



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, January 25, 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: The USD extended recent losses in European trade on Thursday following comments by US Treasury Secretary Steven Mnuchin at a press conference at the World Economic Forum in Davos that he welcomed the USD's weakness as it is "good" for trade balance. All eyes today are on the ECB's monetary policy meeting that will be followed by a press conference starting at 14:30 CET. Even though the account of the December ECB meeting suggested a possible communication change "early" this year, any significant changes on the language and the forward guidance will likely wait at least until March when the ECB will publish its updated staff projections..

GREECE: According to press, Greek PM Alexis Tsipras is scheduled to meet IMF Managing Director Christine Lagarde today on the sidelines of the World Economic Forum in Davos to discuss debt sustainability and potential debt relief. The Greek PM is also scheduled to meet the EU Commissioner for Economic and Financial Affairs Pierre Moscovici with whom he will reportedly discuss the next steps ahead in order for Greece to exit the economic adjustment programme and strengthen its economy. The European Banking Authority (EBA) will formally launch the EU-wide stress test on 31 January 2018 at 5pm UK time. Along with the announcement, the EBA will publish the common macroeconomic scenarios for this exercise. Replying to the Greek MEP Nikolaos Chountis, ECB President Mario Draghi stated that as regards electronic auctions, further effort is needed to ensure full geographical coverage across Greece.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets traded mixed earlier on Thursday as caution prevailed ahead of the ECB meeting later on the day.

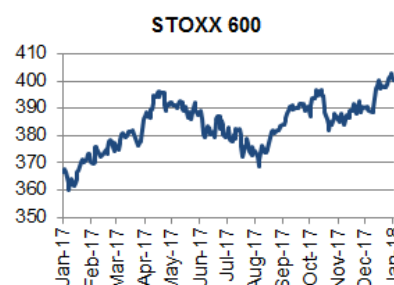
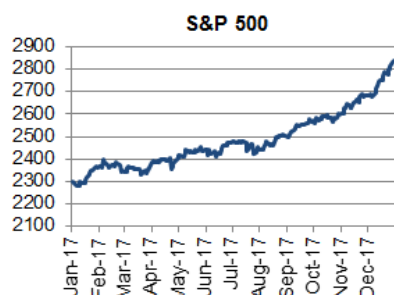
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January 25, 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

The USD extended recent losses in European trade on Thursday with the DXY index hitting a fresh three year low of 89.065 earlier today, 1.7% and 3.3% respectively lower so far this week and year-to-date. In addition to fears about US protectionist policies and market perception that the USD will gradually lose its yield advantage amid expectations for higher interest rates in other major economies outside the US, the driver behind the USD's latest bout of weakness were comments by US Treasury Secretary Steven Mnuchin at a press conference at the World Economic Forum in Davos yesterday that he welcomed the USD's weakness as it is "good" for trade balance. Against this background, the GBP/USD marked a fresh post-EU referendum high of 1.4328 earlier today while firmer than expected UK employment data pushed the EUR/GBP to 0.8685, the lowest so far this year. UK employment unexpectedly rose by 102k in the three months to November and the employment rate rose to a record peak of 75.3%. More importantly, regular pay growth rose to 2.4%YoY, the biggest increase since December 2016 compared to 2.3%YoY in the three months to October and consensus for an unchanged figure, pointing to increased risks of higher BoE interest rates later this year. Favored by broad based USD weakness, the EUR also moved higher marking a new three-year high of 1.2459 ahead of today's ECB monetary policy meeting. Even though the account of the December ECB meeting suggested a possible communication change "early" this year, any significant changes on the language and the forward guidance will likely wait at least until March when the ECB will publish its updated staff projections. Euro area core inflation has not shown signs of a sustainable upward trend yet while the ECB would likely prefer to avoid an unwanted tightening of monetary conditions, particularly through the currency. In any way, there is no rush for a change on the ECB's future policy communication as a decision on the future of QE is not expected before early summer.

