



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, January 29, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

US

- Jan 29: Personal income & spending (Dec)
- Jan 30: CB consumer confidence (Jan)
- Jan. 31
 - ADP private payrolls (Jan.)
 - Employment Cost Index Q4
 - Chicago PMI (Jan.)
 - Pending home sales (Jan.)
 - FOMC rate decision
- Feb. 1
 - Initial jobless claims
 - ISM manufacturing index (Jan.)
- Feb.2
 - Non-farm payrolls (Jan.)
 - Factory orders (Dec.)
 - UM consumer confidence (Feb.)

EUROZONE

- Jan 30
 - GDP Q4 2017
 - Economic sentiment (Jan.)
- Jan 31
 - CPI (Jan.)
 - Unemployment rate (Dec.)
- Feb. 1: PMI manufacturing final (Jan.)

GREECE

- Jan 30: PPI YY (Dec.)
- Jan 31: Retail Sales YY (Nov.)
- Feb 1: PMI Manufacturing (Jan.)

CYPRUS

- Feb 4: Presidential Elections (2nd round)

SEE

BULGARIA

- Jan 29: Gross External Debt
- Jan 30: PPI Index (Dec)
- Jan 31:
 - Budget Balance (Dec)
 - Base Interest Rate (Feb)

ROMANIA

- Jan 31:
 - Unemployment (Dec)
 - Int. Reserves (€ bn, Jan)
- Feb 2: PPI Index (Dec)

SERBIA

- Jan 31:
 - Industrial Production (Dec)
 - GDP (NSA YoY%, Q4)
 - Trade Balance (Dec)
 - Retail Sales (Dec)

Source: Reuters, Bloomberg, Eurobank

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: European bourses were slightly lower in early trade on Monday though risk sentiment remains positive overall with US equities hitting fresh record highs in the prior session supported by ongoing optimism over a continued expansion of the global economy this year and positive corporate earnings results. On the flipside, core government bonds remained under selling pressure. With respect to FX markets, the USD gained some ground supported by higher US bond yields.

GREECE: In an interview in a local newspaper, ESM Managing Director Klaus Regling stated among others that should Greece request further debt relief then there will need to be assurances that there will be no back-tracking in reforms, primary surplus targets will be met, agreed tax policies will be implemented, privatisations will be conducted and NPLs will be reduced. The ESM Head noted that the total amount of money earmarked by the ESM for this purpose could reach EUR 8-10 billion by the end of the programme. Meanwhile, according to local press, a task force has been set up within the Euroworking Group with the participation of IMF experts, with the mandate to work on the medium-term debt relief measures that will render Greece's public debt sustainable. The timetable reportedly foresees an in principle agreement by end-March 2018 likely coinciding with the return of the institutions' technical staff to Athens in the context of the 4th programme review.

SOUTH EASTERN EUROPE

CYPRUS: Following the results of the first round, a run-off election will be held between the incumbent President Anastasiades and the AKEL supported candidate Mr. Mallas next Sunday.

BULGARIA: Bulgarian stocks recorded modest losses, while Eurobonds and local currency bonds yields continued rising in the past week.

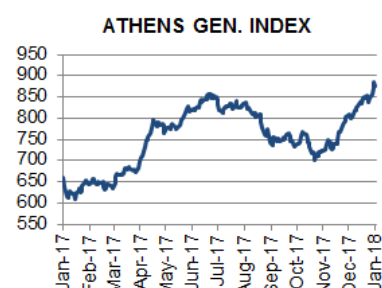
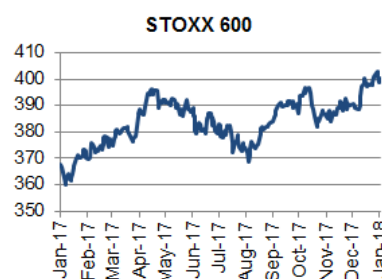
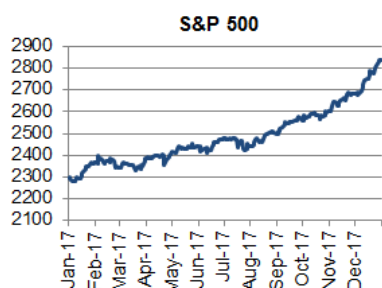
SERBIA: The EUR/RSD traded within a range of 119.45/65 to 119.75/95 last week.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

