



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 18, 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: Euro area bond yields were up on the day, remaining though within recent ranges, as investors await more hints for the ECB's policy deliberations at next week's monetary policy meeting. US Treasury yields were also higher across the curve with the 2-yr yield hitting a fresh decade high close to 2.06% on the view that the Fed will continue to gradually tighten its monetary policy as the US economic expansions continues and the unemployment rate is expected to fall further this year. In FX markets, the EUR lost some ground after comments by a number of ECB Governing Council members hinted concerns over the EUR's fast and hefty appreciation and suggested that a shift in the ECB's forward guidance is not imminent. Looking at today's calendar, US December housing starts and permits are due for release alongside the Philly Fed's manufacturing survey for January and the weekly jobless claims.

GREECE: During a speech at the German Ministry of Finance Eurogroup President Mario Centeno said that Greece is on its way to turn page and complete its third economic adjustment programme in 2018. Executives from the DGComp and the Greek Ministry of Energy discussed yesterday the findings of the market test for the divestment of the Public Power Corporation (PPC) from the lignite-fired production units. The bill pertaining to the PPC divestment is expected to be tabled to Parliament by end-March 2018 while the official launch of the international open tender procedure run by PPC is to be implemented by May 2018 so that the divestment can be completed thereafter.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets were mixed earlier on Thursday as core government bond yields moved higher and the USD gained some further ground, while China's GDP data beat market expectations adding to global growth optimism.

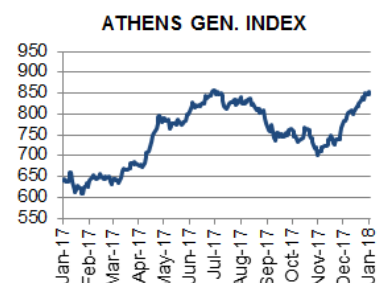
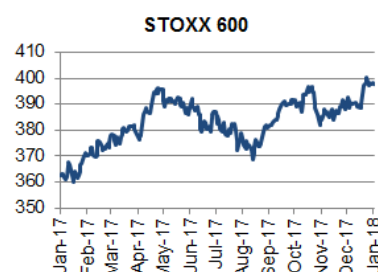
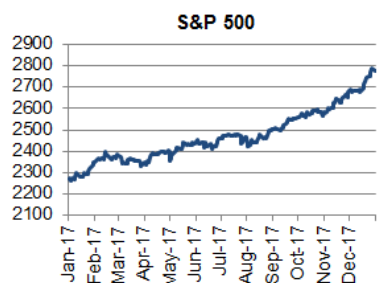
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January 18, 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the positive tone in Wall Street overnight, the majority of European bourses were in the black in early trade today supported by improved corporate earnings and market optimism over a sustained expansion in the global economy, following a higher-than-expected 6.8%YoY GDP growth rate for Q4 2017 from China. Meanwhile, euro area bond yields were up on the day, remaining though within recent ranges, as investors await more hints for the ECB's policy deliberations at next week's monetary policy meeting. US Treasury yields were also higher across the curve with the 2-yr yield hitting a fresh decade high close to 2.06% on the view that the Fed will continue to gradually tighten its monetary policy as the US economic expansions continues and the unemployment rate is expected to fall further this year. In FX markets, the EUR lost some ground after comments by a number of ECB Governing Council members hinted concerns over the EUR's fast and hefty appreciation and suggested that a shift in the ECB's forward guidance is not imminent. The EUR/USD retreated below 1.2200 earlier today before stabilizing at levels around 1.2210/15 at the time of writing after marking a fresh three-year high of 1.2322 on Wednesday. Favored by the EUR's weakness, the USD firmed with the DXY index testing levels close to 91.00 points earlier today, 0.2% higher on the day but still 1.2% and 1.5% respectively weaker on a weekly basis and year-to-date. In other news, the BoC raised interest rates by 25bp yesterday to 1.25% as firmer inflation and positive labor market conditions offset NAFTA-related uncertainty. However, the BoC Governor adopted a more dovish than expected tone in the post-meeting press conference, pushing the USD/CAD to a session high of 1.2468 today after falling to as low as 1.2368 yesterday ahead of the BoC policy announcement. Looking at today's calendar, US December housing starts and permits are due for release alongside the Philly Fed's manufacturing survey for January and the weekly jobless claims.

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GREECE

During a speech at the German Ministry of Finance Eurogroup President Mario Centeno said that Greece is on its way to turn page and complete its third economic adjustment programme in 2018. He added that the institutions need to make sure that Greece will be able to stand on its feet and tap the financial markets in a sustainable manner after the end of the programme and that the country would benefit by incentives that will keep it on the reform track. In other news, executives from the DGComp and the Greek Ministry of Energy discussed yesterday the findings of the market test for the divestment of the Public Power Corporation (PPC) from the lignite-fired production units. Among the issues discussed were, reportedly, the long-term outlook of the Greek electricity market, the supply of lignite and investors' commitments and obligations towards the employees of the production units that will be sold. The bill pertaining to the PPC divestment is expected to be tabled to Parliament by end-March 2018 while the official launch of the international open tender procedure run by PPC is to be implemented by May 2018 so that the divestment can be completed thereafter.

