



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 09, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 8
 - Fed Williams speaks
 - Fed Bostic speaks
- Jan 11: Jobless claims (weekly)
- Jan 12
 - CPI (Dec)
 - Retail sales (Nov)

EUROZONE

- Jan 8
 - DE: Industrial orders (Dec)
 - ESI (Dec)
- Jan 9
 - DE: Industrial output (Nov)
 - U/E rate (Nov)
- Jan 11
 - DE: GDP (2017, flash)
 - Industrial output (Nov)
 - ECB monetary policy account (Dec. 14 meeting)

GREECE

- Jan 9: Industrial output (Nov)
- Jan 11: U/E rate (Oct)
- Jan 12: CPI/HICP (Dec)

SEE

BULGARIA

- Jan 8-13
 - Industrial output (Nov)
 - Retail sales (Nov)
 - Trade balance (Nov)

ROMANIA

- Jan 8
 - Retail sales (Nov)
 - 5.8% 2027 T-bonds auction
 - MPC meeting
- Jan 9
 - ILO U/E rate (Nov)
 - Trade balance (Nov)
- Jan 11
 - Industrial output (Nov)
 - 3.4% 2022 T-bonds auction
- Jan 12
 - Net wages (Nov)
 - Industrial sales (Nov)
 - CPI (Dec)
 - GDP (Q3, final)
 - Fitch rating review

SERBIA

- Jan 8: PPI (Dec)
- Jan 11: MPC meeting
- Jan 12: CPI (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Failing to capitalize on positive euro area data, the EUR/USD was, 0.3% weaker on the day probably due to some position squaring after several weeks of USD weakness. Elsewhere, the JPY was firmer on market perception that the BoJ is probably considering to start normalising its monetary policy. Elsewhere, euro area government bond yields moved higher in early trade on Tuesday on supply jitters. The Netherlands is scheduled to sell today up to €2.5bn of bonds maturing in January 2024, Austria will auction €1.38bn of bonds maturing in February 2047 and Germany will sell €500mn of inflation-linked bonds maturing in April 2046. Today's main data releases include euro area unemployment data for November and December housing starts from Canada. Elsewhere, Boston Fed President Eric Rosengren will speak at the Brookling Institution and Minneapolis Fed President Neel Kashkari on a panel in Minnesota.

GREECE: The multi-bill that is expected to be submitted to Parliament today will reportedly incorporate legislation for 60 out of the 110 prior actions for the 3rd programme review. According to press, 20 prior actions have already been completed while the remaining 30 will be addressed in the coming days by means of ministerial decisions.

SOUTH EASTERN EUROPE

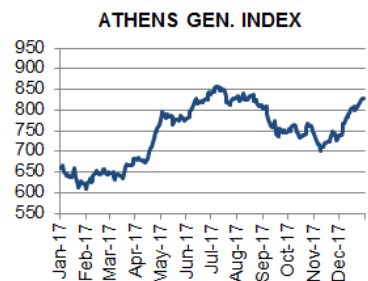
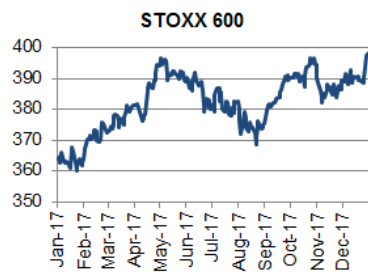
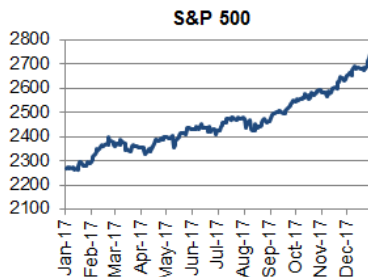
CESEE MARKETS: The majority of emerging market assets weakened earlier on Tuesday, with the MSCI Emerging Markets index snapping a 5-session rising streak to recoil from yesterday's 6 1/2 year highs.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Sentiment surveys released on Monday added to market optimism for continued economic expansion in the euro area. Economic sentiment rose to a higher than expected of 116.0 in December and the business climate index reached its highest level since 1985 at 1.66. In addition to the above, halting a two-month falling streak, German industrial production rose by a hefty 3.4% mom in November with all major sectors increasing their output. In FX markets, the EUR failed to capitalize on positive euro area data falling to a multi-session low of 1.1933 against the USD earlier today, 0.3% weaker on the day and 1.1% lower from last week's four-month peak probably due to some position squaring after several weeks of USD weakness. Elsewhere, the JPY was firmer with the USD/JPY marking a multi-session low of 112.49 earlier today, 0.5% weaker on a daily basis amid market perception that the BoJ is probably considering to start normalising its monetary policy after it announced that it is cutting long-term JGB purchases of 10 to 25 years left to maturity and those of 25 to 40 years to maturity by JPY 10bn each. However, with Japan's CPI at just 0.9%YoY according to the latest data release, well below the BoJ's 2% target, today's BoJ announcement could probably be regarded as a technical move rather than a shift to a less dovish stance taking into account that the Central Bank has made similar tweaks to its JPY purchases since it adopted the yield curve control policy in September 2016. Elsewhere, euro area government bond yields moved higher in early trade on Tuesday on supply jitters. The Netherlands is scheduled to sell today up to €2.5bn of bonds maturing in January 2024, Austria will auction €1.38bn of bonds maturing in February 2027 and Germany will sell €500mn of inflation-linked bonds maturing in April 2026. Long-dated UST yields also moved higher with the 10-yr yield rising to 2.506%, the highest since March on the view that conditions for higher US inflation are building. Today's main data releases include euro area unemployment data for November and December housing starts from Canada. Elsewhere, Boston Fed President Eric Rosengren will speak at the Brookings Institution and Minneapolis Fed President Neel Kashkari on a panel in Minnesota.

