

DAILY OVERVIEW OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 17, 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: Long-dated euro area government bonds were modestly firmer in European trade on Wednesday after newswires conveyed that the ECB is unlikely to ditch its pledge to continue the expanded asset purchase programme at next week's monetary policy meeting as it needs more time to assess the evolution of economic growth and inflation. In FX markets, comments from a number of ECB policy makers suggesting that the Central Bank is unlikely to put a specific end date to the QE programme any time soon, provided purportedly the opportunity for some profit taking with the EUR/USD pulling back to levels around 1.2230/35 after marking a fresh three-year high of 1.2322 earlier in the day. Focus today is on the BoC monetary policy meeting with the policy decision, scheduled to be announced at 16:00CET, remaining a close call. On the data front, the main focus will be the US industrial production for December while the Fed's Beige Book is also due for release.

GREECE: The updated Asset Development Plan (ADP) of the Hellenic Republic Asset Development Fund (HRADF) was endorsed yesterday by the Government Council for Economic Policy opening the way for a number of privatisation projects to proceed as planned. Meanwhile, according to the preliminary data released by the Ministry of Finance regarding the execution of the State Budget on a modified cash basis, the State Budget balance for the period January – December 2017 presented a deficit of EUR4,241 million, against the target in the 2018 Budget introductory report for the same period of 2017 of deficit of EUR5,123 million while the State Budget primary balance amounted to a surplus of EUR1,967 million against the primary surplus target of EUR877 million.

SOUTH EASTERN EUROPE

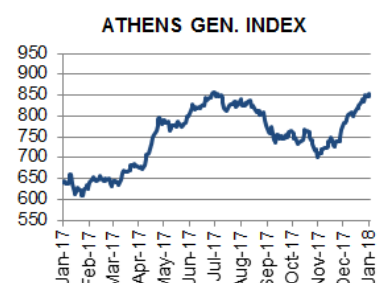
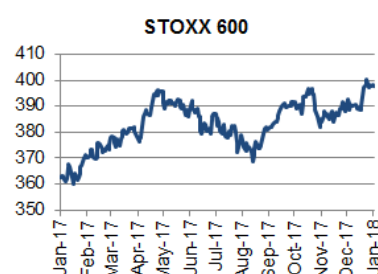
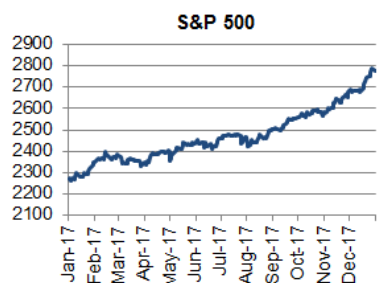
CESEE MARKETS: The majority of emerging market assets moved lower earlier on Wednesday, weighed down the USD's intraday recovery.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Long-dated euro area government bonds were modestly firmer in European trade on Wednesday after newswires conveyed that the ECB is unlikely to ditch its pledge to continue the expanded asset purchase programme at next week's monetary policy meeting as it needs more time to assess the evolution of economic growth and inflation. The 10-yr Bund yield moved close to 0.55% in early European trade, some 1bps and 4bps respectively lower compared to Tuesday's close and multi-month highs hit earlier this week, though still above 0.41% year-to-date low marked more than a week ago. In FX markets, comments from a number of ECB policy makers suggesting that the Central Bank is unlikely to put a specific end date to the QE programme any time soon, provided purportedly the opportunity for some profit taking with the EUR/USD pulling back to levels around 1.2230/35 after marking a fresh three-year high of 1.2322 earlier in the day. Focus today is on the BoC monetary policy meeting with the policy decision, scheduled to be announced at 16:00CET, remaining a close call. Though the prospect of a 25bps rate hike to 1.25% cannot be ruled out on the back of improving labor market conditions and a return of the inflation rate to the middle of the 1-3% BoC target range, it may be too early to conclude whether inflation has embarked on a sustained upward trend while the likelihood of a US withdrawal from NAFTA represents a big risk for the Canadian economy. A 25bps rate hike is unlikely, by itself, to exert a significant positive impact on the CAD unless the policy decision is accompanied by a quite hawkish statement. On the data front, the main focus will be US industrial production for December while the Fed's Beige Book is also due for release (20:00 CET) expected to reiterate that the economy expanded at a moderate pace during the winter months.

