



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 16, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

CHINA

- Jan 18
 - Q4 GDP
 - Industrial production (Dec)

US

- Jan 16
 - Empire State index (Dec)
- Jan 17
 - Industrial production (Dec)
 - NAHB index (Dec)
- Jan 18
 - Jobless claims (weekly)
 - Philly Fed index (Jan)
 - Housing starts & permits (Dec)

EUROZONE

- Jan 17: HICP final (Dec)

GREECE

- Jan 19
 - Turnover Index in Industry (Nov)
 - Sovereign credit review by S&P

SEE

BULGARIA

- Jan 15: U/E rate (Dec)
- Jan 19: Current account balance (Nov)

ROMANIA

- Jan 15
 - 4% 2021 T-bonds auction
 - MPC meeting minutes
 - Current account balance (Nov)

SERBIA

- Jan 19: Current account balance (Nov)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: The USD showed signs of stabilization in European trade on Tuesday while US Treasuries and euro area bonds were little changed with the extra-long end outperforming other maturities. Looking at today's data calendar, the UK CPI report is expected to be the main focus.

GREECE: The multi-bill addressing a number of prior actions in the context of the 3rd programme review was voted yesterday by the Hellenic Parliament gaining the support of 154 MPs (out of 300). The Euroworking Group (EWG) is now expected to convene on Monday 22nd January, to assess the progress made so that the Eurogroup that is scheduled to convene right after may endorse the successful completion of the 3rd review and approve the disbursement of the next loan tranche which, according to press, will be in the area of EUR6.7bn. The Hellenic Statistical Authority (ELSTAT) survey on museums and archaeological in September 2017 shows an increase in the number of museum and archaeological sites visitors (+13.0% and +12.1% MoM respectively) and receipts (+15.8% and +9.5% MoM respectively).

SOUTH EASTERN EUROPE

ROMANIA: Prime Minister Mihai Tudose became the second Premier forced to resign in a few months' time after the Social Democrat Party (PSD) withdrew its support.

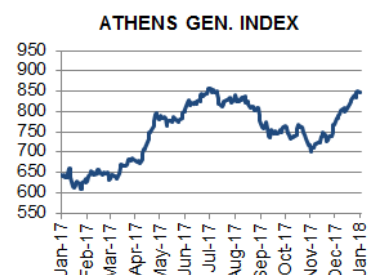
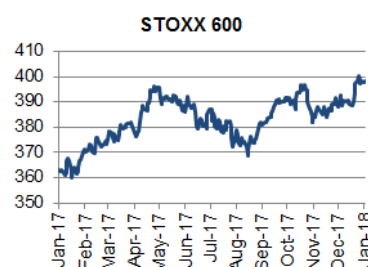
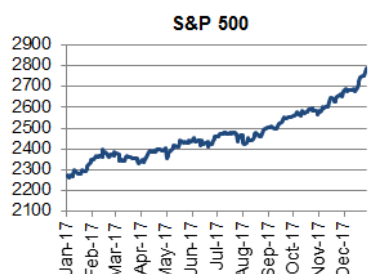
CESEE MARKETS: Trailing gains in major global stock markets, the majority of emerging market indices moved higher earlier on Tuesday. In FX markets, regional currencies lost ground as the USD recovered some composure after a steep drop over the prior four sessions.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD showed signs of stabilization in European trade on Tuesday with the DXY index hovering around 90.499 at the time of writing, not much changed on a daily basis after falling by more than 2% in the last four sessions. The EUR/USD was standing close to 1.2250/55, within sight of a fresh three-year high of 1.2296 marked at some point on Monday assisted by rising ECB tapering expectations. Following the publication of the Account of the December ECB monetary policy meeting last week which suggested that the Governing Council could review its communication stance “early in 2018” to reflect the euro area’s improving growth prospects, a daily German newspaper quoted yesterday Ardo Hansson, a hawkish member of the ECB Governing Council, as saying that the ECB could end the QE programme “in one step” after September if the economy and inflation evolve more or less in line with expectations. Meanwhile, the GBP/USD was standing not far from yesterday’s fresh post-referendum highs of 1.3819 mostly favored by the USD’s recent weakness rather than any sterling-specific positive factor. Though EU/UK Brexit discussions have in general turned more positive for Britain after the EU Council came to the conclusion in mid-December that sufficient progress had been achieved on the withdrawal agreement and negotiations could move on to the next phase, it is probably too early for the markets to price out the Brexit risk premium. The EU27 are still awaiting the UK government to make its own proposal regarding the form of the future EU/UK relationship as the UK Cabinet has reportedly yet to reach a common position. Elsewhere, US Treasuries and euro area bonds were little changed with the extra-long end outperforming other maturities. Looking at today’s data calendar, the UK CPI report is expected to be the main focus. Consensus is for a 0.1pp decline in both headline and core inflation to 3.0%YoY and 2.6%YoY respectively.