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GREECE

The multi-bill that is expected to be submitted to Parliament today will reportedly incorporate legislation for 60 out of the 110 prior actions for the 3rd programme review. According to press, 20 prior actions have already been completed while the remaining 30 will be addressed in the coming days by means of ministerial decisions. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT) the deficit of the trade balance for the 11-month period from January to November 2017, amounted to EUR19,821.0 million against EUR17,107.6 million for the corresponding period in 2016 (+15.9%). The corresponding change excluding oil products recorded an increase of 14.2% while the corresponding change excluding oil products and ships recorded an increase of 8.0%.

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January 9, 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

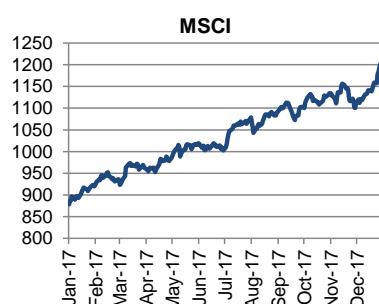
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

CESEE MARKETS

The majority of emerging market assets weakened earlier on Tuesday, with the MSCI Emerging Markets index snapping a 5-session rising streak to recoil from yesterday's 6 ½ year highs. In FX markets, regional currencies broadly weakened as the US dollar gained ground. The Turkish lira led the losses, with the USD/TRY rising by 0.7% to trade around 3.7700 earlier on Tuesday compared to yesterday's close. Mounting tensions with the US exacerbated depreciation pressures on the lira. During a speech to the ruling AKP earlier today, Turkish President Tayyip Erdogan called a US trial of a Turkish banker a "political coup attempt".

Elsewhere, the Romanian leu fell, with the EUR/RON trading at a 1 ½-week high of 4.6580 in European markets having pulled back from a 2-session low of 4.6170 hit yesterday in the aftermath of a surprise Central Bank (NBR) interest rate hike. At its monetary policy committee meeting yesterday, NBR increased for the first time in a decade the monetary policy rate by 25bps to 2.00%. Moreover, the NBR maintained the interest rate corridor unchanged at 1% around the new KPR level, by raising the deposit facility rate to 1.00% from 0.75% and the lending facility rate to 3.00% from 2.75%. At the same time the MPC maintained unchanged the existing levels of minimum reserve requirement ratios on both leu- and foreign currency-denominated liabilities of credit institutions. The Central Bank's move confounded a market consensus for stable interest rates providing temporary support to the leu and pushing government bond yields higher. In the press-conference that followed the conclusion of the meeting, NBR Governor Isarescu grounded the MPC's latest decision as a pro-active response against the increased inflation expectations in the beginning of the new year. In our past monthly publications, we have underlined that the timing of the first hike was approaching as inflationary pressures were building up despite last summer's temporary slowdown. Inflation reached a 4-year high of 3.2% YoY in November from 2.6% YoY in October approaching the upper lower band bound of NBR's target interval (2.5%+1%). Finally, the NBR Governor reiterated his past comments favoring more FX flexibility in the near future.

The calendar for the remainder of the week is rather heavy. Central Bank meetings in Poland tomorrow and in Serbia on Thursday take centre stage. Both MPCs are anticipated to keep the key policy rates at the current record low levels of 1.50% and 3.50%, respectively. On Friday, inflation data for December are due in Romania, Serbia, Ukraine and Hungary, while the final Q3 GDP data is also to be announced in the former. Among other, government bond auctions in Romania and Turkey also lure market attention. Finally, Romania's sovereign credit rating is due for a review by Fitch on Friday.