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GREECE

The updated Asset Development Plan (ADP) of the Hellenic Republic Asset Development Fund (HRADF) was endorsed yesterday by the Government Council for Economic Policy opening the way for a number of privatisation projects to proceed as planned. These projects include: the concession of Hellinikon, the 66% sale of DESFA (binding offers to be submitted on 16 February 2018), the sale of 100% of ROSCO (binding offers to be submitted on 14 February 2018), the sale of 30% of the Athens International Airport, the Egnatia Motorway concession agreement (expression of interest to be submitted on 26 January 2018), the sale of 17% of PPC, the exploitation of the Athens and Thessaloniki Water and Sewerage Companies (EYDAP and EYATH), the exploitation of DEPA (HRADF holds a 65% stake in the company), the exploitation of 17 marinas and the sale of a number of properties. Meanwhile, according to the preliminary data released by the Ministry of Finance regarding the execution of the State Budget on a modified cash basis, the State Budget balance for the period January – December 2017 presented a deficit of EUR4,241 million, against the target in the 2018 Budget introductory report for the same period of 2017 of deficit of EUR5,123 million and the deficit of EUR2,810 million for the same period of 2016. The State Budget primary balance amounted to a surplus of EUR1,967 million against the primary surplus target of EUR877 million and the primary surplus of EUR2,778 million attained at the same period of the previous year.

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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

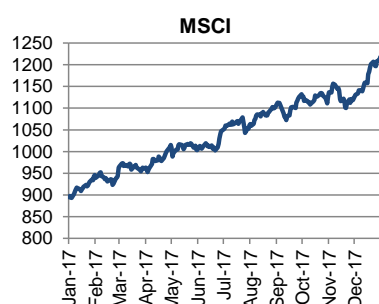
Latest economic & market developments in the CESEE region

CESEE MARKETS

The majority of emerging market assets moved lower earlier on Wednesday, weighed down the USD's intraday recovery. Weaker commodity prices weighed further on related stocks, with the MSCI Emerging Markets index standing almost flat on the day in European trade, having recoiled from a near decade high hit yesterday. Bourses in the CESEE space also lost some ground, with Bulgaria's SOFIX posting a 0.5% daily decline, the highest in the region.

Along the same lines, regional currencies also came under pressure earlier today. The Turkish lira led the losses to stand just off yesterday's 1-month trough of 3.8335/\$ amid growing geopolitical jitters. Concerns over a further escalation of frictions between Turkey and the US mounted after the latter announced late last week plans to create a US-backed security force to defend territory held by U.S.-backed, Kurdish-led militia in northern Syria along the Turkish border. Reacting to the news, Turkish President Tayyip Erdogan reportedly vowed to "strangle" the force, having warned about an imminent military operation in Syria's Afrin region. Turkey's National Security Council meets today to hold discussions on the issue, while cabinet ministers will meet later on the day. Elsewhere, the Romanian leu remained under pressure, hovering close to yesterday's 3-week low near 4.6655/€ after the resignation of Prime Minister Mihai Tudose late on Monday. President Klaus Iohannis is holding consultations with political parties in order to appoint the successor of Prime Minister Tudose. The ruling PSD party nominated the MEP Viorica Dancila for the post, who is considered to be a close ally of its leader Liviu Dragnea.

Today's CESEE calendar is relatively light, with focus turning to Turkey's MPC meeting tomorrow. According to the market's consensus, the Central Bank is expected to hold its horses and keep all policy rates unchanged. In more detail, the benchmark 1-week repo rate is seen remaining at 8.00%, the overnight lending and borrowing rates are expected to be held at 9.25% and 7.25%, respectively, and the late liquidity lending rate is expected to be left at 12.75% following a 50bps rise in the last MPC meeting in December.

