



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 10, 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: Taking a lead from higher US Treasury and JGB yields, core Eurozone government bond yields were under upward pressure in early trade on Wednesday on market perception that the BoJ is likely poised to begin normalizing their ultra-easy monetary policy. A wave of new debt supply from top-rated euro area countries, was also a driver behind higher core euro area sovereign bond yields. EMU periphery sovereign bonds outperformed on the view that, in spite of positive euro area growth prospects, inflation pressures are expected to remain contained mainly due to significant slack in the labor market suggesting that higher ECB rates are a distant prospect. In FX markets, the USD remained under some pressure in European trade, presumably due to some position squaring after several weeks of weakness. Today's calendar features US December import prices and the UK November IP report while speeches by Fed policymakers Charles Evans, Rober Kaplan and James Bullard are probably worth market attention.

GREECE: The multi-bill with a number of prior actions included in the conditionality of the 3rd programme review was tabled yesterday to Parliament and is expected to be voted by January 16th. The multi-bill foresees among others: 1) the conduct of auctions for debt towards banks and other private entities solely electronically as of 21 February 2018, 2) the non-setting up of the Public Participations Company, which was intended to be a subsidiary of the Hellenic Corporation of Assets and Participation (HCAP), and the transfer of its intended holdings directly to the HCAP, 3) the exclusion from the companies to be transferred to the HCAP of OSE, KTYP, ELVO and Attiko Metro, 4) the increase of the quorum to 50% for calling a strike by first degree unions and 5) the reform of the family benefits system.

SOUTH EASTERN EUROPE

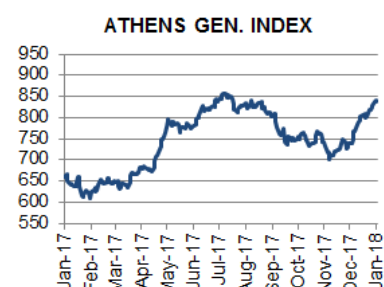
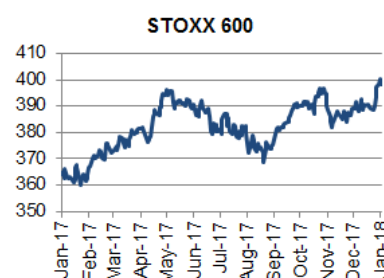
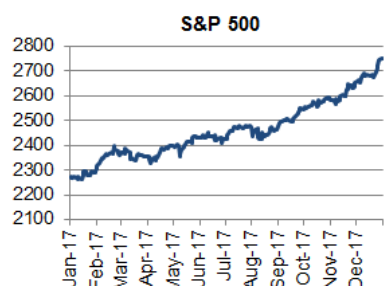
CESEE MARKETS: The majority of emerging market assets remained under pressure earlier on Wednesday as higher yields from major developed economies dented their high yield allure.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking a lead from higher US Treasury and JGB yields, core Eurozone government bond yields were under upward pressure in early trade on Wednesday on market perception that the BoJ is likely poised to begin normalizing their ultra-easy monetary policy after they announced a cut in the amount of long-dated JGB purchases in their regular buying operations. A wave of new debt supply from top-rated euro area countries, was also a driver behind higher core euro area sovereign bond yields. Germany, the Netherlands and Austria successfully sold more than €3.5bn in sovereign bonds on Tuesday while Portugal and Italy announced forthcoming syndicated sales of a new 10-yr and a 20-yr bond, respectively. The 10-yr Bund yield hit a session high of 0.486% earlier today, c. 3bps higher on the day and c. 6bps up compared to the closing in the last session of 2017. EMU periphery sovereign bonds outperformed on the view that, in spite of positive euro area growth prospects, inflation pressures are expected to remain contained mainly due to significant slack in the labor market suggesting that higher ECB rates are a distant prospect. The euro area unemployment rate dropped to 8.7% in November, the lowest since 2009, from 8.8% in the previous month and 9.8% a year earlier, approaching the ECB's NAIRU estimate of 8.4%. However, ECB staff estimate points to labor market underutilization of around 18% suggesting that wage growth is unlikely to rise significantly this year despite improving labor market conditions. In FX markets, falling to capitalize on higher US Treasury yields, the USD was under some pressure in European trade, presumably due to some position squaring after several weeks of weakness. After hitting a multi-session peak of 92.640 on Tuesday, the DXY index retreated hovering around 92.370 in European trade at the time of writing, 0.3% weaker on the day. Following the BoJ's tapering move, the USD's weakness was more pronounced against the JPY falling to 111.70 earlier today, the lowest since early December. Today's calendar features US December import prices and the UK November IP report while speeches by Fed policymakers Charles Evans, Rober Kaplan and James Bullard are probably worth market attention.

