

Thursday, December 21, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Dec 18: NAHB Index (Dec)
- Dec 19
  - Housing starts (Nov)
  - Housing permits (Nov)
- Dec 20: Existing home sales (Nov)
- Dec 21
  - GDP (Q3, 3<sup>rd</sup> estimate)
  - Jobless claims (weekly)
  - Philadelphia Fed Index (Dec)
- Dec 22
  - Durable goods orders (Nov)
  - Personal income / spending (Nov)
  - Core PCE deflator (Nov)
  - UoM consumer confidence (Dec, f)
  - New home sales (Nov)

##### EUROZONE

- Dec 18: HICP – Headline / Core (final, Nov)
- Dec 19: DE: Ifo (Dec)

##### GREECE

- Dec 21: Current account balance (Oct)

##### SEE

##### BULGARIA

- Dec 19: Current account balance (Oct)
- Dec 22: Gross external debt (Oct)

##### ROMANIA

- Dec 18: 3.25% 2024 T-bonds auction
- Dec 21: 4.75% 2019 T-bonds auction

##### SERBIA

- Dec 20: Current account balance (Oct)
- Dec 21: 2020 EUR-denominated T-bonds auction

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** As expected, late yesterday the US House of Representatives formally passed the compromise tax bill which envisions \$1.5trn in total tax cuts over the 2018-2017 budgetary time frame. President Donald Trump reportedly plans to sign it into law on January 3. Amid expectations that the US tax overhaul will lead to an increase in the US deficit, US Treasury yields continued to move higher across the curve. Turning to FX markets, the US failed to capitalize on the final approval of the tax bill amid market concerns over whether the tax reform will have a significant positive impact on the US economy. Elsewhere, the JPY weakened soon after the conclusion of the BoJ monetary policy meeting. Focus today is on regional election in Catalonia which, according to a number of recent opinion polls, could likely lead to a hung parliament. Polling stations opened at gam local time while final results are expected to be out by midnight.

### SOUTH EASTERN EUROPE

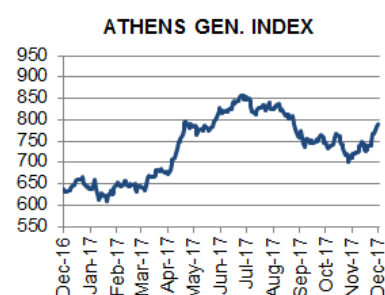
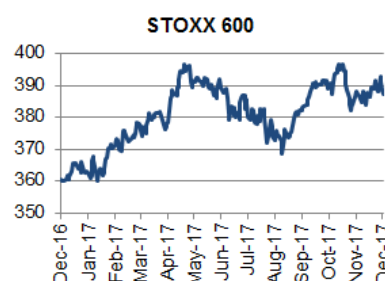
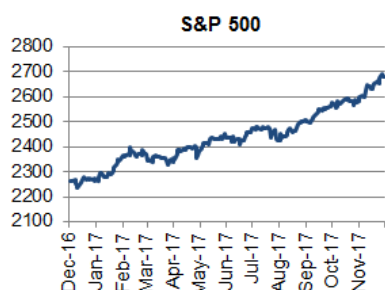
**CESEE MARKETS:** Emerging market assets traded mixed in early European trade on Thursday ahead of the Christmas holidays.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

As expected, late yesterday the US House of Representatives formally passed the compromise tax bill which envisions \$1.5trn in total tax cuts over the 2018-2027 budgetary time frame. President Donald Trump reportedly plans to sign it into law on January 3. Amid expectations that the US tax overhaul will lead to an increase in the US deficit, US Treasury yields continued to move higher across the curve. The 10-yr bond yield moved above 2.50% for the first time since mid-March while the 2-yr yield marked a fresh multi-year peak of 1.873% overnight before retreating modestly to levels around 1.861% at the time of writing, having increased by c. 66bps cumulatively so far this year. The 2/10-yr yield curve undertook some steepening with the respective spread hovering around 64bps in European trade, the highest in around five weeks. Euro area core government bond yields followed suit with the 10-yr Bund yield rising close to 0.43%, the highest in around two months. Turning to FX markets, the US failed to capitalize on the final approval of the tax bill amid market concerns over whether the tax reform will have a significant positive impact on the US economy. The DXY index was standing close to 93.360 in European trade, little changed on the day and 0.2% lower from recent highs (Dec. 13). The EUR/USD stood at around 1.1875/80, nearly unchanged compared to Wednesday's settlement while the JPY weakened with the USD/JPY hitting a multi-session peak of 113.63 earlier today soon after the conclusion of the BoJ monetary policy meeting. In line with market expectations, the BoJ decided to leave unchanged its short-term rate at -0.1% and the target for 10-yr JGBs yield at around 0% while comments by Governor Haruhiko Kuroda supported expectations that the Central Bank is in no hurry to move away from its ultra-loose monetary policy amid persistently subdued inflationary pressures. Focus today is on regional election in Catalonia which, according to a number of recent opinion polls, could likely lead to a hung parliament. Polling stations opened at gam local time while final results are expected to be out by midnight. Data-wise, today's major releases include the 3rd estimate (final) for US Q3 GDP and the November US Philadelphia Fed manufacturing survey.

