



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, January 05, 2018

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Jan 2: Markit US Manufacturing PMI (Dec, F)
- Jan 3
 - ISM Manufacturing (Dec)
 - FOMC Meeting Minutes (Dec 13)
- Jan 4
 - ADP Employment (Dec)
 - Jobless claims (weekly)
 - Markit Services/Composite PMI (Dec, F)
- Jan 5
 - Nonfarm payrolls (Dec)
 - Unempl rate (Dec)
 - Average Hourly Earnings (Dec)
 - ISM non-manuf (Dec)

EUROZONE

- Jan 2: Markit Manufacturing PMI (Dec, F)
- Jan 4: Markit Services/Composite PMI (Dec, F)
- Jan 5: HICP – Headline / Core (flash, Dec)

GREECE

- Jan 2: PMI manufacturing (Dec)

SEE

ROMANIA

- Jan 3: International reserves (Dec)
- Jan 4
 - PPI (Nov)
 - RON 460mn 5.75% 2020 T-bonds auction

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Mirroring the positive tone in Wall Street overnight, Asian shares reached new record highs on Friday while European equity markets opened in the black with auto and technology stocks being the major outperformers. Shrugging off recent positive signs for the US economy, the DXY dollar index was trading around 92.060 in European trade on Friday, within distance from Tuesday's three-month low of 91.751. Against this background, the EUR/USD held firm around 1.2060 at the time of writing, within sight of its 2 ½-year peak of \$1.2092 hit on September 8. In the rates market, the 10-y Treasuries yields stood at 2.46%, below its 7-month peak of 2.501% hit in mid-December, as low wage growth continues to weigh on inflationary pressures. Looking at today's calendar, the December CPI for the Eurozone takes centre stage, while in the US average hourly earnings will be the crucial part of the payroll report. On other events, the Fed's Patrick Harker and Loretta Mester are both scheduled to speak on the Economic Outlook and on Monetary Policy Coordination, respectively.

GREECE: In the coming week the Greek government is reportedly intending to table to Parliament a multi-bill which will incorporate the required legislation for the remaining prior actions in the context of the 3rd programme review with a view to closing the review at the January 22nd Eurogroup. The Deputy Minister of Economy and Development Stergios Pitsiorlas expressed confidence that as regards the Hellinikon project, good progress is being made in addressing bureaucratic obstacles and construction works are expected to begin in 2018. The Thessaloniki Port Authority 67% Share Purchase Agreement between the Hellenic Republic Asset Development Fund (HRADF) and the preferred investor consortium company South Europe Gateway Thessaloniki Limited was signed on December 21st. The next steps consist of the approval of the agreement by the Hellenic Competition Commission and its ratification by the Parliament so that the transaction may be completed by end-Q1 2018.

SOUTH EASTERN EUROPE

CESEE MARKETS: Emerging market assets kicked off the year on a positive footing amid global growth optimism for 2018, while a weaker US dollar also boosted their high yield allure.

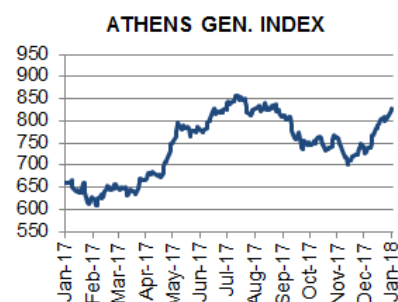
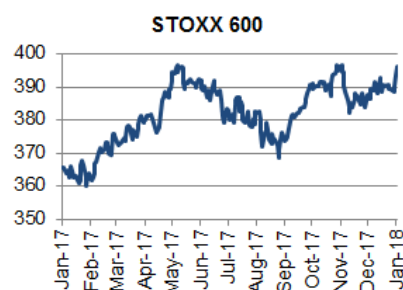
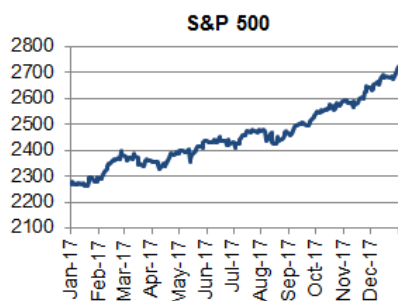
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January 5, 2018

