



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, January 15, 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 extended its recent losses in European trade on Monday on the view that other G10 central banks will follow the Fed in gradually normalizing monetary policy against the backdrop of improving economic growth prospects. Elsewhere, European bourses were generally weaker in early trade on Monday following two weeks of gains while euro area bonds were firmer on today's comments by ECB's Jens Weidmann that the risk of an imminent ECB rate hike is low. US markets are closed today for Martin Luther King Day. On the data front, interest this week will centre on China's Q4 GDP report on Thursday. In the US, key data releases include Friday's US industrial production data, US housing starts and permits on Thursday and the UM consumer sentiment index on Friday.

GREECE: The multi-bill with numerous prior actions in the context of the 3rd programme review is scheduled to be voted by the Hellenic Parliament this evening, with all governing coalition MPs expected to vote in favour. Outgoing Euroworking Group President Thomas Wieser said in an interview that a potential debt relief for Greece will naturally be accompanied by additional commitments on behalf of Greece. The Vice President of the Greek government Yiannis Dragasakis stated in an article that dealing with bad debtors must be a priority of national importance over the next period. According to the Hellenic Statistical Authority (ELSTAT), CPI inflation in December 2017 was 0.7% recording no change against December 2016.

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian equities continued their upward momentum last week. Meanwhile, Eurobond yields experienced a significant spike. Local-currency government bonds were largely unchanced, with the yield of the 8 year tenor rising significantly.

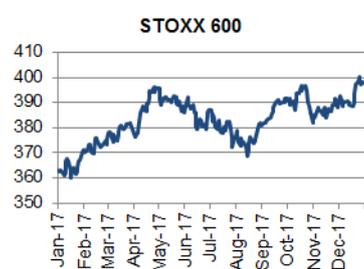
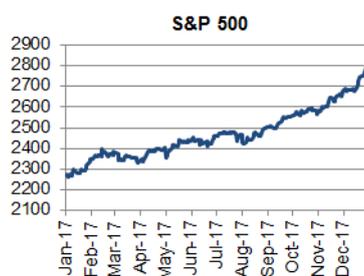
SERBIA: The EUR/RSD largely shrugged off a recent increase in demand for hard currency amid Central Bank intervention in order to mitigate the pair's upside momentum.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD extended its recent losses in European trade on Monday on the view that other G10 central banks will follow the Fed in gradually normalizing monetary policy against the backdrop of improving economic growth prospects. Helped by the hawkish tone of the ECB Account from the last monetary policy meeting and news over a successful conclusion of preliminary talks in Germany between the CDU/CSU and SPD for the formation of a grand coalition, the EUR/USD hit a fresh three-year high close to 1.23. The USD/CAD recorded a multi-session low of 1.2405 on the view that the BoC will likely raise the policy rate by 25bps to 1.25% at Wednesday's monetary policy meeting on the back of improving labor market conditions and a return of the inflation rate to the middle of the 1-3% target range. However, the BoC monetary policy decision remains a close call as the likelihood of a US withdrawal from NAFTA represents a big risk for the Canadian economy (next round of relative discussions scheduled for late January in Montreal). USD losses were more pronounced against the JPY falling close to 110.50, the lowest since September 2017 weighed down by the BoJ Governor's positive views on the domestic economy. Elsewhere, European bourses were generally weaker in early trade on Monday following two weeks of gains failing to capitalize on Friday's encouraging US data. The so-called retail sales that directly feed into the private consumption component of GDP, increased by a hefty 0.3% mom in December on top of a strong 1.4% mom gain in the prior month. Meanwhile, euro area bonds were firmer on today's comments by ECB's Jens Weidmann that the risk of an imminent ECB rate hike is low. US markets are closed today for Martin Luther King Day. Focus this week will be on a potential US government shutdown, as the current funding bill expires on Friday. On the data front, interest will centre on China's Q4 GDP report on Thursday. In the US, key data releases include housing starts and permits on Thursday and Friday's industrial production data and the UM consumer sentiment index.

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GREECE

The multi-bill with numerous prior actions in the context of the 3rd programme review is scheduled to be voted by the Hellenic Parliament this evening, with all governing coalition MPs expected to vote in favour in spite of a number of politically sensitive issues contained in the bill, such as the increase in the quorum for calling a strike at 1st degree trade union level as well as the abolishment of various family benefits. Meanwhile, outgoing Euroworking Group President Thomas Wieser said in an interview that a potential debt relief for Greece will naturally be accompanied by additional commitments on behalf of Greece. He also commented on the difficulty of Greece to attract investments, attributing it to a large extent to weakness of the judicial system. In other news, the Vice President of the Greek government Yiannis Dragasakis stated in an article that dealing with bad debtors must be a priority of national importance over the next period adding that the institutional framework set up by the current government showcases the problem and facilitates its solution. On the economic data front, according to the Hellenic Statistical Authority (ELSTAT), CPI inflation in December 2017 was 0.7%YoY against 0.0%YoY in December 2016. This annual increase in the overall CPI in December 2017 is attributable in increases in the following groups of goods and services: food and non-alcoholic beverages (+0.5%), alcoholic beverages and tobacco (+6.9%), transport (+4.9%), communication (+1.3%), education (+0.2%) and hotel-cafes-restaurants (+1.2). On the other side, a decrease was recorded in the following: clothing and footwear (-1.6%), housing (-0.8%), household equipment (-2.2%), health (-1.2%), recreation and culture (-1.6%) and miscellaneous goods and services (-2.2%). The average CPI inflation for the twelve-month period from January to December 2017 came in at 1.1% against -0.8% in the corresponding period of 2016.