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## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets traded mixed in early European trade on Thursday ahead of the Christmas holidays. The MSCI Emerging Markets index traded in the red at the time of writing, snapping a 3-session rising streak which pushed the index to near 3-week highs on Wednesday. In a similar vein, main indices in CESEE broadly fell on the day, with Turkey's main BIST 100 bucking the negative trend to post gains to the tune of 0.9%. Elsewhere, government bonds were mixed. In FX markets, the Polish zloty was modestly firmer compared to Wednesday's close and remained just off a 1-week high of 4.1951/€ hit earlier in the week, largely shrugging off news that the European Commission took action to defend the country's judicial independence. In a statement released at its website yesterday, the Commission said that it is "proposing to the Council to adopt a decision under Article 7(1) of the Treaty on European Union", in a move which may revoke Poland's voting rights in the European Council. That said, such a decision needs to be unanimously endorsed by other EU states and Hungary has warned it would veto the proposed action against Poland. Looking into the remainder of the day, Hungary's Central Bank publishes its updated Inflation Report, while Serbia and Romania hold government bond auctions. In Poland, the National Bank releases the minutes of the last monetary policy committee meeting, while budget data for November is also expected to be released later on the day.

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December 21, 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	2679.25	-0.1%	19.7%	EUR/USD	1.1876	0.0%	12.9%	UST - 10yr	2.50	0	5	GOLD	1265	0.0%	9.8%
Nikkei 225	22866.10	-0.1%	19.6%	GBP/USD	1.3365	-0.1%	8.2%	Bund-10yr	0.42	2	21	BRENT CRUDE	65	0.0%	13.7%
STOXX 600	387.08	-0.3%	7.1%	USD/JPY	113.52	-0.1%	3.1%	JGB - 10yr	0.06	0	2	LMEX	3294	1.1%	23.8%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	-48
1-week	2.62	0	-55
1-month	2.84	2	-51
3-month	3.09	2	-38
6-month	3.24	-1	-42

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.08	-2	-95
5Y RSD	4.48	0	-88
7Y RSD	4.87	0	-76

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	2.99	0	-122
USD Nov-24	6.05	-31	-22

**CDS**

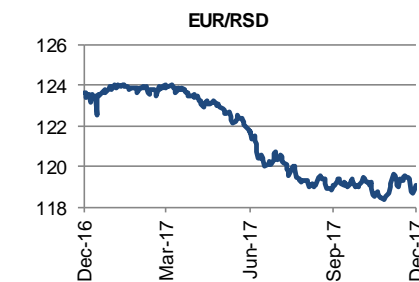
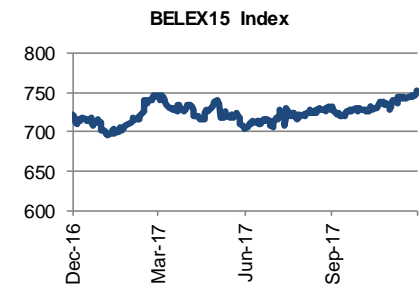
	Last	ΔDbps	ΔYTD bps
5-year	114	-3	-93
10-year	156	-3	-99

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	749.6	-0.34%	4.49%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	119.03	-0.26%	3.72%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1	0	44
1-month	1.95	0	119
3-month	2.11	0	121
6-month	2.31	0	120
12-month	2.36	0	111

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	190
5Y RON	3.84	0	142
10Y RON	4.37	0	90

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.59	#N/A	N/A
USD Jan-24	3.04	0	-85

**CDS**

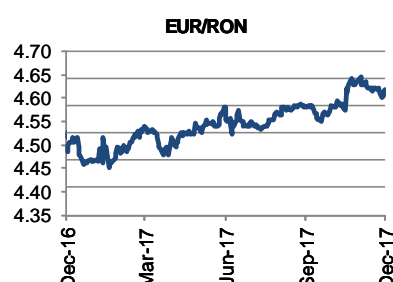
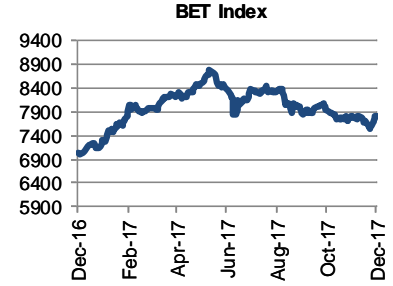
	Last	ΔDbps	ΔYTD bps
5-year	88	-6	-21
10-year	145	-3	-8

**STOCKS**

	Last	ΔD	ΔYTD
BET	7809.8	0.12%	10.23%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6306	-0.11%	-1.98%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.22	0	-5
3-month	-0.16	0	-9
6-month	-0.05	0	-13
12-month	0.30	0	-11

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.35	-3	-50
5Y BGN	-0.07	1	-57
10Y BGN	0.85	0	-106

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.07	-1	-94
EUR Sep-24	0.58	-1	-110

**CDS**

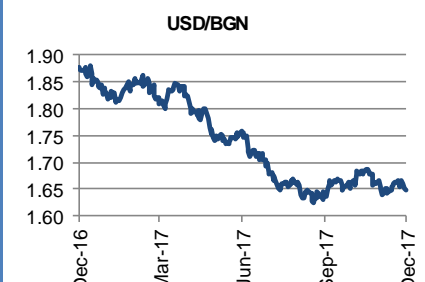
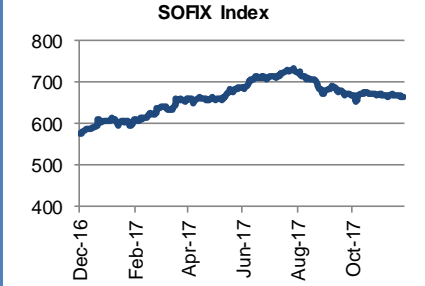
	Last	ΔDbps	ΔYTD bps
5-year	94	-2	-58
10-year	139	-2	-55

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	663.2	-0.09%	13.09%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.647	0.03%	12.84%



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

Data updated as of 10:50 EST

December 21, 2017

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