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Mirroring the positive tone in Wall Street overnight, Asian shares reached new record highs on Friday while European equity markets opened in the black with auto and technology stocks being the major outperformers. The final readings for the Eurozone's services and composite PMI indices that were revised 0.1ppt higher in December (to 56.6 and 58.1 respectively) to report the highest readings since the beginning of the global financial crisis also helped. Following a robust US manufacturing ISM index on Tuesday (59.7 in December vs. 58.2 expected from 58.2 in November), a stronger than expected Markit US Services PMI (53.7 in December vs 52.5 expected from 52.4 in November) and a positive US ADP National Employment Report on Thursday, focus today centres on the US payroll report later on the day. According to the ADP report, US private employers added 250k jobs in December, surpassing market expectations for a rise of 190k and recording the biggest monthly increase since March. Shrugging off recent positive signs for the US economy, the DXY dollar index was trading around 92.060 in European trade on Friday, within distance from Tuesday's three-month low of 91.751. Against this background, the EUR/USD held firm around 1.2060 at the time of writing, within sight of its 2 ½-year peak of \$1.2092 hit on September 8. In the rates market, the 10-y Treasuries yields stood at 2.46%, below its 7-month peak of 2.501% hit in mid-December, as low wage growth continues to weigh on inflationary pressures. Looking at today's calendar, the December CPI for the Eurozone takes centre stage, while in the US average hourly earnings will be the crucial part of the payroll report. Market consensus for the nonfarm payrolls is for an increase of 190k in December from 228k in November, while average hourly earnings are seen at 0.3%MoM from 0.2%MoM in November, with the annual growth consolidating at 2.5%YoY. On other events, the Fed's Patrick Harker and Loretta Mester are both scheduled to speak on the Economic Outlook and on Monetary Policy Coordination, respectively.

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GREECE

In the coming week the Greek government is reportedly intending to table to Parliament a multi-bill which will incorporate the required legislation for the remaining prior actions in the context of the 3rd programme review. On January 11th the Euroworking Group (EWG) will review the progress made and, assuming a positive EWG assessment, the January 22nd Eurogroup will approve the closing of the review and give the green light for the disbursement of the next loan tranche. Meanwhile, on the privatisations front, the Deputy Minister of Economy and Development Stergios Pitsiorlas reportedly expressed confidence that as regards the Hellinikon project, good progress is being made in addressing bureaucratic obstacles and construction works are expected to begin in 2018. With regard to the Thessaloniki Port Authority (OLTH), the 67% Share Purchase Agreement between the Hellenic Republic Asset Development Fund (HRADF) and the preferred investor consortium company South Europe Gateway Thessaloniki Limited was signed on December 21st. The next steps consist of the approval of the agreement by the Hellenic Competition Commission and its ratification by the Parliament so that the transaction may be completed by end-Q1 2018. According to the relevant HRADF press release, the total value of the agreement amounts to EUR1.1 billion, which includes the share acquisition (EUR231.92 million) and mandatory investments amounting to EUR180 million within the next seven years as well as expected revenues from the Concession Agreement for the Hellenic Republic in the area of EUR170 million. The total value also includes the expected dividends receivable by the HRADF for the remaining 7.22% of shares and the estimated investments (in excess of the mandatory ones), until the end of the concession period in 2051. On the economic data front, according to the Bank of Greece, in October 2017 travel receipts increased by 14.2%yoy with receipts from both EU28 and non-EU28 increasing by 14.2%yoy and 16.8%yoy respectively. In January – October 2017, travel receipts increased by 10.6%yoy due to an increase of 14.1% in EU28 receipts and 4.8% in non-EU28 receipts.

