



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 24, 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 GDP
 - 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: The majority of Asian equity markets closed lower on Wednesday, albeit still not far from recent multi-year highs, as optimism on global growth prospects and positive corporate earnings were more than offset by news concerning protectionism measures announced by the US administration. Elsewhere, the USD continued to lose ground on the view that other major CBs will follow the Fed in gradually withdrawing monetary accommodation. Turning to core government bonds, both Bund and US Treasury yields were higher on the day, albeit still below recent highs as investors await upcoming key events for direction including Thursday's ECB monetary policy meeting, the next FOMC meeting and the US Treasury's next quarterly funding plans both due on January 31. EMU periphery sovereign bonds continued to outperform Bunds supported by last week's sovereign credit rating upgrade for Spain. For the remainder of the day, market focus in terms of data is on UK labor market figures for December, Euro area preliminary PMI readings for January and US December existing home sales.

GREECE: According to the compliance report of the 3rd programme review, Greece has committed to fully implement the remaining 15 prior actions in advance of the 19 February Eurogroup. With regard to electronic auctions, the continuous and unimpeded conduct of which constitutes a condition for the disbursement of the EUR6.7 billion loan tranche, a detailed monitoring and verification system will be established and the authorities will take prompt actions to address any type of impediments to the regular flow of e-auctions. According to provisional data by the Bank of Greece, in November 2017, travel receipts rose by 1.3%YoY (against -12.7%YoY in November 2016) with travel receipts from the EU28 and the euro area increasing by 7.2%YoY and 8.2%YoY respectively and from non-EU28 countries decreasing by 6.1%YoY. According to press sources, first data from foreign travel agencies point to 2018 being another strong year for Greek tourism.

SOUTH EASTERN EUROPE

CESEE MARKETS: This week's rally in emerging market assets appeared to be running out of steam earlier on Wednesday with investor caution prevailing ahead of the ECB meeting tomorrow.

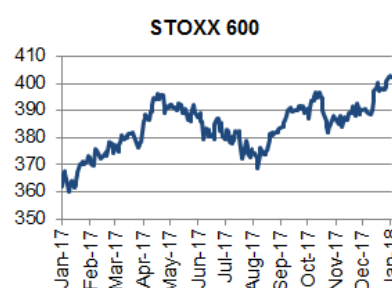
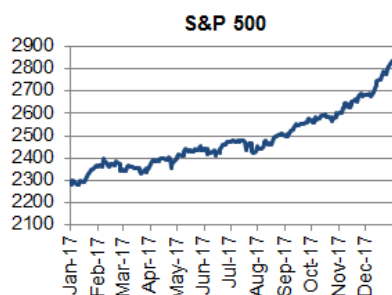
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January 24, 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The majority of Asian equity markets closed lower on Wednesday, albeit still not far from recent multi-year highs, as optimism on global growth prospects and positive corporate earnings were more than offset by news concerning protectionism measures announced by the US administration (controversial tariffs imposed on imported washing machines and solar panels) which will mostly affect Asian and Chinese exporting manufactures. Elsewhere, the USD continued to lose ground on the view that other major CBs will follow the Fed in gradually withdrawing monetary accommodation. The DXY index moved below 90.00 earlier today for the first time since December 2014, having declined by more than 2% so far this year. Favored by the broadly weaker US currency, the EUR/USD hit a fresh three year high of 1.2356 ahead of Thursday's ECB monetary policy meeting, which is likely to give some signals to market participants on when and how the central bank's forward guidance will be modified. Along these lines, the GBP/USD marked a new post-referendum high of 1.4118 as optimism over an eventual favourable deal on a transition period offset concerns about a slowdown in UK economic activity this year and uncertainty over whether a final Brexit deal will be reached before the March 2019 deadline. Turning to core government bonds, both Bund and US Treasury yields were higher on the day, albeit still below recent highs as investors await upcoming key events for direction including Thursday's ECB monetary policy meeting, the next FOMC meeting and the US Treasury's next quarterly funding plans both due on January 31. EMU periphery sovereign bonds continued to outperform Bunds supported by last week's sovereign credit rating upgrade for Spain and subdued worries about the outcome of the Italian general elections in early March. For the remainder of the day, market focus in terms of data is on UK labor market figures for December, Euro area preliminary PMI readings for January and US December existing home sales.

