29
10Y RON	3.85	13	20

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.24	9	10
USD Jan-24	3.80	2	-5

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-14
10-year	138	-3	-15

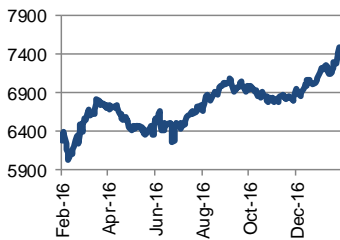
**STOCKS**

	Last	ΔD	ΔYTD
BET	7493.5	-0.32%	5.77%

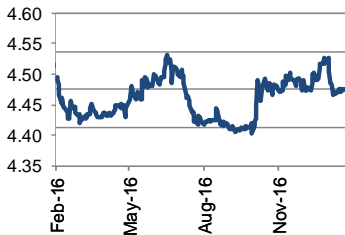
**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.525	-0.44%	0.31%

**BET Index**



**EUR/RON**



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	-33	-33
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.06	0	-2
12-month	0.40	0	0

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.12	1	-4
5Y BGN	0.46	3	-5
10Y BGN	1.78	0	-13

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.52	0	-20
EUR Sep-24	1.70	-44	2

**CDS**

	Last	ΔDbps	ΔYTD bps
5-year	124	-2	-28
10-year	168	-3	-26

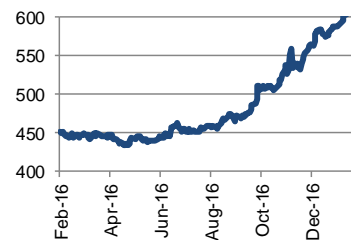
**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	597.4	-0.81%	1.87%

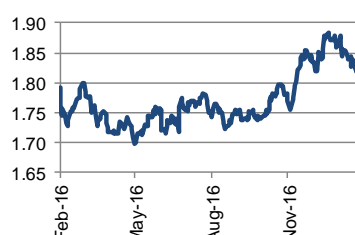
**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8138	-0.12%	2.46%

**SOFIX Index**



**USD/BGN**



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

Data updated as of 12:40 EET

February 1, 2017

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