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**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-

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	2776.42	-0.4%	3.8%	EUR/USD	1.2234	-0.2%	1.9%	UST - 10yr	2.56	2	15	GOLD	1336	-0.2%	2.5%
Nikkei 225	23868.34	-0.3%	4.8%	GBP/USD	1.3789	0.0%	2.0%	Bund-10yr	0.56	-1	13	BRENT CRUDE	69	-0.3%	3.1%
STOXX 600	397.61	-0.2%	2.2%	USD/JPY	110.77	-0.3%	1.7%	JGB - 10yr	0.09	1	4	LMEX	3365	-1.6%	-1.6%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.50	0	-2
1-week	2.61	0	0
1-month	2.81	-1	-4
3-month	3.09	-1	-3
6-month	3.21	-1	-3

RS Local Bonds

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

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.04	1	5
USD Nov-24	6.03	-31	0

CDS

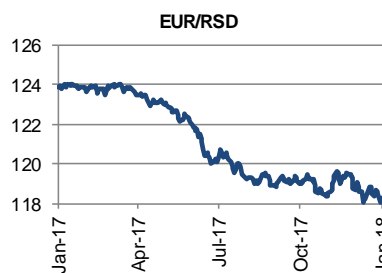
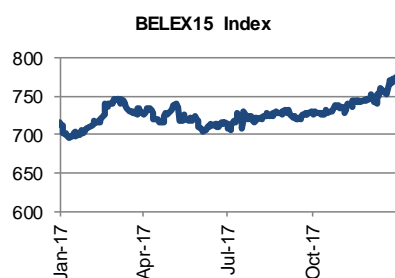
	Last	ΔDbps	ΔYTD bps
5-year	101	-2	-17
10-year	150	-1	-12

STOCKS

	Last	ΔD	ΔYTD
BELEX15	772.8	-0.24%	1.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.21	0.08%	0.59%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.1	-2	1
1-month	1.55	-1	-32
3-month	1.97	-1	-8
6-month	2.22	0	-5
12-month	2.35	0	3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.36	0	-3
5Y RON	3.80	0	2
10Y RON	4.21	0	-11

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.60	#N/A	N/A
USD Jan-24	3.25	0	25

CDS

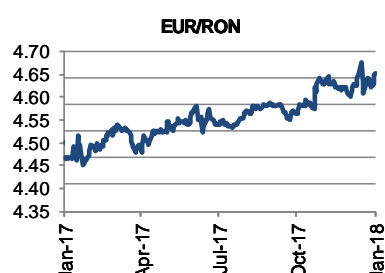
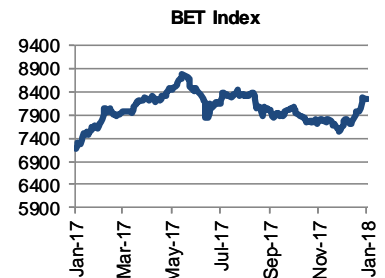
	Last	ΔDbps	ΔYTD bps
5-year	87	0	-3
10-year	129	0	-4

STOCKS

	Last	ΔD	ΔYTD
BET	8242.1	0.11%	6.30%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6581	-0.02%	0.14%



BULGARIA

Money Market

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

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	0	2
5Y BGN	0.12	0	-3
10Y BGN	0.96	0	0

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.01	26	7
EUR Sep-24	0.59	46	2

CDS

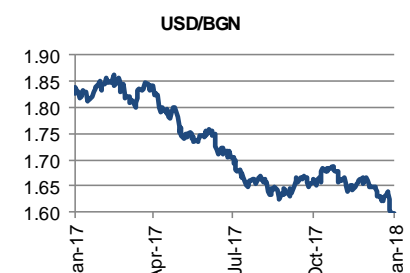
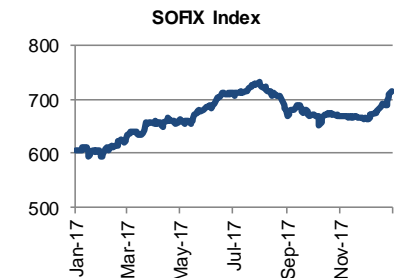
	Last	ΔDbps	ΔYTD bps
5-year	65	5	-32
10-year	107	3	-34

STOCKS

	Last	ΔD	ΔYTD
SOFIX	712.0	-0.47%	5.10%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5986	-0.20%	1.93%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research

Data updated as of 11:25 EST

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