



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 06, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 6: Trade balance (Dec)
- Feb 9: Initial claims (weekly)
- Feb 10: UoM consumer sentiment (p, Feb)

EUROZONE

- Feb 8: ECB President Draghi speaks

GREECE

- Feb 9
 - U/E rate (Nov)
 - Industrial Production (Dec)

SEE

BULGARIA

- Feb 8
 - Industrial Production (Dec)
 - Retail sales (Dec)
- Feb 9: Trade balance (Dec)

ROMANIA

- Feb 6: 3.5% 2022 T-Bonds auction
- Feb 7: MPC meeting announcement
- Feb 9
 - Trade balance (Dec)
 - Industrial sales (Dec)
 - Net wages (Dec)
 - 2.25% 2020 T-Bonds auction
- Feb 10: Industrial Production (Dec)

SERBIA

- Feb 7: PPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: US nonfarm payrolls increased by a stronger-than-expected 227k in January, with private payrolls expanding 237k and public sector payrolls declining 10k on the month. Taking the positive lead from Wall Street on Friday's session amid strong employment growth and positive earnings' report, most Asian shares closed in the black on Monday. In the rates markets, the 10yr Treasury yield rose to 2.50% shortly after the disappointing average hourly earnings growth, but pared most gains to hover around 2.45% in early European trade on hawkish comments by Fed officials. In FX markets, the softer-than-expected rise in US earning and uncertainty over the potential impact of Trump's financial deregulation weighed on the US dollar, with the DXY dollar index trading around levels of 99.94 at the time of writing, down from a multi-session peak of 100.26 hit on Friday. The data calendar is rather thin this week, with US weekly jobless claims (on Thursday) and February University of Michigan Consumer Sentiment (on Friday) taking the centre stage. Last but not least, investors' focus will be on Mario Draghi's speech in Dutch parliament on Wednesday.

GREECE: The IMF's Executive Board is expected to convene today to discuss the Fund's sustainability analysis on Greece's public debt (DSA) as well as an economic review on the country. Following this meeting, the IMF's position regarding its role in Greece's 3rd bailout programme may become clearer setting the stage for the further negotiations between Greece and the institutions. According to press reports, the DSA concludes that Greece's public debt is "extremely unsustainable" and thus the Fund cannot participate in its 3rd bailout programme unless two conditions are met, namely stricter fiscal measures and reforms on behalf of Greece and more generous debt relief on behalf of its official lenders.

SOUTH EASTERN EUROPE

BULGARIA: Negative sentiment spread over the equity market last week as the published financial data for Q4 2016 was mixed. Meanwhile, sovereign bond markets remained quiet with yields shifting by around 3-6 bps on average.

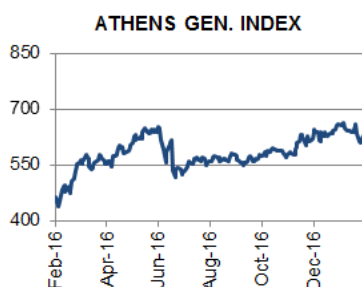
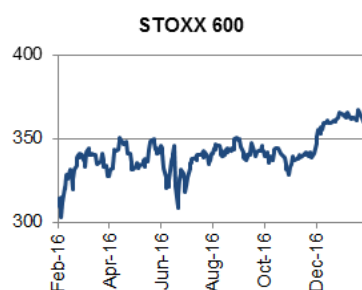
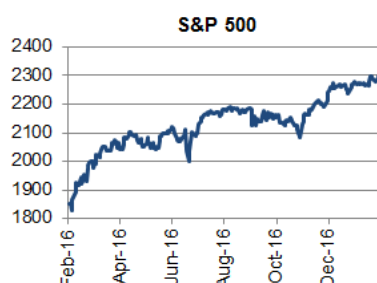
SERBIA: Stronger than usual demand from oil importers still represents the main driver of Serbian FX spot market over the last few days. The EUR/RSD reached an all-time high at 124.05/25 at some point last week, triggering renewed Central Bank (NBS) intervention in the FX markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US nonfarm payrolls increased by a stronger-than-expected 227k in January, with private payrolls expanding 237k and public sector payrolls declining 10k on the month. Employment in the manufacturing sector increased for a second month in a row, pointing to a stabilization in the sector after being in a downward trend for the most part of 2016. Elsewhere in the report, the unemployment rate rose to 4.8% due to an increase in the participation rate to 62.9pp from 62.7 in the prior month. On the inflation front, average hourly earnings were rather disappointing, increasing slightly by 0.1%MoM and bringing the annual growth rate to 2.5%YoY from 2.8%YoY. Taking the positive lead from Wall Street on Friday's session amid strong employment growth and positive earnings' report, most Asian shares closed in the black on Monday. In the rates markets, the 10yr Treasury yield rose to 2.50% shortly after the disappointing average hourly earnings growth, but pared most gains to hover around 2.45% in early European trade on comments by Fed's John Williams which noted that a March Fed rate hike is still in the cards without knowing the effect of US fiscal policies as inflation is on an upward trend and labor market conditions are improving. Adding to this, Fed's Charles Evans argued that under the current conditions it is possible to see three rate hikes in 2017. In FX markets, the softer-than-expected rise in US earning and uncertainty over the potential impact of Trump's financial deregulation weighed on the US dollar, with the DXY dollar index trading around levels of 99.94 at the time of writing, down from a multi-session peak of 100.26 hit on Friday. Against this background, the EUR/USD was hovering around 1.0747/48 in European trade, within distance from a multi-week peak of 1.0829 marked last week. The data calendar is rather thin this week, with US weekly jobless claims (on Thursday) and February University of Michigan Consumer Sentiment (on Friday) taking the centre stage. Last but not least, investors' focus will be on Mario Draghi's speech in Dutch parliament on Wednesday.

