



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, January 22, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- World Economic Forum (23-26 Jan)

US

- Jan 24: Existing home sales (Dec)
- Jan 25
 - Jobless claims (weekly)
 - New home sales (Dec)
- Jan 26
 - Q4 DGP
 - Durable goods orders (Dec)

EUROZONE

- Jan 23: German ZEW
- Jan-24: Eurozone PMI (Jan)
- Jan 25
 - German GfK consumer confidence (Feb)
 - ECB policy meeting
- Jan 26: M3 (Dec)

GREECE

- Jan 22: Current account deficit (Nov)

CYPRUS

- Jan 28: Presidential elections (1st round)

SEE

ROMANIA

- Jan 22: 3.25% 2024 T-bonds auction
- Jan 23: M3 money supply (Dec)
- Jan 25: 1.35% 2019 T-bonds auction

SERBIA

- Jan 25: Real gross wages (Dec)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: With a narrow margin of 56%, SPD delegates approved at a special conference on Sunday the party's entrance into formal Grand Coalition talks with Chancellor Angela Merkel's alliance of Christian parties CDU/CSU. Turning to the other side of the Atlantic, the US government was shut down at midnight on Friday after Senate lawmakers failed to agree on a last-minute deal to extend government funding through mid-February. In order to break the impasse, the Senate agreed to hold a vote at 17:00GMT today on a short-term bill. Messy US politics pushed US Treasury yields higher across the curve while the USD was under pressure. EMU periphery sovereign bonds outperformed core euro area sovereign bonds after Fitch upgraded Spain's credit rating late on Friday to A- from BBB+.

GREECE: The Eurogroup that convenes today is expected to politically endorse the conclusion of the 3rd review of Greece's 3rd economic adjustment programme in spite of the 21 prior actions that have not yet been fulfilled. The Eurogroup is also expected to approve the disbursement of the next loan tranche, in the area of EUR 6.7 billion which will likely be released in parts. The Greek government is reportedly planning to make a number of changes to Law 3869/2010 ("Katseli" Law) to render it more difficult for strategic defaulters to enjoy the protection of this framework as well as changes to the out-of-court workout framework in order to reduce bureaucracy and make the procedure shorter. The Hellenic Competition Commission has approved the 67% Share Purchase Agreement of the Thessaloniki Port Authority between the Hellenic Republic Asset Development Fund (HRADF) and the preferred investor consortium company South Europe Gateway Thessaloniki Limited. S&P raised its foreign and local currency long-term sovereign credit rating on Greece to 'B' from 'B-' with outlook 'positive' on the grounds that "Greece's growth and fiscal outlooks have improved alongside a labour market recovery and amid a period of relative policy certainty".

SOUTH EASTERN EUROPE

BULGARIA: Bulgarian stocks registered modest gains last week, while Eurobonds extended their recent losses and local-currency paper yields dropped.

SERBIA: Albeit kicking off the week on a positive footing, the dinar reversed course amid increased political jitters after the assassination of Serb politician Oliver Ivanovic in Kosovo.

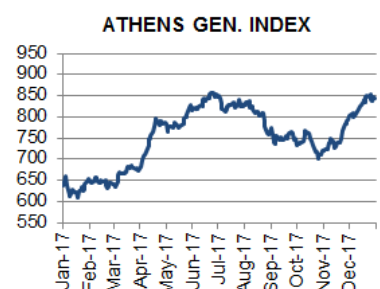
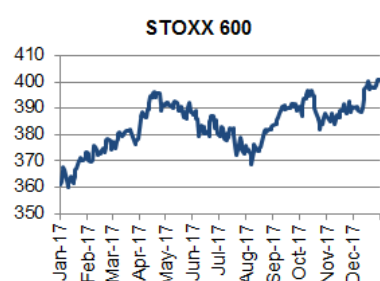
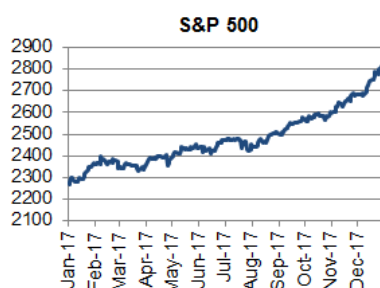
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January 22, 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

