



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 04, 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: In FX markets, the USD was firmer across the board in European trade on Wednesday amid lingering expectations for higher Fed interest rates in the course of this year as Donald Trump's proposals during his election campaign for significantly lower income and corporate taxes along with substantial investments in US infrastructure are expected to provide a boost to US economic growth. Elsewhere, long-dated US Treasury yields were mostly higher in response to firmer than expected US data. Along these lines, long-dated Bund yields remained in an upward trend on Wednesday for the second consecutive trading session in response to higher than expected inflation data from both Germany and France mainly on the back of higher oil prices.

GREECE: Press reports suggest that the government is aiming to have the 2nd programme review concluded by the end of February at the latest to facilitate Greece's inclusion in the ECB's QE programme by March. In other news, the seasonally adjusted manufacturing PMI rose to 49.3 in December from 48.3 in November, remaining though below the all-important 50.0 no-change mark for the fourth successive month.

SOUTH EASTERN EUROPE

CESEE MARKETS: The majority of emerging market assets modestly firmed earlier on Wednesday, on improved risk sentiment following upbeat macroeconomic data releases in several major countries around the globe.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD was firmer across the board in European trade on Wednesday amid lingering expectations for higher Fed interest rates in the course of this year as Donald Trump's proposals during his election campaign for significantly lower income and corporate taxes along with substantial investments in US infrastructure are expected to provide a boost to US economic growth. The DXY index was trading close to 103.120 at the time of writing, within distance from a fresh 14-year intraday peak of 103.820 marked in the prior session, after recording gains of around 4% in 2016. Elsewhere, major European bourses were modestly firmer in early trade in the wake of a recent string of positive global data which supported optimism for a stronger growth momentum in the world economy this year. Turning to major bond markets, long-dated Bund yields remained in an upward trend for the second consecutive trading session in response to higher than expected inflation data from both Germany and France mainly on the back of higher oil prices. The 10-yr Bund yield was trading around 0.27% at the time of writing, not far from Tuesday's 0.29% two-week intraday peak after ending at a 1 ½ month low of 0.19% earlier this week. Along these lines, long-dated US Treasury yields were mostly higher in response to firmer than expected US data. The US ISM-manufacturing index rose by 1.5ppts in December to a two-year high of 54.7 mainly supported by a surge in new orders and employment. In a similar positive tone, US construction spending increased by a higher than anticipated 0.9%MoM in November reaching the highest level since April 2006 boosted by gains in both private and public sector investment. In reaction to the above, the 10-yr US Treasury yield was hovering around 2.46% at the time of writing after ending at a multi-session low of 2.43% on Tuesday. Meanwhile, after rising by some 52% in 2016, Brent crude oil was hovering slightly below \$56 per barrel at the time of writing, having retreated from Tuesday's 1 ½ year high of \$58.37 per barrel on reports conveying that Libya will further increase crude production.

GREECE

Press reports suggest that the government is aiming to have the 2nd programme review concluded by the end of February at the latest to facilitate Greece's inclusion in the ECB's QE programme by March. The Euroworking Group convenes on January 12th ahead of the next Eurogroup scheduled for January 26th and is expected to take stock of the progress made thus far towards the conclusion of the review. As things stand at this point, the size of a projected fiscal gap for 2018 and sources of funding for its coverage are reportedly among the major pending items. The IMF is said to adopt a more pessimistic stance arguing that for the 3.5%-of-GDP medium-term primary fiscal target to be met, the Greek side should upfront specify and qualify structural reforms with an estimated net fiscal impact of 2.0%-of-GDP to cover the projected fiscal shortfall along with an additional 0.5%-of-GDP (or c. €4.5bn cumulatively) to offset the estimated recessionary effect of those measures. The implementation of the short term debt relief measures for Greece is also anticipated to be an issue of discussions at next week's Euroworking Group after the Eurogroup President and the ESM Managing Director received a letter by Greece's Minister of Finance Euclid Tsakalotos nearly two weeks ago reaffirming the government's commitment to the conditionality attached to the current bailout programme. In other news, the seasonally adjusted manufacturing PMI rose to 49.3 in December from 48.3 in November partly due to a weaker contraction in output and new orders. In spite of the December improvement, the index remained below the all-important 50.0 no-change mark for the fourth successive month.

