



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 02, 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, 1st 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: In line with market expectations, the Fed stayed put on its monetary policy meeting on Wednesday keeping the target range for the federal funds rate stable at 0.50%-0.75%. The accompanying statement was little changed compared to the previous one with the Fed reiterating its intention to move "gradually" with respect to additional rate tightening in the coming months. In FX markets, the USD remained under pressure across the board as the Fed failed to provide hints for a more aggressive rate tightening ahead. Elsewhere, the GBP firmed on somewhat contained political jitters on news that UK MPs overwhelmingly voted yesterday in favor of the European Union (Notification of Withdrawal) Bill" at the second reading, conferring on the Prime Minister the power to invoke Article 50.

GREECE: The Alternate Minister of Finance George Chouliarakis and the institutions discussed yesterday via teleconference the pending items in the context of the 2nd programme review. On the data front, according to the European Commission Business and Consumer Survey Results, the Economic sentiment indicator for January 2017 was unchanged at 95.1 index units (i.u.). The Markit Manufacturing Purchasing Managers' Index (PMI) in January 2017 fell to a 16-month low at 46.6 i.u. down from 49.3 i.u. in December 2016.

SOUTH EASTERN EUROPE

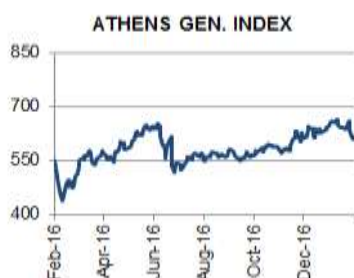
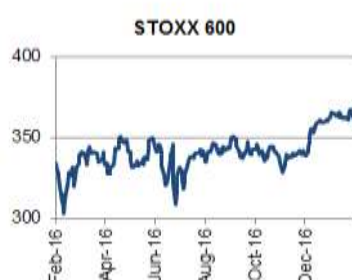
CESEE MARKETS: Emerging market assets mostly firmed earlier on Thursday after the Fed did not signal at its monetary policy meeting yesterday a more aggressive than expected rate-hiking path. However, Romanian assets underperformed amid increased domestic political jitters and heightened fiscal slippage concerns.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, the Fed stayed put on its monetary policy meeting on Wednesday keeping the target range for the federal funds rate stable at 0.50%-0.75%. The accompanying statement was little changed compared to the previous one with the Fed reiterating its intention to move "gradually" with respect to additional rate tightening in the coming months. In more detail, the Fed painted a relatively positive assessment on the US economy restating that "the Committee expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, labor market conditions will strengthen somewhat further, and inflation will rise to 2 percent over the medium term". In a knee-jerk reaction to the statement, the 2/10-yr US Treasury yield curve undertook some bearish steepening with the 10-yr yield rising to levels slightly above 2.47% shortly after the release of the FOMC statement before moving lower thereafter hovering around 2.46% in European trade on Thursday. Meanwhile, the majority of European equity markets were weaker in early trade amid prevailing concerns over spill-over effects on the world economy from the US administration's trade protectionist stance. In FX markets, the USD remained under pressure across the board as the Fed failed to provide hints for more aggressive rate tightening ahead. US positive data showing an increase in the ISM manufacturing index to a more than a 2 ½ year peak of 56.0 in January and a higher than expected rise of 246k in private sector payrolls last month, failed to provide a positive impact on the USD. Elsewhere, the GBP firmed on somewhat contained political jitters testing levels close to 1.27 against the USD for the first time since mid-December on news that UK MPs overwhelmingly voted yesterday in favor of the "European Union (Notification of Withdrawal) Bill" at the second reading, conferring on the Prime Minister the power to invoke Article 50. The government is expected to publish today a white paper detailing its Brexit plan, although it is unlikely to differ much from UK Prime Minister Theresa May's speech in mid-January. Today, the BoE convenes and is widely expected to stand put on its monetary policy retaining a neutral stance. The updated BoE February Inflation Report and the MPC minutes are also due for release.

