



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 11, 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:** US Treasuries were firmer in European trade on Thursday assisted by somewhat easing concerns about China's stance on US bonds and a successful 10-yr bond auction yesterday. In FX markets, the USD gained some ground while the CAD was among the main G10 outperformers amid increased concerns that US President will probably pull out of NAFTA. Looking at today's calendar, we will receive US initial jobless claims and US PPI data while the ECB will release its account of the December Governing Council meeting.

**GREECE:** The Euroworking Group that convenes today is expected to make an assessment of the progress made in the implementation of the conditionality of the 3<sup>rd</sup> programme review based on which the 22 January Eurogroup will potentially endorse the successful completion of the review and approve the disbursement of the next loan tranche. According to press reports, this tranche may amount to c. EUR 7.5 bn, out of which c. EUR2 billion will be used for arrears clearance and EUR2 bn for the cash buffer of around EUR 9 bn that Greece needs to build for the post-programme period.

### SOUTH EASTERN EUROPE

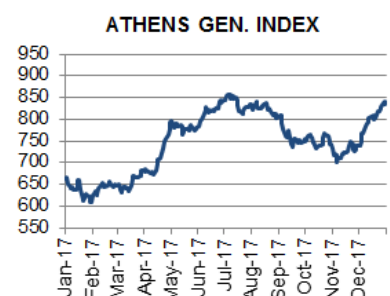
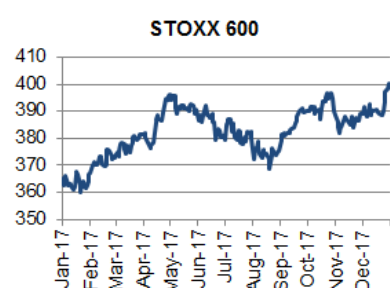
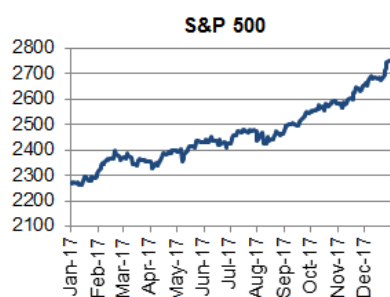
**CESEE MARKETS:** Emerging market assets broadly remained under pressure for the third consecutive session earlier on Thursday, trimming gains recorded in the first week of the year.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

US Treasuries were firmer in European trade on Thursday with the 10-yr yield falling close to 2.53% in European trade after hitting a ten-month high slightly below 2.60% in the prior session, in reaction to a news report about China which suggested that senior Chinese officials have recommended slowing or halting the country's US bond accumulation. Commenting on the aforementioned report, China's foreign exchange regulator said that it may be based on erroneous information and could be "fake" while a well received US 10-yr bond auction yesterday which saw the highest bid-to-cover ratio since June 2016, also contributed to today's downside move in US Treasury yields. Market focus is on US December CPI data due on Friday. Weaker than expected core CPI could contribute to some near-term stabilization in the fixed income universe while, on the flipside, an upside surprise could potentially see core government bond yields resuming this week's upward trend. In FX markets, the USD gained some ground on somewhat easing concerns about China's stance on US bonds with the DXY index rebounding to 92.546 earlier today, 0.2% higher on the day. The CAD was the biggest loser against the USD among the major currencies after another newswire report suggested that Canadian government officials see an increased risk that the US President will probably pull out of NAFTA. NAFTA negotiations are scheduled to resume in late January in Montreal with an intention to conclude by the end of March when the campaign season will start in Mexico ahead of July's presidential elections. Rules of origin for NAFTA goods, especially for autos, a sunset clause that would terminate the trade deal if it is not renegotiated every five years and the so-called Chapter 19 dispute-settlement mechanism, are among the main diverging issues between the US on the one side and Mexico and Canada on the other. Looking at today's calendar, besides US initial jobless claims, we will receive US PPI data which are usually a non-event for the market ahead of upcoming inflation data. The ECB will also release its account of the December Governing Council meeting.