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January 4, 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

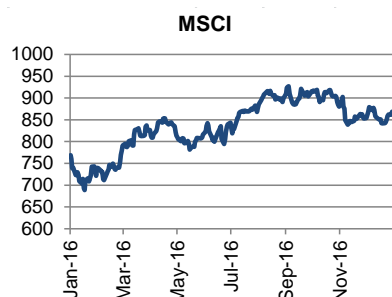
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 modestly firmed earlier on Wednesday, on improved risk sentiment following upbeat macroeconomic data releases in several major countries around the globe. Optimism about improving global growth prospects prompted a rally in Wall Street overnight and provided support to Asian and European stock markets. On that note, CESEE bourses stood in a broadly positive territory at the time of writing, extending this year's positive kick-off. Hungary's main BUX index led the gains in the region, marking an approximately 0.8% advance. The said index marked yet another stellar performance last year, recording gains to the tune of 34%, following a streak of sovereign credit rating upgrades amid improving macroeconomic fundamentals, fiscal position and growth outlook as well as narrowing external imbalances.

In FX markets, the Turkish lira recovered some ground earlier today, after hitting a record low just above 3.60/USD on Tuesday. The currency kicked off 2017 on a negative footing, with last year's depreciation pressures having been exacerbated this week by higher than anticipated inflation data and increased security concerns in the aftermath of the New Year's Day shooting at a nightclub in Istanbul. In more detail, annual CPI came in at a 5-month peak of 8.53% in December, overshooting a market's consensus of 7.60%, an end-2016 7.50% Central Bank forecast and the prior month's 7.00% print. Consumer inflation has remained above the 5.00% official target for nearly six years. However, the Central Bank's response was rather limited last year, with just one rate hike having been delivered in November. Political pressure for monetary easing in order to support the weakening economic activity has raised concerns about undermining the Central Bank's independence. At the same time, the government's pursuit of a constitutional overhaul, that includes plans for a presidential system, has 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.

Elsewhere, the Romanian leu retained a firm tone earlier today, with the EUR/RON hovering around levels of 4.5180 in European trade, within distance from a 2-week low of 4.5088 hit earlier in the session. Yesterday, the winner of the December 11th general elections, the Social Democratic Party (PSD), named more of the new government's ministers. Viorel Stefan, former head of the parliament's lower house and finance committee, has been nominated for the post of the finance minister. The new cabinet is expected to seek a vote of confidence in Parliament later today, where PSD and its junior coalition partner ALDE enjoy an overall majority. Recall that, PSD reclaims its post in office a year after resigning in the aftermath of a deadly fire in a nightclub in Bucharest. However, PSD leader Liviu Dragnea will not return to the post of Prime Minister after President Klaus Iohannis signaled he would not accept him, citing his recent suspended sentence on allegations for manipulating a 2012 referendum on the impeachment of previous President Traian Basescu. PSD member Sorin Grindeanu, former deputy mayor of the city of Timisoara, was approved in late December by the President for the said post.