With a narrow margin of 56%, SPD delegates approved at a special conference on Sunday the party's entrance into formal Grand Coalition talks with Chancellor Angela Merkel's alliance of Christian parties CDU/CSU. Given the low delegate approval, the SPD party membership ballot on the final coalition deal, expected by mid-February, poses a real hurdle. A precise date has yet to be publicly announced but formal coalition negotiations are reportedly expected to start later this week. Turning to the other side of the Atlantic, the US government was shut down at midnight on Friday night after Senate lawmakers failed to agree on a last-minute deal to extend government funding through mid-February. Most Democrats had made known in advance that they would not support the bill unless it included a permanent fix for the "Deferred Action for Childhood Arrivals" (DACA) program. In order to break the impasse, the Senate agreed to hold a vote at 17:00GMT today on a short-term bill. Messy US politics pushed US Treasury yields higher across the curve with the 10-yr yield hitting a 3 ½ year high of 2.67% earlier today. Bunds followed suit with the 10-yr paper yielding levels close to 0.58% at the time of writing, 1.3bps higher on the day and within sight of last week's year-to-date high of 0.60%. EMU periphery sovereign bonds outperformed core euro area sovereign bonds after Fitch upgraded Spain's credit rating late on Friday to A- from BBB+ amid improving growth prospects and easing political risks. In FX markets, the USD was under pressure weighed down by the US government shutdown, the first since October 2013. The DXY index was 0.1% weaker on the day to stand at 90.494 and not far from last week's 3 ½ year low of 90.113. Looking at this week's calendar focus is on Thursday's ECB monetary policy meeting where no major changes in the forward guidance are expected amid disappointing euro area inflation data in recent weeks. On the data front, the big focus is on Friday's US Q4 GDP first estimate.

ppetropoulou@eurobank.gr

GREECE

The Eurogroup that convenes today is expected to politically endorse the conclusion of the 3rd review of Greece's 3rd economic adjustment programme in spite of the 21 prior actions that have not yet been fulfilled. The next loan tranche, in the area of EUR 6.7 billion will likely be released in parts. The first sub-tranche is expected to be released in mid-February conditional on the completion of the remaining prior actions and on the systematic conduct of electronic auctions. The next sub-tranches will also be conditional on the implementation of electronic auctions as well as the progress in the clearance of state arrears. The importance placed on dealing with the significant NPEs problem was evident during a meeting in Frankfurt last week where the SSM Supervisory Board Chair Danielle Nouy reportedly urged the heads of the Greek four systemic banks to accelerate electronic auctions, sell real estate properties in their possession even at a loss and accelerate the sale of NPLs portfolios. On the same wavelength, the Greek government is reportedly planning to make a number of changes to Law 3869/2010 ("Katseli" Law) to render it more difficult for strategic defaulters to enjoy the protection of this framework as well as changes to the out-of-court workout framework in order to reduce bureaucracy and make the procedure shorter. The relevant bill is expected to be submitted to Parliament in spring and will constitute part of the 4th review conditionality. Meanwhile, the Hellenic Competition Commission has approved the 67% Share Purchase Agreement of the Thessaloniki Port Authority between the Hellenic Republic Asset Development Fund (HRADF) and the preferred investor consortium company South Europe Gateway Thessaloniki Limited. The payment of EUR231.9 million is expected by end-Q1 2018. In other news, S&P raised its foreign and local currency long-term sovereign credit rating on Greece to 'B' from 'B-' with outlook 'positive' on the grounds that "Greece's growth and fiscal outlooks have improved alongside a labour market recovery and amid a period of relative policy certainty".

andimitriadou@eurobank.gr

January 22, 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

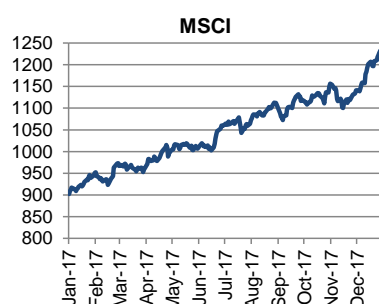
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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 stocks registered modest gains last week, with the main index SOFIX rising 0.2% on a weekly basis to end at 711.69 points on Friday amid strong trading volume of a little over €4mn. Eurobonds extended their recent losses last week with the 2023 paper yield jumping by 3bps on the week, followed by the 2024 and 2027 papers which registered respective rises of 3bps and 4bps. Conversely, Bulgarian local-currency paper yields dropped, with the most notable move being observed on that of 8 year tenor, which decreased by 10bps.

RSRaychev@postbank.bg

SERBIA

Albeit kicking off the week on a positive footing, the dinar reversed course amid increased political jitters after the assassination of Serb politician Oliver Ivanovic in Kosovo. In response, Serbia withdrew from EU-facilitated negotiations in Brussels over normalization of relations between Serbia and Kosovo that were due to start on Tuesday. In the meantime, both the Presidents of Serbia and Kosovo urged on a collaboration over stabilizing the situation and easing tensions between ethnic Serbs and ethnic Albanians on Kosovo. Along these lines, the EUR/RSD ended last week around levels of 118.40, within distance from a near 4-year low of 118.15/35 hit on Monday.

In other news, speaking on the sidelines of the Euromoney Central & Eastern European Forum 2018 last week on Thursday finance minister Dusan Vujovic said that the government plans to repay and not refinance the most expensive loans of foreign debt maturing in 2018. He also noted that Serbia now could get loans at interest rates around 1.5-2% instead of 8% previously paid, adding that the government aims to reduce the public debt-to-GDP ratio below 56.3% by 2020, in line with the euro convergence criteria which require the ratio below 60% of GDP.