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BULGARIA: Indicators	2015	2016	2017e
Real GDP growth %	3.6	3.4	3.6
CPI (pa, yoy %)	-0.1	-0.8	1.6
Budget Balance/GDP*	-2.8	1.6	-1.3
Current Account/GDP	-0.1	5.4	3.5
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	2015	2016	2017e
Real GDP growth %	1.7	2.8	3.5
HICP (pa, yoy %)	-1.5	-1.2	1.0
Budget Balance/GDP*	0.1	0.4	0.2
Current Account/GDP	-3.0	-5.7	-5.9

* ESA 2010

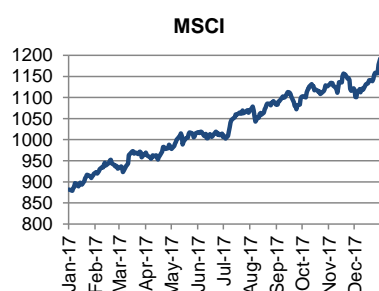
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016	2017e
Real GDP growth %	3.7	4.8	5.5
CPI (pa, yoy %)	-0.6	-1.6	1.4
Budget Balance/GDP *	-1.9	-2.4	-3.7
Current Account/GDP	-1.1	-2.2	-3.0
EUR/RON (eop)	4.48	4.54	4.62
	2016	current	2017
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016	2017e
Real GDP growth %	0.8	2.8	2.0
CPI (pa, yoy %)	1.4	1.2	3.0
Budget Balance/GDP	-3.7	-1.3	-0.5
Current Account/GDP	-4.7	-4.0	-4.0
EUR/RSD (eop)	121.38	123.40	120.0
	2016	current	2017
Policy Rate (eop)	4.00	3.50	3.50

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 kicked off the year on a positive footing amid global growth optimism for 2018, while a weaker US dollar also boosted their high yield allure. Trailing the rally in major global indices, the MSCI Emerging Markets index traded 0.4% higher at the time of writing compared to Thursday's close, poised to end the week with gains in excess of 3% after reaching a new 6 ½ high. In a similar vein, the majority of bourses in the CESEE region moved higher earlier today, with Romania's BET index firming by 0.3% on the day bringing its weekly gains to 3% in early European trade on Friday.

Elsewhere, regional currencies stabilized near recent highs earlier today, favored by the US dollar's weakness this week. The Polish zloty stood just 0.3% lower from a 2 ½-year peak of 4.1402/€ hit overnight largely shrugging of a larger-than-expected decline in December's annual consumer inflation that was released earlier in the week that dented market expectations for Central Bank rate hikes later this year. Despite ongoing monetary easing by the Central Bank of Hungary, aimed at stimulating the economy via unconventional monetary tools, the Hungarian forint remained within distance from yesterday's 2 ½-month high of 307.85/€. Similarly, the Romanian leu stood earlier today not too far from a 2-week high near 4.6170/€ hit on Thursday and the Turkish lira reached a 2 ½-month peak of 3.7316/\$ in early European trade.

In the local currency debt markets, Romania's finance ministry sold on Thursday RON 460 mn (~€90.30 mn) in a re-tap of 2020 T-notes, raising more than twice an originally planned amount of RON 200mn. The average accepted yield came in at 3.11%, well above a yield of 1.86% achieved at a prior auction when the paper was last sold in September last year. Yields in Romania have risen significantly over recent months in view of escalating concerns about economic overheating, increased expectations for higher interest rates and tight market liquidity. The securities were sold at a price of 105.7566, mature on April 29, 2020 and bear an annual coupon of 5.75%.

Today's CESEE calendar of macroeconomic data and events is very light with focus now on the upcoming US labour market data release. The region's calendar turns heavy next week, with Central Bank meetings in the region taking centre stage. Romania's Central Bank holds its monetary policy meeting on Monday, while Poland's meets on Wednesday. According to a market consensus both are anticipated to keep the key policy rates at the current record low levels of 1.75% and 1.50%, respectively. Meanwhile, Serbia's Central Bank holds its MPC meeting on Thursday, with the key policy rate likely to remain unchanged at the current lifetime low of 3.50%. On Friday, inflation data for December are due in Romania, Serbia, Ukraine and Hungary, while the final Q3 GDP data is also to be announced in the former. Among other, government bond auctions in Romania and Turkey also lure market attention. Finally, Romania's sovereign credit rating is due for a review by Fitch on Friday.