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GREECE

According to the compliance report of the 3rd programme review, Greece has committed to fully implement the remaining 15 prior actions in advance of the 19 February Eurogroup. Among others these prior actions pertain to: the recalculation and processing of pensions, the rationalisation of health expenditure, the execution of clawbacks and regular audit, teachers' work hours, investment licensing in the quarrying and mining sector, NOME auctions, the central government arrears to PPC, the target model in the energy sector, the divestment of PPC from lignite-fired units, DESFA, the appointment of advisors for the exploitation of the Athens Water Supply and Sewerage Company (EYDAP), the Presidential Decree for the Integrated Development Plan for Hellinikon, the mobility scheme in the wider public administration, the appointment of Secretaries and Directors General in public administration and e-auctions. With regard to the latter, the continuous and unimpeded conduct of which constitutes a condition for the disbursement of the EUR6.7 billion loan tranche, a detailed monitoring and verification system will be established and the authorities will take prompt actions to address any type of impediments to the regular flow of e-auctions. According to provisional data by the Bank of Greece, in November 2017, travel receipts rose by 1.3%YoY (against -12.7%YoY in November 2016) with travel receipts from the EU28 and the euro area increasing by 7.2%YoY and 8.2%YoY respectively and from non-EU28 countries decreasing by 6.1%YoY. According to press sources, first data from foreign travel agencies point to 2018 being another strong year for Greek tourism: already tour operators report an increase of pre-bookings in the order of 10%YoY from the UK, 10%YoY from France, 15%-20% from Russia, 10% from the USA and 32% from Austria. A considerable double-digit increase is also expected from Germany which constitutes one of Greece's most important tourism markets, with new tourism destinations added.

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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

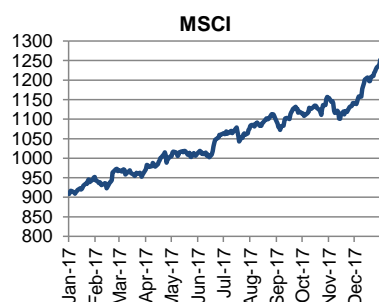
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

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

This week's rally in emerging market assets appeared to be running out of steam earlier on Wednesday with investor caution prevailing ahead of the ECB meeting tomorrow. The MSCI Emerging Markets index stood in a marginally negative territory at the time of writing, having snapped an 8-session rising streak, which pushed the index to a new decade peak on Tuesday as well as 4.5% higher since January 12 and more than 8% higher from the beginning of the year. Against this backdrop, bourses in the CESEE region opened mixed. Romanian markets are closed today for national holiday. Both Poland's WIG and Hungary's BUX posted modest losses in European trade compared to Tuesday's settlement, after each scaled record highs intraday in the prior session.

In FX markets, regional currencies were mostly weaker earlier today, largely shrugging off a further decline in the USD which saw the DXY index reaching a new multi-year low. Benefiting from the US dollar's renewed weakness earlier today and optimism ahead of a reportedly scheduled phone call between Turkey's President Recep Tayyip Erdogan and his US counterpart Donald Trump, the Turkish lira bucked the negative regional trend, with the USD/TRY hovering in European trade near a 1-week low of 3.7465 hit earlier in Asian markets. The two Presidents are expected to hold discussions later on the day following the launch on Saturday of a Turkish military operation against Kurdish-led militia in the Afrin region of Syria, named by Turkey as Operation Olive Branch.

In the local currency debt markets, regional government bonds were mixed. Turkish paper outperformed following successful T-bond auctions yesterday. As a result, the corresponding yields of 2- and 10-year maturity fell by 7bps to 13.03% and by 8bps to 11.71%, respectively.