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GREECE

The multi-bill addressing a number of prior actions in the context of the 3rd programme review was voted yesterday by the Hellenic Parliament gaining the support of 154 MPs (out of 300). The Euroworking Group (EWG) is now expected to convene on Monday 22nd January, to assess the progress made so that the Eurogroup that is scheduled to convene right after may endorse the successful completion of the 3rd review and approve the disbursement of the next loan tranche which, according to press, will be in the area of EUR6.7bn. Focus in the coming period is expected to shift towards the post-programme period. According to government officials, the Greek government intends to tap the markets probably three times until the conclusion of the 3rd Economic Adjustment Programme in August 2018, with the first one likely taking place after the completion of the 3rd programme review, towards the end of January. It is reminded that Greece’s debt servicing needs in 2018 and 2019 amount to c. EUR28bn. In other news, in support of international tourism arrivals and receipts data that show a strong tourism performance in 2017, the Hellenic Statistical Authority (ELSTAT) survey on museums and archaeological in September 2017 shows an increase in the number of museum and archaeological sites visitors (+13.0% and +12.1% MoM respectively) and receipts (+15.8% and +9.5% MoM respectively).

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January 16, 2018

BULGARIA: Indicators

	2016	2017e	2018f
Real GDP growth %	3.4	3.8	3.5
CPI (pa, yoy %)	-0.8	1.6	1.5
Budget Balance/GDP*	1.6	0.0	-1.0
Current Account/GDP	5.4	4.0	3.0
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities**CYPRUS: Indicators**

	2016	2017e	2018f
Real GDP growth %	2.8	3.5	3.1
HICP (pa, yoy %)	-1.2	1.0	1.5
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.9	-6.3

* ESA 2010

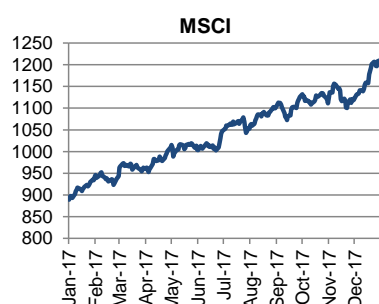
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities**ROMANIA: Indicator:**

	2016	2017e	2018f
Real GDP growth %	4.8	5.5	4.0
CPI (pa, yoy %)	-1.6	1.4	3.1
Budget Balance/GDP *	-2.4	-3.7	-3.8
Current Account/GDP	-2.2	-3.0	-2.8
EUR/RON (eop)	4.54	4.67	4.62
	2017	current	2018
Policy Rate (eop)	1.75	2.00	2.50

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities**SERBIA: Indicators**

	2016	2017e	2018f
Real GDP growth %	2.8	2.0	3.0
CPI (pa, yoy %)	1.1	3.0	3.0
Budget Balance/GDP	-1.2	0.5	-0.6
Current Account/GDP	-4.0	-4.0	-3.9
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.50	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities**Credit Ratings**

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB
CYPRUS	B1	BB-

Latest economic & market developments in the CESEE region

ROMANIA

Prime Minister Mihai Tudose became the second Premier forced to resign in a few months' time after the Social Democrat Party (PSD) withdrew its support. The ruling party's National Executive Committee (CEXN) voted against him with an overwhelming majority (60 against-4 in favor-3 abstained). The vote came in the aftermath of the erupted conflict between PM Tudose and the Minister of Interior- a close ally of the PSD party leader Liviu Dragnea- when he asked her to resign and she refused. This is the second time since the last parliamentary elections in December 2016 that the ruling party is toppling its own government cabinet. In both cases, the toppling of the two previous PMs (Sorin Grindeanu and Mihai Tudose) came as a result of their personal conflicts with the PSD party leader. The latter has been refused an appointment in the PM post by President Iohannis because of his conviction over electoral fraud in a 2012 referendum to impeach the President. Deputy Prime Minister Paul Stanesco will most likely be nominated to serve in the PM post for an interim period of up to 45 days. According to the constitutional provisions President Iohannis can either endorse Stanesco thereafter or propose a new nominee of his own choice. In the second case, the PSD leader had threatened with a vote of no-confidence against him and thus new elections would have to be called. Yet, given the low popularity of the opposition parties and the threat of a probable impeachment vote against him, President Iohannis is not very likely to push for an escalation of the political crisis. The ruling coalition which consists of PSD and its minor partner ALDE enjoys a safe parliamentary majority. Following last year's December general elections, the PSD-ALDE coalition controls 174 out of 329 seats in the Chamber of Deputies and 76 out of 136 seats in the Senate. Although a safe parliamentary majority argues in favor of government stability, it does not necessarily mean the end of political noise.