Zoran.Korac@eurobank.rs

January 22, 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	2810.30	0.4%	5.1%	EUR/USD	1.2243	0.2%	2.0%	UST - 10yr	2.65	-1	24	GOLD	1332	0.0%	2.2%
Nikkei 225	23816.33	0.0%	4.6%	GBP/USD	1.3896	0.3%	2.8%	Bund-10yr	0.57	0	15	BRENT CRUDE	69	0.3%	2.9%
STOXX 600	400.92	0.0%	3.0%	USD/JPY	110.79	0.0%	1.7%	JGB - 10yr	0.08	-1	3	LMEX	3376	-0.2%	-1.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-1
1-week	2.61	0	0
1-month	2.82	0	-3
3-month	3.10	0	-2
6-month	3.22	0	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.26	0	-2
5Y RSD	4.63	0	-24
7Y RSD	4.98	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.09	1	10
USD Nov-24	6.07	-29	3

CDS

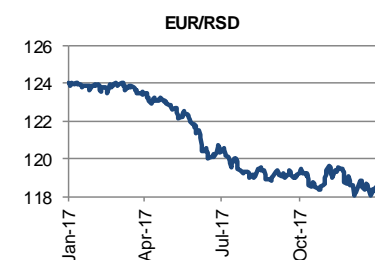
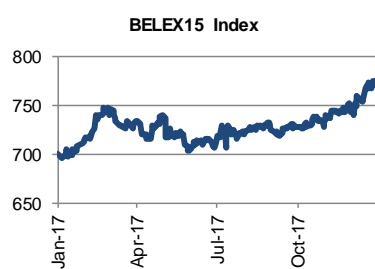
	Last	ΔDbps	ΔYTD bps
5-year	103	1	-15
10-year	151	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	775.9	0.08%	2.12%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.70	-0.08%	0.17%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.09	0	0
1-month	1.57	0	-30
3-month	1.99	0	-6
6-month	2.23	0	-4
12-month	2.37	0	5

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.40	0	2
5Y RON	3.91	0	13
10Y RON	4.33	0	2

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.53	#N/A	N/A
USD Jan-24	3.28	1	28

CDS

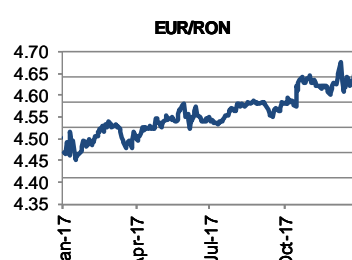
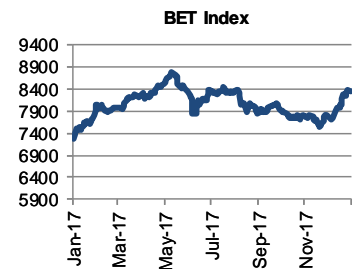
	Last	ΔDbps	ΔYTD bps
5-year	86	0	-4
10-year	128	0	-6

STOCKS

	Last	ΔD	ΔYTD
BET	8331.7	-0.36%	7.45%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6683	-0.14%	-0.08%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-2
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	5	1
5Y BGN	0.07	-6	-8
10Y BGN	0.98	0	1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.11	0	18
EUR Sep-24	0.70	0	13

CDS

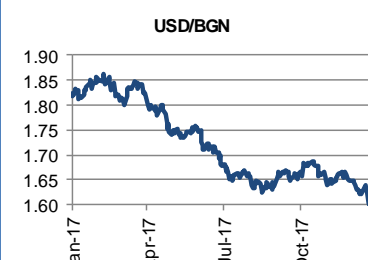
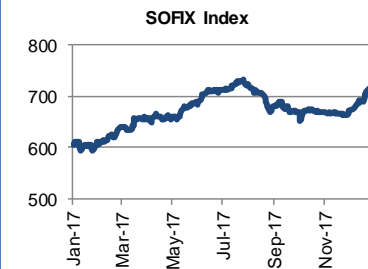
	Last	ΔDbps	ΔYTD bps
5-year	64	-1	-33
10-year	109	-2	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	710.1	-0.23%	4.82%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5975	0.14%	2.00%



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

Data updated as of 10:50: EST

January 22, 2018

Contributors

Paraskevi Petropoulou
Senior Economist, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Senior Economist, Eurobank Ergasias
+30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokrousos: Group Chief Economist
pmonokrousos@eurobank.gr, + 30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, + 30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, + 30 210 37 18 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr, + 30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr, + 30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr, + 30 210 33 71 227

Mariana Papoutsaki
mpapoutsaki@eurobank.gr, + 30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, + 30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, + 30 210 37 18 922

Theodoros Stamatou: Senior Economist
tstamatou@eurobank.gr, + 30 210 33 71 228

Elia Tsiampaou: Economic Analyst
etsiampaou@eurobank.gr, + 30 210 33 71 207

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankEA_FMR@eurobank.gr

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