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### GREECE

The Euroworking Group that convenes today is expected to make an assessment of the progress made in the implementation of the conditionality of the 3<sup>rd</sup> programme review based on which the 22 January Eurogroup will potentially endorse the successful completion of the review and approve the disbursement of the next loan tranche. According to press reports, this tranche may amount to c. EUR 7.5 bn, out of which c. EUR2 billion will be used for arrears clearance and EUR2 bn for the cash buffer of around EUR 9 bn that Greece needs to build for the post-programme period. Meanwhile, Rolf Strauch, ESM Management Board Member in charge of Economics, Policy Strategy, and Banking, said in an interview that Greece's recent access to the financial markets shows that investors have confidence again in the country's economic condition. He added that according to the OECD, countries in stabilisation programmes, including Greece, have implemented the most significant reforms among all industrial countries and noted that when examining debt one should not focus on its level but rather on the country's ability to meet its obligations. In other news, the Council of the State is expected to convene on January 29<sup>th</sup> regarding the Presidential Decree for the Integrated Development Plan of the Hellinikon concession project. Due to the complexity and bulk of the under-examination material a decision will take a few days to be made. It is reminded that Deputy Minister of Economy and Development Stergios Pitsiorlas, expressed confidence last week that construction works will begin in 2018.

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January 11, 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

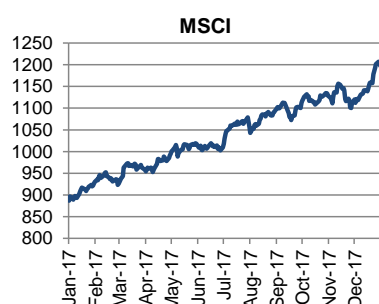
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

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	BB
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BBB-	BBB
CYPRUS	B1	BB+	BB-

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets broadly remained under pressure for the third consecutive session earlier on Thursday, trimming gains recorded in the first week of the new year. Trailing losses in major global bourses, the MSCI Emerging Markets index stood 0.3% weaker in early European trade compared to Wednesday's settlement, extending a 2-session losing streak which saw the index shed 0.8% of its value cumulatively over the prior two days and pull back from a 6 ½ year high hit earlier this week. The picture was somewhat mixed in the CESEE region, with Bulgaria's SOFIX leading the gains with an approximate 1.3% advance. On the other hand, indices in Hungary, Poland and Turkey posted modest losses at the time of writing.

In FX markets, the majority of regional currencies also firmed earlier today largely shrugging off a somewhat stronger US dollar. The Polish zloty pulled further back from a 2-week trough hit early this week ahead of the MPC meeting which concluded yesterday to trade 0.4% higher near 4.1750/€. Vindicating market expectations, the National Bank of Poland (NBP) stayed put on its monetary policy on Wednesday and maintained the key policy rate at the current record low level of 1.50%, while reaffirming its loose stance. NBP Governor Adam Glapinski repeated his view for stable interest rates this year, which is justified by relatively subdued price pressures. Notably, December's headline inflation stood at 2.0%YoY and the core reading 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. Meanwhile, as lately noted by the NBP Governor, the recent appreciation of the zloty, which hit a 2-½ year high close to 4.1400/€ last week, translates into "significant" tightening of monetary conditions. On the flipside, the Turkish lira continued to underperform its peers with the USD/TRY trading close to 3.8000 in European markets, just off yesterday's 2-week peak near 3.8065 hit amid heightened tensions with the US and this week's USD recovery.

Today's focus mostly centres around the upcoming Central Bank monetary policy meeting announcement in Serbia. In line with market expectations, we anticipate the MPC to maintain the key policy rate at the current record low level of 3.50% for the 3<sup>rd</sup> consecutive month as price pressures remain moderate while headline consumer inflation has entered the official 3.0 ± 1.5% target since late 2016. That said, the reading has remained persistently below the upper bound of the tolerance band and came in at 2.8%YoY in November, while the corresponding core index stood below the lower bound at 1.4% over the same month. At the same time, the dinar has significantly strengthened since Q2 2017 onwards, currently trading just off a 3-year high near 118/€ hit late last year.