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January 4, 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	2257.83	0.8%	0.8%	EUR/USD	1.0427	0.2%	-0.9%	UST - 10yr	2.46	2	2	GOLD	1164	0.4%	1.0%
Nikkei 225	19594.16	2.5%	2.5%	GBP/USD	1.2274	0.3%	-0.7%	Bund-10yr	0.26	-1	5	BRENT CRUDE	56	0.9%	-1.5%
STOXX 600	365.62	0.0%	1.2%	USD/JPY	117.76	0.0%	-0.6%	JGB - 10yr	0.07	2	2	LMEX	2639	-0.8%	-0.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	300	-2	-3
1-week	3.17	-1	-2
1-month	3.35	0	-16
3-month	3.47	-1	-36
6-month	3.66	0	-37

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	0
5Y RSD	5.35	0	0
7Y RSD	5.69	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.25	-5	-8
USD Nov-24	6.46	-1	5

CDS

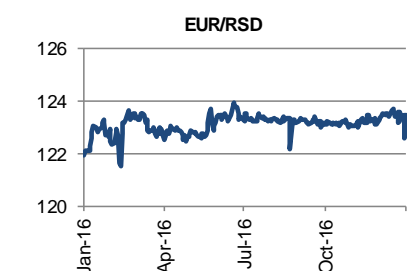
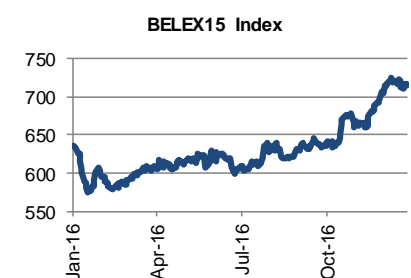
	Last	ΔDbps	ΔYTD bps
5-year	208	0	0
10-year	255	0	-1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.4	0.37%	0.00%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.45	0.01%	0.01%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.54	0	-2
1-month	0.7	0	-6
3-month	0.87	0	-3
6-month	1.12	0	1
12-month	1.24	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.51	0	-11
5Y RON	2.39	0	-13
10Y RON	3.46	0	-19

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.12	0	-2
USD Jan-24	3.84	0	-1

CDS

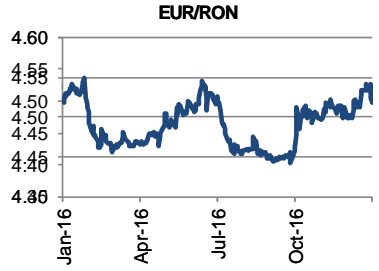
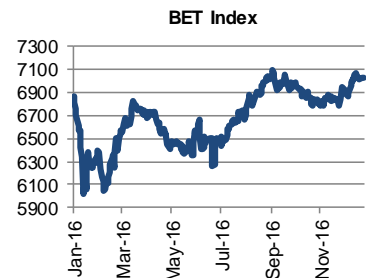
	Last	ΔDbps	ΔYTD bps
5-year	108	-1	-1
10-year	151	-1	-2

STOCKS

	Last	ΔD	ΔYTD
BET	7168.0	0.05%	1.17%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5183	0.12%	0.46%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	0
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	0	-1
5Y BGN	0.51	0	1
10Y BGN	1.85	0	-6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	0.03	-22	36
EUR Sep-24	1.60	0	-8

CDS

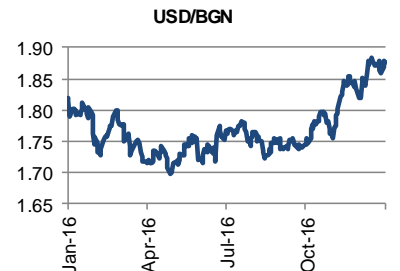
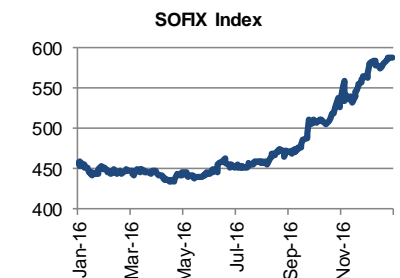
	Last	ΔDbps	ΔYTD bps
5-year	145	-7	-7
10-year	187	-7	-6

STOCKS

	Last	ΔD	ΔYTD
SOFIX	587.1	0.00%	0.11%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8758	0.22%	-0.93%



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

Data updated as of 10:30 EET

January 4, 2017

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