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January 18, 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

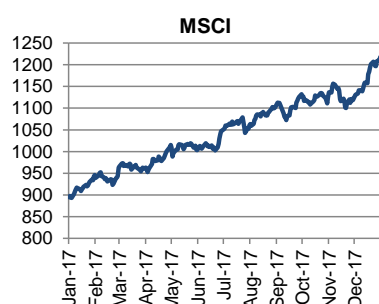
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets were mixed earlier on Thursday as core government bond yields moved higher and the USD gained some further ground, while China's GDP data beat market expectations adding to global growth optimism. In more detail, China's economy, the second largest in the world, expanded by 6.8%YoY in Q4 2017, in line with the prior month's reading, coming in against expectations for a modest slowdown to 6.7%YoY. For the whole of last year real GDP growth stood at 6.9%, vs. 6.8% anticipated by market participants, marking the first annual acceleration since 2010. The 2017 figure marked the highest pace of increase since 2015, accelerating from 6.7% in 2016 which was the weakest rise in 26 years. Additionally, it surpassed the government's target of 6.5%.

Led by firmer Asian bourses following the Q4 GDP data release in China, the MSCI Emerging Markets index rose by ca 0.3% on the day in European trade, remaining within distance from this week's near decade high. Bourses in the CESEE space were mixed, with Romania's BETI leading the gains with a 0.6% rise compared to Wednesday's close. On the flipside, main indices in Serbia, Bulgaria and Ukraine stood in the black at the time of writing.

Along similar lines, regional currencies were mixed. The Romanian leu recovered some ground after coming under pressure over the last few days in the aftermath of Prime Minister Mihai Tudose's resignation on Monday. The EUR/RON hovered around levels of 4.6490 at the time of writing, having eased from a 3-week high near 4.6655 hit earlier in the week. News that President Klaus Iohannis accepted the ruling leftist Social Democrat's nominee Viorica Dancila - considered to be a close ally of its leader Liviu Dragnea - as the new Prime Minister designate on Wednesday mitigated the prospect of a further escalation in domestic political uncertainty. Speaking to reporters yesterday, he also expressed belief that a cabinet would be formed by the beginning of February.

Today's CESEE focus centres around Turkey's MPC meeting. 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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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	2778.93	0.1%	3.9%	EUR/USD	1.2217	-0.4%	1.8%	UST - 10yr	2.56	2	15	GOLD	1335	-0.3%	2.4%
Nikkei 225	23868.34	-0.3%	4.8%	GBP/USD	1.3795	0.0%	2.0%	Bund-10yr	0.56	0	13	BRENT CRUDE	69	-0.2%	3.2%
STOXX 600	397.34	-0.3%	2.1%	USD/JPY	110.74	-0.3%	1.8%	JGB - 10yr	0.09	1	4	LMEX	3365	-1.6%	-1.6%

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	LEONIA	Last	ΔDbps	ΔYTD bps	
T/N	2.50	0	-2	O/N	1.1	-2	1	1-month	0.01	0	1	1-month	-0.28	0	-3	
1-week	2.61	0	0	1-month	1.55	-1	-32	3-month	-0.18	0	-1	3-month	-0.18	0	-1	
1-month	2.82	1	-3	3-month	1.97	-1	-8	6-month	-0.05	0	0	6-month	-0.05	0	0	
3-month	3.10	1	-2	6-month	2.22	0	-5	12-month	0.32	0	-1	12-month	0.32	0	-1	
6-month	3.22	1	-2	12-month	2.35	0	3	BG Local Bonds								
RS Local Bonds				RO Local Bonds				BG Local Bonds								
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	(yields)	Last	ΔDbps	ΔYTD bps	3Y BGN	-0.04	0	2	
3Y RSD	4.26	0	-1	3Y RON	3.36	0	-3	5Y BGN	0.12	1	-2	10Y BGN	0.97	0	0	
5Y RSD	4.63	0	-24	5Y RON	3.80	0	2	BG Eurobonds								
7Y RSD	4.98	0	-20	10Y RON	4.21	0	-11		Last	ΔDbps	ΔYTD bps	EUR Mar-22	0.11	-23	19	
RS Eurobonds				RO Eurobonds				BG Eurobonds								
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	EUR Oct-25	1.57	#N/A	N/A	-3	EUR Sep-24	0.70	-17	12
USD Feb-20	3.04	0	4	EUR Jan-24	3.23	-3	23	USD Jan-24	3.23	-3	23	CDS				
USD Nov-24	6.04	-31	0	CDS					Last	ΔDbps	ΔYTD bps	5-year	65	5	-32	
CDS					Last	ΔDbps	ΔYTD bps	10-year	107	3	-34	STOCKS				
	Last	ΔDbps	ΔYTD bps		Last	ΔDbps	ΔYTD bps	5-year	87	0	-3		Last	ΔD	ΔYTD	
5-year	101	-2	-17		Last	ΔD	ΔYTD	10-year	129	0	-4		709.9	-0.77%	4.78%	
10-year	150	-1	-12	STOCKS					Last	ΔD	ΔYTD	FOREX				
STOCKS					Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	
BELEX15	770.8	-0.49%	1.45%	BET	8296.5	0.77%	7.00%	USD/BGN	1.6008	-0.34%	1.79%	FOREX				
FOREX					Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	FOREX				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	FOREX				
EUR/RSD	118.38	-0.07%	0.44%	EUR/RON	4.658	-0.01%	0.15%	BELEX15 Index								
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 17:05: EST of previous session

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