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CESEE MARKETS

Trailing gains in major global stock markets, the majority of emerging market indices moved higher earlier on Tuesday. The MSCI Emerging Markets index extended a 2-session rising streak, having amassed gains to the tune of 1.7% since Thursday's close. Bourses in the CESEE space also moved higher. Hungary's BUX led the gains with a 0.6% daily rise, while Turkey's BIST 100 and Serbia's BELEX15 followed suit with a ca 0.5% rise each. In FX markets, regional currencies lost ground earlier on Tuesday as the USD recovered some composure after a steep drop over the prior four sessions. The Romanian leu posed amongst the region's underperformers, dropping as far as a 3-week low near 4.6655/€ in morning European trade, following news about the resignation of Prime Minister Mihai Tudose. In the local debt markets, Romania's finance ministry sold at an auction on Monday a planned amount of RON 700mn (~€150.3mn) worth of bonds maturing in October 2021 and bearing a 4% coupon. The paper was sold at a price of 101.281 and an average accepted yield of 3.63%, while the tender's bid to cover ratio came in at 1.33. Also yesterday, the finance ministry rejected all bids of a planned RON 800mn 1-year T-bills tender.

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January 16, 2018

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	2786.24	0.7%	4.2%	EUR/USD	1.2237	-0.2%	1.9%	UST - 10yr	2.53	-2	12	GOLD	1338	-0.2%	2.7%
Nikkei 225	23951.81	1.0%	5.2%	GBP/USD	1.3783	-0.1%	1.9%	Bund-10yr	0.57	-2	14	BRENT CRUDE	70	-0.6%	4.4%
STOXX 600	398.33	0.1%	2.4%	USD/JPY	110.63	-0.1%	1.9%	JGB - 10yr	0.08	1	4	LMEX	3419	1.1%	0.0%

CESEE MARKETS

SERBIA

Money Market

BELBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	1	-2
1-week	2.61	1	0
1-month	2.82	1	-3
3-month	3.10	1	-2
6-month	3.22	1	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.26	#N/A N/A	-1
5Y RSD	4.63	0	-24
7Y RSD	4.98	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.05	#N/A N/A	5
USD Nov-24	6.03	#N/A N/A	0

CDS

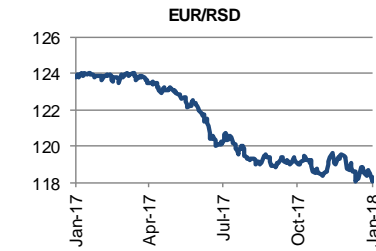
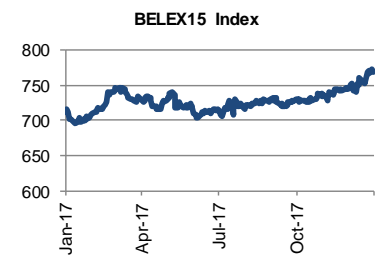
	Last	ΔDbps	ΔYTD bps
5-year	102	-8	-15
10-year	151	-4	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	773.6	0.72%	1.81%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.40	0.71%	0.43%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.12	0	3
1-month	1.56	0	-31
3-month	1.98	0	-7
6-month	2.22	0	-5
12-month	2.34	0	2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.33	0	-5
5Y RON	3.78	0	0
10Y RON	4.18	0	-13

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	#N/A N/A	-11
USD Jan-24	3.27	2	28

CDS

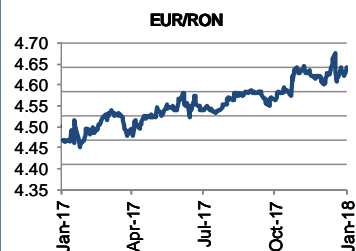
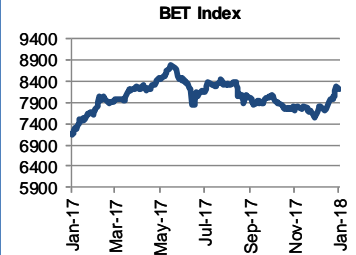
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	0	-5

STOCKS

	Last	ΔD	ΔYTD
BET	8211.6	-0.52%	5.90%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6485	-0.21%	0.35%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	-2	-3
3-month	-0.19	-1	-1
6-month	-0.05	0	0
12-month	0.32	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.06	-1	0
5Y BGN	0.07	0	-8
10Y BGN	0.97	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.01	0	7
EUR Sep-24	0.60	0	2

CDS

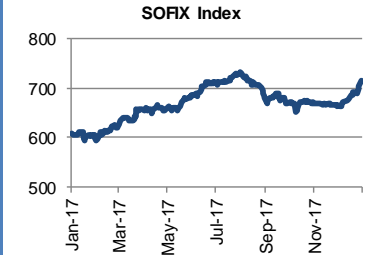
	Last	ΔDbps	ΔYTD bps
5-year	60	0	-37
10-year	104	0	-37

STOCKS

	Last	ΔD	ΔYTD
SOFIX	717.3	0.41%	5.87%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5984	-0.23%	1.94%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:00 EST

January 16, 2018

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