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GREECE

The multi-bill with a number of prior actions included in the conditionality of the 3rd programme review was tabled yesterday to Parliament and is expected to be voted by January 16th. The multi-bill foresees among others: 1) the conduct of auctions for debt towards banks and other private entities solely electronically as of 21 February 2018, 2) the non-setting up of the Pubic Participations Company, which was intended to be a subsidiary of the Hellenic Corporation of Assets and Participation (HCAP), and the transfer of its intended holdings directly to the HCAP, 3) the exclusion from the companies to be transferred to the HCAP of OSE, KTYP, ELVO and Attiko Metro, 4) the increase of the quorum to 50% for calling a strike by first degree unions and 5) the reform of the family benefits system. The multi-bill also addresses issues that pertain to investments in quarrying and mining, casino licensing, the electronic toll payment system on Egnatia motorway, mediation in out-of-court settlements, etc. In spite of a number of politically sensitive issues included in the multi-bill, no defects are expected on behalf of the governing coalition MPs.

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January 10, 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

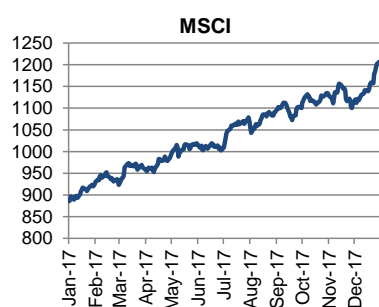
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 remained under pressure earlier on Wednesday as higher yields from major developed economies dented their high yield allure. Despite the ongoing rise in commodity prices the MSCI Emerging Markets index shed 0.4% in early European trade compared to Tuesday's settlement, remaining in the red for the second consecutive day after a 5-session rising streak and having pulled back from a 6 ½ year high hit earlier in the week. In the CESEE space, the Turkish main BIST 100 index led the losers' pack with a 1.1% daily decline in Europe today. On the flipside, main indices in Serbia and Bulgaria bucked the negative trend to stand in a modestly positive territory at the same time.

In FX markets, the majority of regional currencies posted modest gains earlier on Wednesday as the US dollar pulled back from yesterday's peak. Nonetheless, the Turkish lira extended its recent losses, with the USD/TRY rising to a new 1-week high at 3.7882 in early European trade, before slightly recoiling towards 3.7800 later in the session. The USD dollar's strength earlier this week and mounting tensions with the US have weighed on the Turkish currency over recent days. Elsewhere, the Romanian leu recovered some of its recent losses, with the EUR/RON trading at 4.6400 in European markets, below yesterday's 1 ½-week high of 4.6580. Yet, the pair stood above a 2-session low of 4.6170 hit on Monday in the aftermath of a surprise Central Bank (NBR) interest rate hike. Separately, local-currency government bond yields rose earlier on Wednesday, tracking those of major economies higher. The impact was most pronounced on paper of longer maturity.

The calendar for the remainder of the day includes Hungary's Central Bank meeting minutes and a Central Bank meeting in Poland. With regards to the latter, the MPC is anticipated to stay put on its monetary policy and maintain the key policy rate at the current record low level of 1.50%. In support of the aforementioned, price pressures remain relatively subdued with December's headline inflation at 2.0%YoY and core is anticipated to be released next week at 0.8%YoY, nearly unchanged from November's reading. Both prints remain below the midpoint of the 2.5% +/- 1% Central Bank target, while the recent appreciation of the zloty, which hit a 2 ½ year high at 4.1402/€ last week, also argues in favor of stable interest rates today.