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January 5, 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	2723.99	0.4%	1.9%	EUR/USD	1.2051	-0.1%	0.4%	UST - 10yr	2.46	1	6	GOLD	1317	-0.5%	1.0%
Nikkei 225	23714.53	0.9%	4.2%	GBP/USD	1.3544	-0.1%	0.2%	Bund-10yr	0.44	1	1	BRENT CRUDE	67	-0.9%	0.9%
STOXX 600	396.38	0.7%	1.9%	USD/JPY	113.25	-0.4%	-0.5%	JGB - 10yr	0.06	1	2	LMEX	3405	0.8%	-0.4%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.52	0	0
1-week	2.61	-1	0
1-month	2.82	-1	-3
3-month	3.09	-1	-3
6-month	3.22	-1	-2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.96	0	-15
5Y RSD	4.49	0	1
7Y RSD	4.87	#N/A	N/A

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.01	-1	1
USD Nov-24	6.03	-31	0

CDS

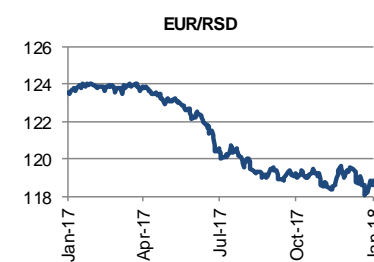
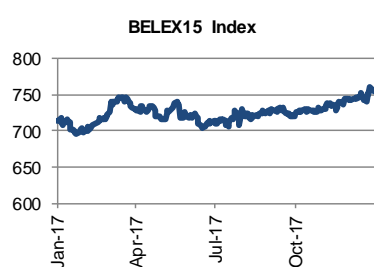
	Last	ΔDbps	ΔYTD bps
5-year	129	-1	11
10-year	175	-1	13

STOCKS

	Last	ΔD	ΔYTD
BELEX15	754.4	-0.18%	-0.71%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.63	0.26%	0.24%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	1.02	-6	-7
1-month	1.63	-15	-24
3-month	2.01	-2	-4
6-month	2.26	0	-1
12-month	2.31	0	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.34	0	-5
5Y RON	3.73	0	-5
10Y RON	4.33	0	1

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.56	0	-4
USD Jan-24	3.04	0	4

CDS

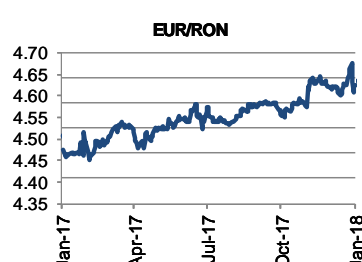
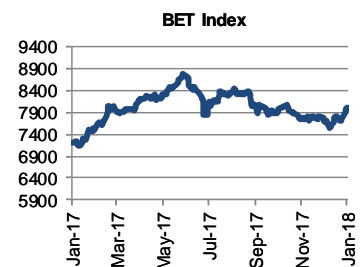
	Last	ΔDbps	ΔYTD bps
5-year	87	-2	-3
10-year	130	-2	-3

STOCKS

	Last	ΔD	ΔYTD
BET	7999.0	0.42%	3.16%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6358	-0.08%	0.63%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.26	0	-1
3-month	-0.18	0	0
6-month	-0.05	0	0
12-month	0.32	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.27	4	5
5Y BGN	-0.07	-1	-1
10Y BGN	0.81	0	3

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	-0.09	0	-1
EUR Sep-24	0.57	0	-1

CDS

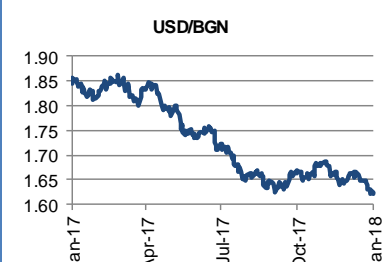
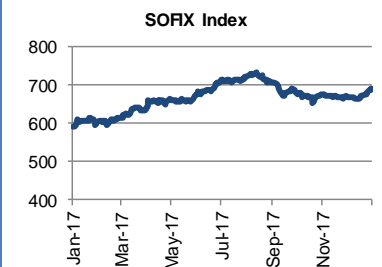
	Last	ΔDbps	ΔYTD bps
5-year	55	0	-42
10-year	97	5	-45

STOCKS

	Last	ΔD	ΔYTD
SOFIX	692.6	0.23%	2.23%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.6232	-0.15%	0.38%



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

Data updated as of 13:10 EST

January 5, 2018

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