ppetropoulou@eurobank.gr

GREECE

According to press, Greek PM Alexis Tsipras is scheduled to meet IMF Managing Director Christine Lagarde today on the sidelines of the World Economic Forum in Davos to discuss debt sustainability and potential debt relief. It is reminded that last week the IMF Communications Director Gerry Rice stated that with regard to debt relief not all differences between the Fund and the European partners have been bridged yet but there is scope for progress and work is being done by all sides towards a positive outcome. The Euroworking Group has already started technical work on a growth-adjustment mechanism as part of the medium term debt relief measures to be implemented if necessary in line with the 15 June 2017 Eurogroup agreement. The Greek PM is also scheduled to meet the EU Commissioner for Economic and Financial Affairs Pierre Moscovici with whom he will reportedly discuss the next steps ahead in order for Greece to exit the economic adjustment programme and strengthen its economy. Meanwhile, the European Banking Authority (EBA) will formally launch the EU-wide stress test on 31 January 2018 at 5pm UK time. Along with the announcement, the EBA will publish the common macroeconomic scenarios for this exercise. The methodology for the stress tests, which was published in November 2017, covers all relevant risk areas and, for the first time, incorporates IFRS 9 accounting standards. In other news, replying to the Greek MEP Nikolaos Chountis, ECB President Mario Draghi stated that as regards electronic auctions, further effort is needed to ensure full geographical coverage across Greece. With regard to the private debtor protection legal framework in Greece he mentioned that it has led to significant shortcomings allowing for the protection of strategic defaulters. These shortcomings will be addressed by the agreed changes to Law 3869/2010 ("Katseli" Law) incorporated in the conditionality of the 4th programme review.

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andimitriadou@eurobank.gr

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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

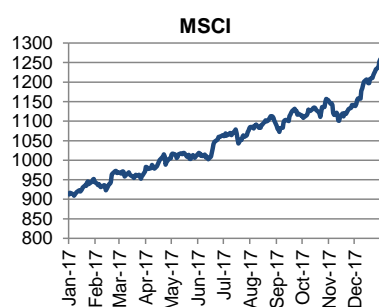
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets traded mixed earlier on Thursday as caution prevailed ahead of the ECB meeting later on the day. Meanwhile, ongoing worries over trade protectionism weighed on developing economies assets, though a weaker US dollar provided some support. Along these lines, the MSCI Emerging Markets index stood in a marginally positive territory at the time of writing, extending a 9-session rising streak which pushed the index to a new decade peak on Wednesday. Trailing the rally in global bourses so far this year, the said index has amassed gains to the tune of ca 9% on a year-to-date basis buoyed by global growth optimism and a weaker US dollar. A similar picture is evidenced in the CESEE space, where Romania's BETI is so far leading the gains with a ca 8% rise since the beginning of the year. That said, today it posed amongst the region's underperformers falling by 0.4% compared to Wednesday's settlement, after opening for the first day since yesterday's market holiday.

In FX markets, regional currencies were also mixed earlier today, despite the USD's renewed weakness. The Turkish lira lost some ground on persisting geopolitical jitters. Following a phone call held yesterday between Turkey's President Recep Tayyip Erdogan and his US counterpart Donald Trump, the White House issued a readout of their discussions. According to the statement President Trump expressed concerns about escalating violence in Afrin, Syria – where a Turkish military operation against Kurdish-led militia was launched last Saturday - and urged Turkey to limit its military actions in the region. Turkish official sources reportedly responded that the statement does not accurately reflect the content of the phone call. With frictions between the US and Turkey persisting, the USD/TRY traded around 3.7410 in European markets today, having pulled back from a 2-week trough of 3.7288 hit yesterday in a move mostly led by the USD's weakness. On the flipside, the Polish zloty firmed earlier today just off a 2 ½ year peak of 4.1402/€ hit in early January.

Focus today is on the ECB meeting. If the MPC does not vindicate market expectations for a dovish tilt in its tone, this is likely to push core government bond yields higher and dent CESEE assets yield allure. Turning to the CESEE region, the calendar includes macroeconomic releases, such as real gross wages for December in Serbia as well as real sector confidence and capacity utilization for January in Turkey. Also today, Romania plans to sell T-bonds maturing in 2020, while Ukraine's Central Bank holds a monetary policy meeting. According to a market consensus, the Committee is anticipated to hold the key policy rate stable at the current 14.50% level, following two consecutive rate hikes.