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January 11, 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	2748.23	-0.1%	2.8%	EUR/USD	1.194	-0.1%	-0.5%	UST - 10yr	2.54	-1	14	GOLD	1317	0.0%	1.1%
Nikkei 225	23710.43	-0.3%	4.2%	GBP/USD	1.3485	-0.2%	-0.3%	Bund-10yr	0.52	-2	10	BRENT CRUDE	69	-0.2%	3.3%
STOXX 600	398.60	-0.4%	2.4%	USD/JPY	111.78	-0.3%	0.8%	JGB - 10yr	0.07	-1	2	LMEX	3373	0.8%	-1.4%

**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	4.25	-1	-1
5Y RSD	4.86	0	-2
7Y RSD	5.01	0	-17

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.03	-1	5
USD Nov-24	6.05	-31	2

**CDS**

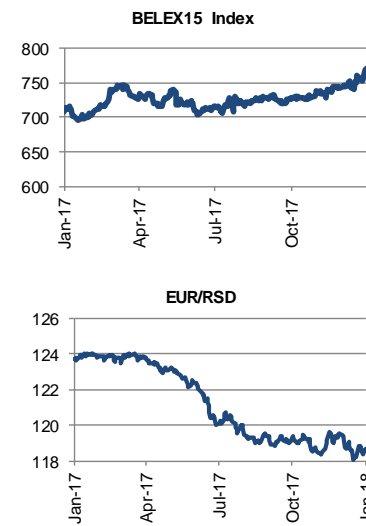
	Last	ΔDbps	ΔYTD bps
5-year	112	0	-6
10-year	155	0	-7

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	767.5	-0.40%	1.02%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	118.70	-0.03%	0.17%



**ROMANIA**

**Money Market**

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

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	3.35	0	-3
5Y RON	3.81	0	3
10Y RON	4.23	0	-9

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.48	0	-11
USD Jan-24	3.23	0	24

**CDS**

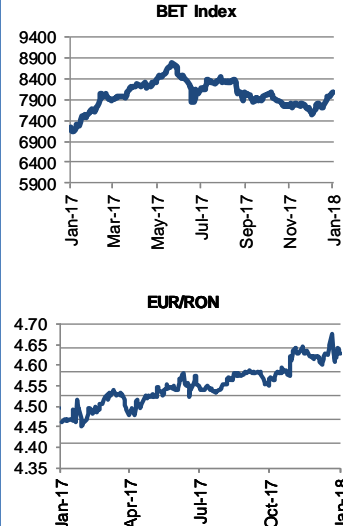
	Last	ΔDbps	ΔYTD bps
5-year	87	1	-3
10-year	129	0	-4

**STOCKS**

	Last	ΔD	ΔYTD
BET	8081.9	0.59%	4.23%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.6372	0.02%	0.60%



**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	-0.07	-1	0
5Y BGN	0.07	-1	-7
10Y BGN	0.98	0	1

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-2
EUR Sep-24	0.57	0	-1

**CDS**

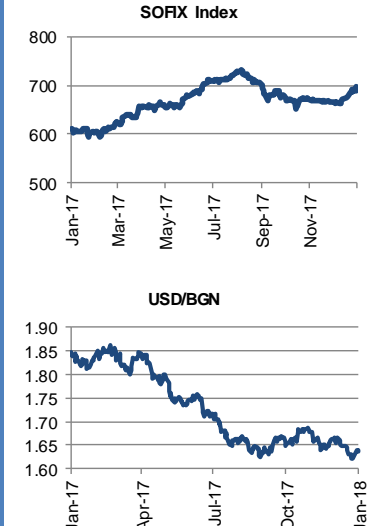
	Last	ΔDbps	ΔYTD bps
5-year	58	2	-39
10-year	101	3	-40

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	697.9	1.43%	3.02%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.6382	-0.07%	-0.54%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 10:00 EST

January 11, 2018

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