European bourses were slightly lower in early trade on Monday though risk sentiment remains positive overall with US equities hitting fresh record highs in the prior session supported by ongoing optimism over a continued expansion of the global economy this year and positive corporate earnings results. According to Thomson Reuters data, Q4 2017 earnings growth rate for the S&P 500 is estimated at 13.2%, up from 12% earlier this year with around 80% of the 133 companies that have reported so far, exceeding market expectations. On the flipside, core government bond yields remained on an upward trend while this week's data are likely to push them even higher across the US and the euro area. In the US, Tuesday's CB consumer confidence index for January is expected to increase slightly on the back of a continuing improvement in labor market conditions and hefty gains in equity markets. Non-farm payrolls, due on Friday, are anticipated to increase by a solid 165k in January and the unemployment rate to remain at a 17-year low of 4.1% for the fourth month running. The FOMC holds a two-day meeting that concludes on Wednesday and though no meaningful changes to the policy statement are likely, it is widely expected to provide further support to the prevailing view for higher interest rates this year. Turning to the euro area, Wednesday's inflation data for January are likely to show core inflation ticking up to 1.0%YoY from 0.9%YoY in the prior month while Q4 GDP data, due on the same day, are expected to reveal a slight acceleration to 0.7%QoQ from 0.6% in Q3. With respect to FX markets, the USD gained some ground with the DXY index rising by 0.2% on the day supported by higher US bond yields. In spite of today's upside attempt, it remained 1.3% and 3.1% lower respectively compared to Friday's settlement and end-2017 while mounting concerns about a shift of the US administration towards protectionist policies and associated worries about US official preference for a weaker dollar, suggest that it will probably be difficult for the USD to embark on a meaningful and sustainable upward trend any time soon.

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GREECE

In an interview in a local newspaper, ESM Managing Director Klaus Regling stated among others that should Greece request further debt relief, then there will need to be assurances that there will be no back-tracking in reforms, primary surplus targets will be met, agreed tax policies will be implemented, privatisations will be conducted and NPLs will be reduced. Klaus Regling added that the IMF's potential participation in the programme would signal to the market that the programme is on track. Nevertheless, the market will seek for other signals as well, such as the completion of the prior actions and statements from the Greek government showing that it has ownership of the programme. As regards the cash buffer, the ESM Head noted that the total amount of money earmarked by the ESM for this purpose could reach EUR 8-10 billion by the end of the programme. Meanwhile, according to local press, a task force has been set up within the Euroworking Group with the participation of IMF experts, with the mandate to work on the medium-term debt relief measures that will render Greece's public debt sustainable. The timetable reportedly foresees an in principle agreement by end-March 2018 likely coinciding with the return of the institutions' technical staff to Athens in the context of the 4th programme review. According to the said reports, the aim of the under-consideration plan will be to make sure that at least 15 years after 2022 when the EFSF and ESM loans grace period expires, Greece's GFN will remain relatively low and in line with economic growth. Among the measures under consideration are reportedly a ceiling of 1% of GDP per annum to interest payments and 2% per annum to amortisation payments on EFSF loans, the repayment of IMF loans using returned SMP/ANFA profits and the repayment of EU bilateral loans (GLF) from the 1st economic adjustment programme with unused funds from the 3rd economic adjustment programme. At the same time, European institutions reportedly request that aside from the primary surpluses, proceeds from privatisations and the exploitation of public property are also used towards interest payments.

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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

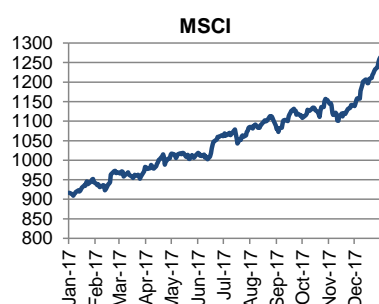
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

The first round of the Presidential elections in Cyprus was held yesterday. The incumbent President Anastasiades, backed by the ruling right-wing DHSY, received 35.5% of the popular vote. The runner up, Mr. Mallas who was backed by left wing AKEL received 30.25% of the vote exceeding expectations. Mr. Papadopoulos, whose candidacy received support from a coalition of centrist parties came third, receiving 25.75% of vote and was disqualified from the second round. Further behind came the far-right wing ELAM candidate with 5.6% and the Citizens' Alliance leader Mr. Lillikas who garnered 2.17%. The other four independent candidates received less than 1% of the popular vote. As no candidate received 51% of the vote, a run-off election is going to be held on next Sunday between President Anastasiades and Mr. Mallas. Finally, the voters' turn-out was a new historical low for Presidential elections standards. A total of 71.9% of voters casted their ballot down from 83.1% in the previous elections in 2013 and 66.7% in the parliamentary elections in 2016.

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BULGARIA

The Bulgarian stock market continued to display low weekly volatility with the blue chip SOFIX index dropping modestly by -0.3% to 709.62 points amid a €2.5mn in turnover. Eurobond yields continued to rise this week, with the 2023 papers registering a yield spike of 3bps. Local currency bonds followed a similar trend with the more notable yield spikes coming from the 5 and 8 year tenors with 5.5 and 5.25 bps increases respectively.