ppetropoulou@eurobank.gr

GREECE

The Alternate Minister of Finance George Chouliarakis and the institutions discussed yesterday via teleconference the pending items in the context of the 2nd programme review. According to press reports, the Greek government is contemplating the decrease of the tax free threshold and its upfront legislation in order for the negotiations to be resumed. Another critical issue for the official lenders is reportedly the privatisation of the 17% stake of the Public Power Corporation (PPC) and the transfer of its management by to private investors. Meanwhile, ESM Managing Director Klaus Regling stated on Wednesday that Greece has made progress since the beginning of the third programme in August 2015 while €32 billion have already been disbursed. He added that due to favourable financing conditions the country saves €8 billion a year of 4.5% of GDP while the debt will be reduced by 2060 because of the recently adopted short-term debt relief measures. On the data front, according to the European Commission Business and Consumer Survey Results, the Economic sentiment indicator for January 2017 was unchanged at 95.1 index units (i.u.). Expectations in the industrial sector and retail improved compared to December 2016, expectations in construction and consumer confidence deteriorated slightly while expectations in services remained almost unchanged. The Markit Manufacturing Purchasing Managers' Index (PMI) in January 2017 fell to a 16-month low at 46.6 i.u. down from 49.3 i.u. in December 2016. According to the Markit report, adverse weather conditions weighed on Greek manufacturing performance while output and new orders contracted at the sharpest rates since September 2015.

andimitriadou@eurobank.gr

February 2, 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

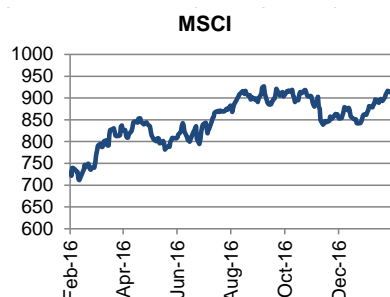
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets mostly firmed earlier on Thursday after the Fed did not signal at its monetary policy meeting yesterday a more aggressive than expected rate-hiking path. However, Romanian assets underperformed amid increased domestic political jitters and heightened fiscal slippage concerns. Anticorruption street rallies were staged this week in the aftermath of an emergency decree adopted by the government on Tuesday decriminalizing some graft offences, including abuse of power instigating financial damage of less than RON 200k (~€44k). The government also approved a draft bill – which has to pass Parliament - for prison pardons which currently require parliamentary endorsement. The government argues that the chances will help ease prison overcrowding and align the criminal code with that of the constitutional court.

However, the decree has stirred negative reaction from several EU officials and domestic authorities, with European Commission head Jean-Claude Juncker expressing “great concern” over the prospect of easing anti-corruption legislation. Also expressing their discontent, two opposition parties, the centrist Liberals and the Save Romania Union USR, reportedly filed a no-confidence motion against the government on Wednesday. However, it is unlikely to pass Parliament where the government enjoys a comfortable majority. Additionally, the minister of business, trade and entrepreneurship resigned, while the Superior Magistrates' Council (CSM) filed yesterday a challenge in the Constitutional Court to the decree. In a similar move, President Klaus Iohannis said he had also filed a challenge in the Constitutional Court and called on the government to repeal the decree arguing that it threatens the rule of law. At the same time, the 2017 budget approved by the government earlier in the week envisions a fiscal deficit of 3.0% of GDP. However, fiscal slippage jitters are on the rise of late as it is based on a rather optimistic growth assumption of 5.2% and includes the government's pre-election promises which, among other, comprise of wage and pension hikes. The above mentioned target set is in line with the EU's Maastricht criterion. If exceeded, it will trigger the Excessive Deficit Procedure against the county. The budget was sent to Parliament yesterday and is expected to pass as the coalition government enjoys a comfortable majority.

Against this backdrop, Romania's main stock index stood in a modestly negative territory at the time of writing. In FX markets, most regional currencies firmed against a weaker US dollar in European trade. In line with the broader trend, the Romanian leu recovered some ground, but remained close to lows hit yesterday, with the EUR/RON trading at 4.5280 in European markets today vs. a 7 ½ month high of 4.5530 reached intraday on Wednesday. In the local debt markets, government bonds broadly firmed in view of improved risk sentiment. Romanian short to medium term paper appeared to register most of the losses, with the 3-year benchmark yield advancing by 12bps at a 7-month peak of 1.878%. Risks on Romanian assets currently appear to be skewed to the downside as further street rallies are anticipated in the coming days in the country's main cities and fiscal concerns are likely to persist for some time.