Today's CESEE calendar is particularly light. Poland's December unemployment rate was announced earlier on the day, showing an unexpected, albeit modest, rise to 6.6% from 6.5% in November, confounding expectations for the reading to remain at the prior month's level.

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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	2839.13	0.2%	6.2%	EUR/USD	1.2338	0.3%	2.8%	UST - 10yr	2.63	2	22	GOLD	1349	0.6%	3.5%
Nikkei 225	23940.78	-0.8%	5.2%	GBP/USD	1.409	0.6%	4.2%	Bund-10yr	0.58	2	15	BRENT CRUDE	70	-0.3%	4.3%
STOXX 600	402.30	-0.1%	3.4%	USD/JPY	109.64	0.6%	2.8%	JGB - 10yr	0.08	1	4	LME X	3354	-1.2%	-1.9%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.51	0	-1
1-week	2.61	0	0
1-month	2.81	0	-4
3-month	3.09	0	-3
6-month	3.21	0	-3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.23	-3	-4
5Y RSD	4.52	-8	-35
7Y RSD	4.98	0	-20

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.13	2	13
USD Nov-24	6.06	-30	3

CDS

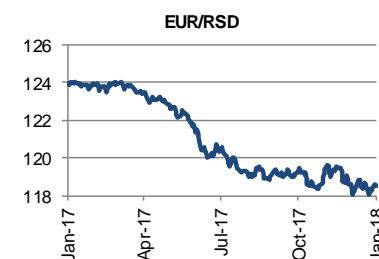
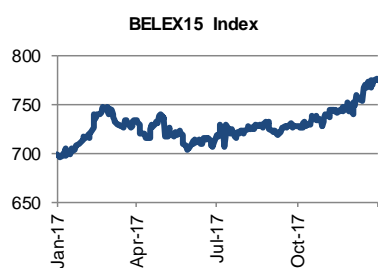
	Last	ΔDbps	ΔYTD bps
5-year	103	1	-15
10-year	152	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	772.3	-0.37%	1.64%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.45	0.17%	0.39%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.13	0	4
1-month	1.54	0	-33
3-month	1.97	0	-8
6-month	2.21	0	-6
12-month	2.35	0	3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.38	0	0
5Y RON	3.87	0	9
10Y RON	4.30	0	-1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.52	#N/A	N/A
USD Jan-24	3.26	-2	26

CDS

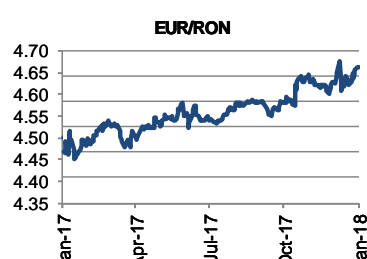
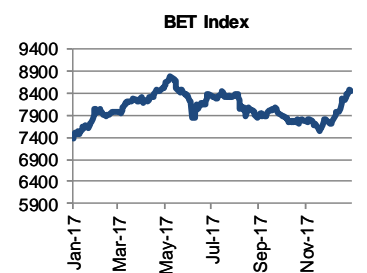
	Last	ΔDbps	ΔYTD bps
5-year	85	-1	-5
10-year	126	-2	-7

STOCKS

	Last	ΔD	ΔYTD
BET	8436.4	-0.64%	8.80%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.667	0.00%	-0.05%



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	-0.08	-2	-2
5Y BGN	0.12	1	-2
10Y BGN	0.98	0	1

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.10	0	18
EUR Sep-24	0.70	0	12

CDS

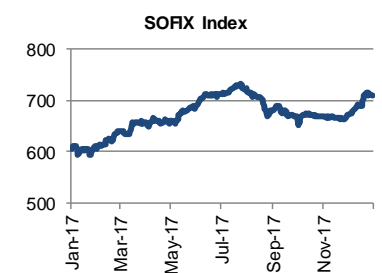
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	109	0	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	708.3	-0.14%	4.56%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5853	0.31%	2.78%



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

Data updated as of 12:00 EST

January 24, 2018

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