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January 10, 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	2751.29	0.1%	2.9%	EUR/USD	1.1989	0.4%	-0.1%	UST - 10yr	2.59	4	18	GOLD	1321	0.6%	1.4%
Nikkei 225	23788.20	-0.3%	4.5%	GBP/USD	1.3541	0.0%	0.1%	Bund-10yr	0.55	9	13	BRENT CRUDE	69	0.4%	3.4%
STOXX 600	398.29	-0.5%	2.3%	USD/JPY	111.39	1.1%	1.2%	JGB - 10yr	0.09	2	4	LMEX	3344	-0.6%	-2.2%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	0	-2
1-week	2.61	1	0
1-month	2.82	1	-3
3-month	3.10	1	-2
6-month	3.21	0	-3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.27	0	0
5Y RSD	4.86	0	-2
7Y RSD	5.01	-5	-16

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.03	2	4
USD Nov-24	6.05	-30	2

CDS

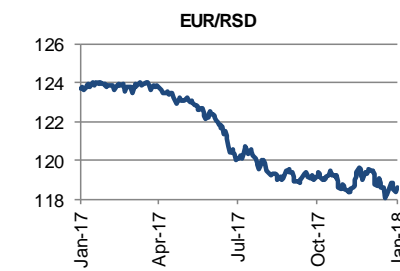
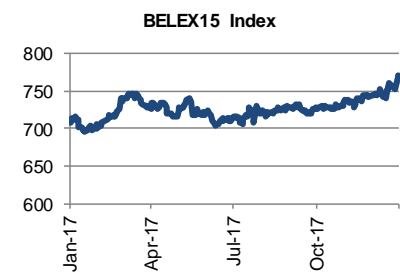
	Last	ΔDbps	ΔYTD bps
5-year	111	-1	-7
10-year	155	-1	-7

STOCKS

	Last	ΔD	ΔYTD
BELEX15	770.0	-0.08%	1.35%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.62	-0.04%	0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.14	-2	5
1-month	1.65	-5	-22
3-month	2.03	-1	-2
6-month	2.25	0	-2
12-month	2.34	-1	2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.36	0	-3
5Y RON	3.81	0	3
10Y RON	4.26	0	-5

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	#N/A	N/A
USD Jan-24	3.21	5	21

CDS

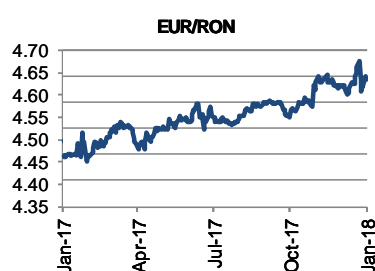
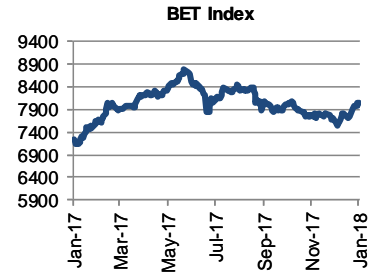
	Last	ΔDbps	ΔYTD bps
5-year	86	-1	-4
10-year	129	-1	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8029.9	-0.06%	3.56%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6458	0.01%	0.41%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	-2	-1
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	-0.06	0	0
5Y BGN	0.07	0	-7
10Y BGN	0.98	0	2

BG Eurobonds

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

CDS

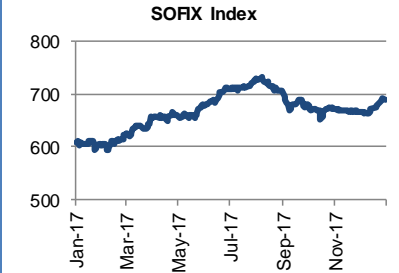
	Last	ΔDbps	ΔYTD bps
5-year	56	-1	-41
10-year	98	-1	-44

STOCKS

	Last	ΔD	ΔYTD
SOFIX	691.4	0.48%	2.06%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6314	0.44%	-0.12%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:50 EST

January 10, 2018

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