gphoka@eurobank.gr

January 25, 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	2837.54	-0.1%	6.1%	EUR/USD	1.2418	0.1%	3.4%	UST - 10yr	2.64	-1	23	GOLD	1360	0.1%	4.3%
Nikkei 225	23669.49	-1.1%	4.0%	GBP/USD	1.4256	0.1%	5.4%	Bund-10yr	0.58	-1	15	BRENT CRUDE	71	0.6%	6.1%
STOXX 600	400.32	-0.1%	2.9%	USD/JPY	109.07	0.1%	3.3%	JGB - 10yr	0.09	0	4	LMEX	3436	2.4%	0.5%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.53	2	1
1-week	2.62	1	1
1-month	2.84	3	-1
3-month	3.11	2	-1
6-month	3.26	5	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.23	-1	-5
5Y RSD	4.40	0	-47
7Y RSD	4.98	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.16	0	17
USD Nov-24	6.07	-30	3

CDS

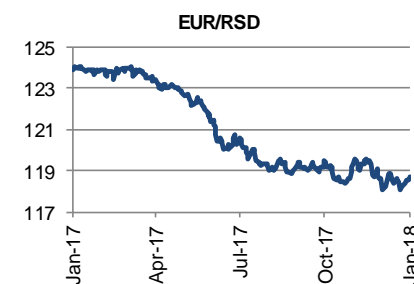
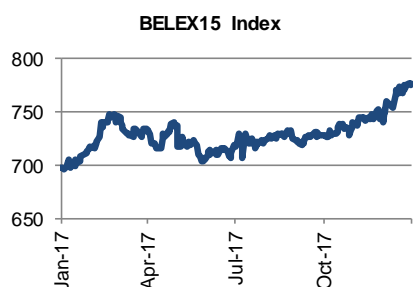
	Last	ΔDbps	ΔYTD bps
5-year	103	0	-15
10-year	151	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	776.4	0.16%	2.19%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.54	0.99%	0.31%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.13	#VALUE!	4
1-month	1.54	#VALUE!	-33
3-month	1.97	#VALUE!	-8
6-month	2.21	#VALUE!	-6
12-month	2.35	#VALUE!	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	0	-7
USD Jan-24	3.26	-1	26

CDS

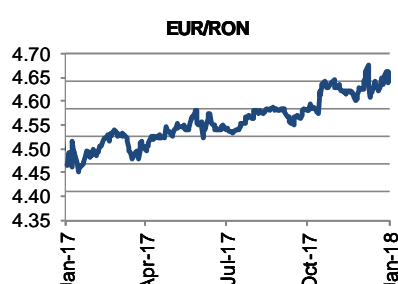
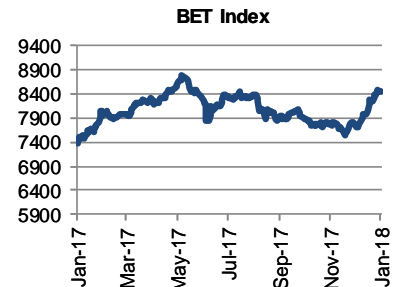
	Last	ΔDbps	ΔYTD bps
5-year	85	0	-5
10-year	126	0	-7

STOCKS

	Last	ΔD	ΔYTD
BET	8439.4	0.04%	8.84%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6643	-0.37%	0.01%



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	0	-2
5Y BGN	0.12	0	-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

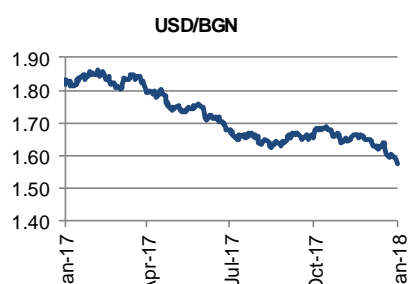
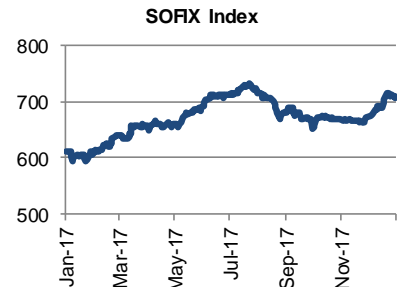
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	109	0	-32

STOCKS

	Last	ΔD	ΔYTD
SOFIX	707.4	0.07%	4.42%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5751	0.07%	3.45%



January 25, 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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