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January 15, 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

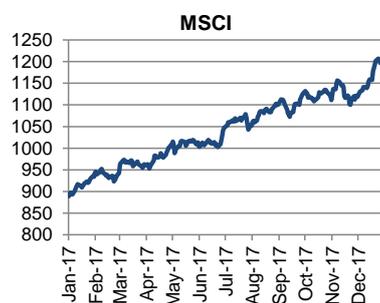
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

Bulgarian equities continued their upward move, with the main SOFIX index rallying by 2.6% last week, finishing at 710.02 points on Friday with a relatively steady trading volume of €2.9mn. Meanwhile, Eurobond yields experienced a significant spike over the last week with the 2024 paper yield rising by 9 bps, closely followed by the 2027 and 2028 with respective advances of 7 and 8 bps. Local-currency government bonds ended little changed last Friday, with the exception of paper of 8 year tenor, which saw its yield jumping by 18 bps.

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SERBIA

The EUR/RSD largely shrugged off a recent increase in demand for hard currency amid Central Bank (NBS) intervention in order to mitigate the pair's upside momentum. The National Bank of Serbia sold €45mn to halt the cross's upside momentum. Consequently, the EUR/RSD retraced towards 118.40/60 by the end of the week. With Central Bank decisiveness to defend the pair around the 119.00 level, the EUR/RSD looks poised to move lower once the recent increase in demand for hard currency wanes.

In other news, the Executive Board of the National bank of Serbia decided to keep the benchmark rate at the level of 3,50% last week. In reaching such a decision, the MPC took into account the expected tendency of inflation and its factors to the upcoming period. In December, inflation came in flat on a month-to-month basis and inched slightly higher to 3.0% on an annual. According to the Central Bank, inflation will move below the midpoint of the target tolerance band (3.0±1.5%) in the first half of the year due to the high base in the prices of oil derivatives, which marked a one-off rise in early 2017. Separately, the net inflow of foreign direct investment into Serbia rose to € 1.841bn in the first nine months of 2017, from €1.456bn in the same period of the previous year. The Netherlands was the largest source of investments followed by Austria and Luxemburg. Meanwhile, French VINVI airports was given a concession license to operate Belgrade airport for next 25 years. The operator agreed to pay €501mn for the licence with the obligation to spend €732mn on investments. The deal is reportedly estimated to bring €5-16mn of additional annual tax on concession.

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January 15, 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	1.2256	0.5%	2.1%	UST - 10yr	2.55	0	14	GOLD	1343	0.4%	3.0%
Nikkei 225	23714.88	0.3%	4.2%	GBP/USD	1.3768	0.3%	1.8%	Bund-10yr	0.57	-1	15	BRENT CRUDE	70	-0.3%	4.1%
STOXX 600	397.82	-0.2%	2.2%	USD/JPY	110.53	0.5%	2.0%	JGB - 10yr	0.08	0	3	LMEX	3380	0.2%	-1.1%

CESEE MARKETS

SERBIA				ROMANIA				BULGARIA				
Money Market				Money Market				Money Market				
BELIBOR	Last	ΔDbps	ΔYTD bps	ROBOR	Last	ΔDbps	ΔYTD bps	SOFIBOR	Last	ΔDbps	ΔYTD bps	
T/N	2.49	0	-3	O/N	1.12	-1	3	LEONIA	0.01	0	1	
1-week	2.60	0	-1	1-month	1.56	-1	-31	1-month	-0.28	-2	-3	
1-month	2.81	0	-4	3-month	1.98	0	-7	3-month	-0.19	-1	-1	
3-month	3.09	0	-3	6-month	2.22	0	-5	6-month	-0.05	0	0	
6-month	3.21	0	-3	12-month	2.34	0	2	12-month	0.32	0	0	
RS Local Bonds				RO Local Bonds				BG Local Bonds				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	
3Y RSD	4.26	0	-1	3Y RON	3.37	0	-1	3Y BGN	-0.05	0	1	
5Y RSD	4.63	2	-24	5Y RON	3.80	0	2	5Y BGN	0.10	0	-5	
7Y RSD	4.98	0	-20	10Y RON	4.23	0	-9	10Y BGN	0.97	0	0	
RS Eurobonds				RO Eurobonds				BG Eurobonds				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
USD Feb-20	3.05	0	5	EUR Oct-25	1.48	#N/A	N/A	-11	EUR Mar-22	-0.01	0	7
USD Nov-24	6.05	-31	1	USD Jan-24	3.26	-1	26	EUR Sep-24	0.60	0	2	
CDS				CDS				CDS				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	
5-year	110	-1	-8	5-year	86	-1	-4	5-year	60	0	-37	
10-year	156	0	-6	10-year	129	-1	-5	10-year	104	3	-37	
STOCKS				STOCKS				STOCKS				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	773.2	-0.02%	1.76%	BET	8223.2	-0.55%	6.06%	SOFIX	713.6	0.50%	5.33%	
FOREX				FOREX				FOREX				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
EUR/RSD	118.43	1.62%	0.40%	EUR/RON	4.6265	0.14%	0.83%	USD/BGN	1.5959	0.44%	2.10%	

BELEX15 Index

BET Index

SOFIX Index

EUR/RSD

EUR/RON

USD/BGN

Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:50 EST

January 15, 2018

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