gphoka@eurobank.gr

February 2, 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	2279.55	0.0%	1.8%	EUR/USD	1.081	0.4%	2.8%	UST - 10yr	2.46	-1	1	GOLD	1222	1.0%	6.0%
Nikkei 225	18914.58	-1.2%	-1.0%	GBP/USD	1.2652	-0.1%	2.4%	Bund-10yr	0.45	-2	24	BRENT CRUDE	57	0.8%	0.8%
STOXX 600	362.59	-0.2%	0.3%	USD/JPY	112.43	0.7%	4.1%	JGB - 10yr	0.12	2	7	LMEX	2849	-0.3%	7.1%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	-1	-2
1-week	3.11	0	-6
1-month	3.33	-1	-2
3-month	3.46	-1	-1
6-month	3.67	-1	1

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.06	-1	-2
5Y RSD	5.46	-1	10
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

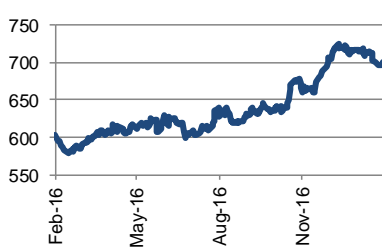
STOCKS

	Last	ΔD	ΔYTD
BELEX15	702.8	0.27%	-2.04%

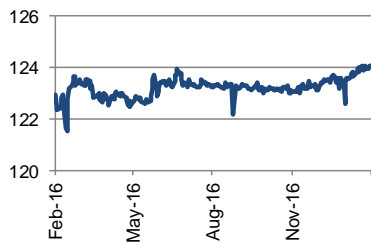
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	124.06	-0.03%	-0.48%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.48	0	-8
1-month	0.65	2	-11
3-month	0.84	-1	-6
6-month	1.05	1	-6
12-month	1.23	2	-2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.77	-1	15
5Y RON	2.80	-1	28
10Y RON	3.80	-4	15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.22	0	9
USD Jan-24	3.79	-1	-6

CDS

	Last	ΔDbps	ΔYTD bps
5-year	94	-1	-15
10-year	137	-1	-16

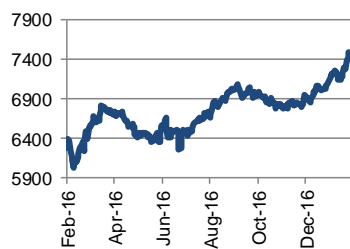
STOCKS

	Last	ΔD	ΔYTD
BET	7518.5	-0.13%	6.12%

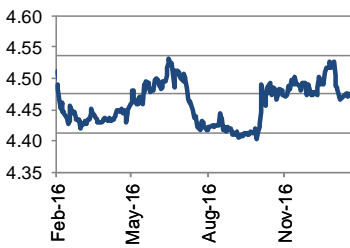
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5331	0.18%	0.13%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.33	0	-33
1-month	-0.17	0	0
3-month	-0.08	-1	-1
6-month	0.07	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	-2	-5
5Y BGN	0.45	-2	-6
10Y BGN	1.77	0	-14

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.61	0	-29
EUR Sep-24	1.68	11	0

CDS

	Last	ΔDbps	ΔYTD bps
5-year	123	-1	-29
10-year	168	0	-26

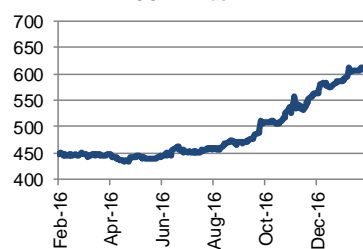
STOCKS

	Last	ΔD	ΔYTD
SOFIX	595.5	0.29%	1.55%

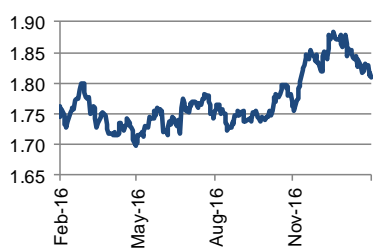
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8094	0.39%	2.71%

SOFIX Index



USD/BGN



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

Data updated as of 12:55 EET

February 2, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

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

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

Anna Dimitriadou (Special Contributor)
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 Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@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

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: 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 3718 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

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@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 Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

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

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