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February 6, 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

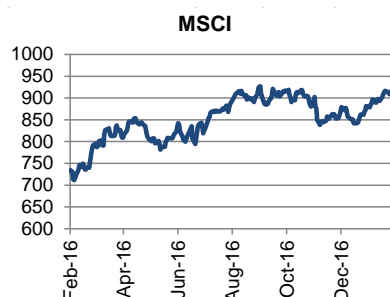
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Negative sentiment spread over the equity market last week as the published financial data for Q4 2016 was mixed. The benchmark index SOFIX lost 1% on a weekly basis to close at 603 points on Friday, breaking a 6-week winning streak. Volumes decreased with fewer block deals. Meanwhile, sovereign bond markets remained quiet with yields shifting by around 3-6 bps on average. The BGN-denominated curve moved slightly downwards, contrasted by the upward swing in Eurobonds. The next treasury auction is set on February 20th for BGN 60mn to be placed in 4-year papers. It's very likely to witness wider range in orders in light of the poor supply on the primary market projected in 2017.

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SERBIA

Stronger than usual demand from oil importers still represents the main driver of Serbian FX spot market over the last few days. The EUR/RSD reached an all-time high at 124.05/25 at some point last week, triggering renewed Central Bank (NBS) intervention in the FX markets. In more detail, NBS sold €90mn last week to support the dinar. Looking into next week, we see a continuation of the aforementioned trend with constant NBS presence. Dinar depreciation pressures may wane in the mid-to-end of February when we target to see the EUR/RSD cross floating in a narrow range for longer. Meanwhile, agriculture exports benefits should start to kick-in, while heavy demand for hard currency disappears. In that case, NBS would start increasing reserves and prevent dinar from over-appreciating.

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February 6, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	1	-1
1-week	3.11	0	-6
1-month	3.35	2	0
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	2.08	-3	-24
USD Nov-24	6.48	0	6

CDS

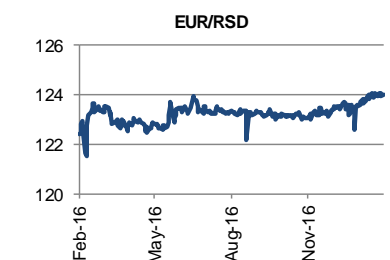
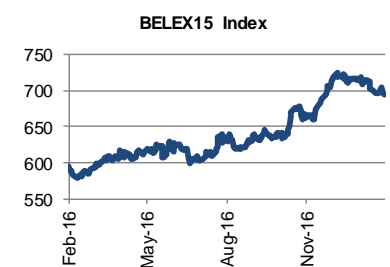
	Last	ΔDbps	ΔYTD bps
5-year	205	1	-2
10-year	248	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	694.5	-0.37%	-3.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	124.03	0.16%	-0.46%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.46	0	-10
1-month	0.63	0	-13
3-month	0.84	1	-6
6-month	1.06	1	-5
12-month	1.22	-1	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.74	-1	12
5Y RON	2.70	-2	18
10Y RON	3.57	-5	-8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.18	0	5
USD Jan-24	3.78	3	-7

CDS

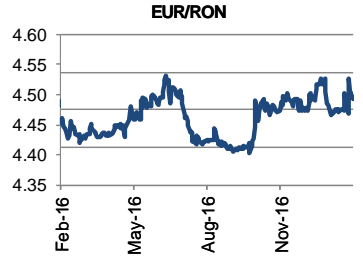
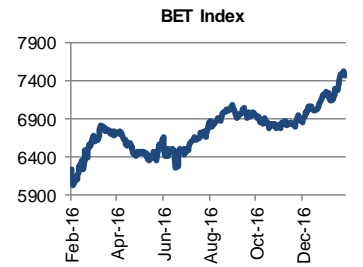
	Last	ΔDbps	ΔYTD bps
5-year	91	-2	-18
10-year	135	-1	-18

STOCKS

	Last	ΔD	ΔYTD
BET	7530.3	0.50%	6.28%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.514	0.21%	0.55%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.12	2	-3
5Y BGN	0.42	-1	-8
10Y BGN	1.70	0	-21

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.24	-14	9
EUR Sep-24	1.66	11	-2

CDS

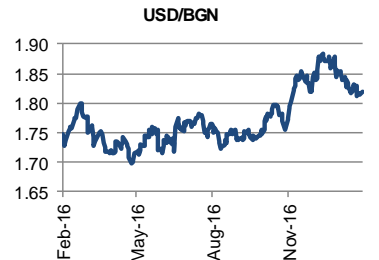
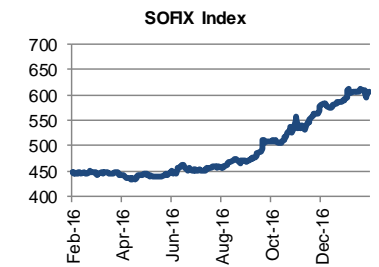
	Last	ΔDbps	ΔYTD bps
5-year	120	-2	-32
10-year	165	-2	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	605.7	0.34%	3.28%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.82	-0.32%	2.11%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:45 EET

February 6, 2017

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