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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	2740.40	-0.1%	2.5%	EUR/USD	1.1961	-0.6%	-0.4%	UST - 10yr	2.47	0	7	GOLD	1319	-0.1%	1.2%
Nikkei 225	23714.53	0.9%	4.2%	GBP/USD	1.3552	-0.1%	0.2%	Bund-10yr	0.42	-2	-1	BRENT CRUDE	68	0.2%	1.3%
STOXX 600	398.42	0.3%	2.4%	USD/JPY	113.02	0.0%	-0.3%	JGB - 10yr	0.06	0	2	LMEX	3368	-1.1%	-1.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	0
1-week	2.62	1	1
1-month	2.83	1	-2
3-month	3.09	0	-3
6-month	3.22	0	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.27	0	0
5Y RSD	4.87	0	0
7Y RSD	5.15	0	-3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.01	1	2
USD Nov-24	6.04	-31	0

CDS

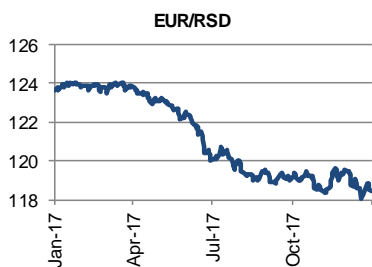
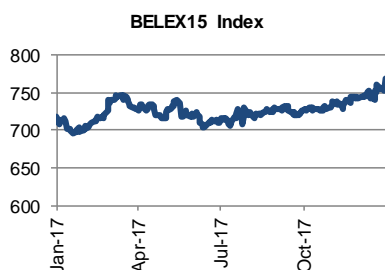
	Last	ΔDbps	ΔYTD bps
5-year	123	-6	5
10-year	168	-7	6

STOCKS

	Last	ΔD	ΔYTD
BELEX15	767.7	1.95%	1.04%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.45	0.25%	0.39%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.95	-7	-14
1-month	1.61	-2	-26
3-month	2	-1	-5
6-month	2.23	-3	-4
12-month	2.32	1	0

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.30	0	-9
5Y RON	3.70	0	-8
10Y RON	4.29	0	-3

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	#N/A	N/A
USD Jan-24	3.11	6	11

CDS

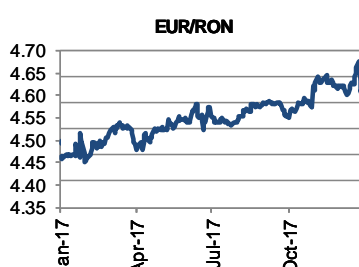
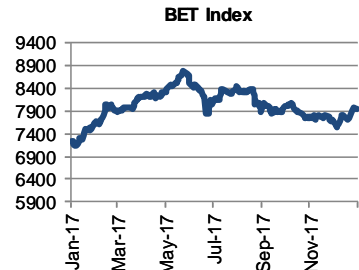
	Last	ΔDbps	ΔYTD bps
5-year	90	3	0
10-year	134	4	1

STOCKS

	Last	ΔD	ΔYTD
BET	7948.5	-0.47%	2.51%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6416	-0.09%	0.50%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	1	0
3-month	-0.18	0	0
6-month	-0.05	0	0
12-month	0.32	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.07	0	-1
5Y BGN	0.06	0	-8
10Y BGN	0.94	0	-3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-1
EUR Sep-24	0.57	0	-1

CDS

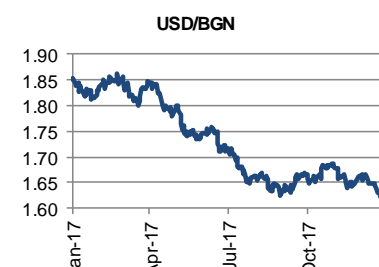
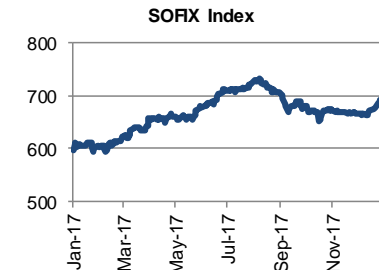
	Last	ΔDbps	ΔYTD bps
5-year	57	2	-39
10-year	100	3	-41

STOCKS

	Last	ΔD	ΔYTD
SOFIX	688.9	-0.49%	1.69%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6355	-0.59%	-0.37%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 17:20 EST of previous session

January 9, 2018

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