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SERBIA

The EUR/RSD bullish bounce has failed to develop around 118.75/95 earlier this week, retreating to the zone around 118.50/70, thanks to the generous support of the National Bank of Serbia (NBS). This week, NBS has sold €45mn directly in the FX market in order to halt the depreciation of the local currency. On a daily chart, the EUR/RSD pair closed almost unchanged compared with the prior session's settlement, hovering all day in narrow spread of only 5 paras (118.50/70 -118.55/75). Looking ahead, we still believe EUR/RSD to continue its sideway path within the three-week trading range of 118.20 -118.90 in the coming days with very active role of NBS on the selling side. In other news, President Aleksandar Vucic is attending the World Economic Leaders Forum in Davos. According to the schedule, he will be a speaker on a topic "Europe in the World" from the point of view of the Western Balkans region and participate in a session on the accelerated process of long-term development of the Western Balkans with the leaders of the region.

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January 29, 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	2872.87	1.2%	7.5%	EUR/USD	1.2405	-0.2%	3.3%	UST - 10yr	2.71	5	30	GOLD	1346	-0.2%	3.3%
Nikkei 225	23629.34	0.0%	3.8%	GBP/USD	1.4109	-0.4%	4.3%	Bund-10yr	0.66	3	23	BRENT CRUDE	70	-0.5%	5.0%
STOXX 600	400.38	0.0%	2.9%	USD/JPY	108.92	-0.3%	3.5%	JGB - 10yr	0.09	1	4	LMEX	3429	-0.2%	0.3%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	0
1-week	2.62	0	1
1-month	2.83	0	-2
3-month	3.11	0	-1
6-month	3.27	0	3

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	4.23	0	-5
5Y RSD	4.40	0	-47
7Y RSD	4.85	#N/A N/A	-33

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.15	2	15
USD Nov-24	6.10	-29	6

CDS

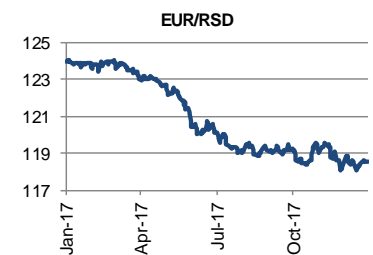
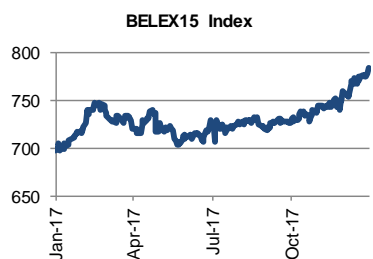
	Last	ΔDbps	ΔYTD bps
5-year	102	-1	-16
10-year	151	0	-11

STOCKS

	Last	ΔD	ΔYTD
BELEX15	784.5	0.78%	3.25%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.51	0.49%	0.34%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.14	-4	5
1-month	1.51	-1	-36
3-month	1.97	0	-8
6-month	2.25	0	-2
12-month	2.35	-1	3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.42	0	4
5Y RON	3.87	0	9
10Y RON	4.39	0	8

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.50	#N/A N/A	-9
USD Jan-24	3.28	2	28

CDS

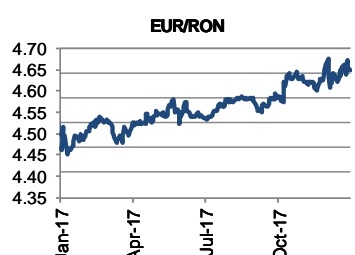
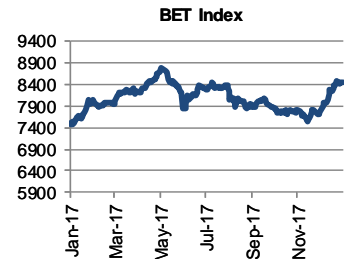
	Last	ΔDbps	ΔYTD bps
5-year	85	0	-5
10-year	126	0	-7

STOCKS

	Last	ΔD	ΔYTD
BET	8447.9	0.16%	8.95%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6561	0.12%	0.19%



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	2	1
5Y BGN	0.19	3	4
10Y BGN	1.03	0	6

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.15	-7	23
EUR Sep-24	0.74	-11	16

CDS

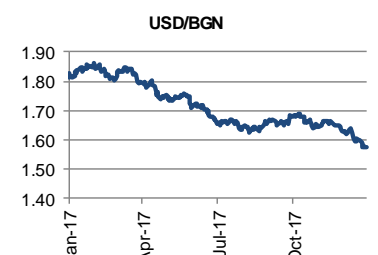
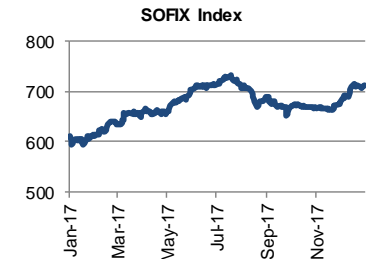
	Last	ΔDbps	ΔYTD bps
5-year	64	0	-33
10-year	110	0	-31

STOCKS

	Last	ΔD	ΔYTD
SOFIX	710.8	0.16%	4.92%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.5766	-0.17%	3.35%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:30 EST

January 29, 2018

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