



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 09, 2017

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL

##### US

- Feb 6: Trade balance (Dec)
- Feb 9: Initial claims (weekly)
- Feb 10: UoM consumer sentiment (p, Feb)

##### EUROZONE

- Feb 8: ECB President Draghi speaks

##### GREECE

- Feb 9
  - U/E rate (Nov)
  - Industrial Production (Dec)

##### SEE

##### BULGARIA

- Feb 8
  - Industrial Production (Dec)
  - Retail sales (Dec)
- Feb 9: Trade balance (Dec)

##### ROMANIA

- Feb 6: 3.5% 2022 T-Bonds auction
- Feb 7: MPC meeting announcement
- Feb 9
  - Trade balance (Dec)
  - Industrial sales (Dec)
  - Net wages (Dec)
  - 2.25% 2020 T-Bonds auction
- Feb 10: Industrial Production (Dec)

##### SERBIA

- Feb 7: PPI (Jan)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Taking the positive lead from the Asian equity market, major European equity indices advanced in early trade for the third consecutive session, supported by better-than-expected corporate earnings' results. In FX markets, the DXY dollar index consolidated around levels of 100.20 in early European trade, away from a 14-year high of 103.82 in early January hit on expectations of large fiscal stimulus under US President Donald Trump that would boost real economic activity. Elsewhere, the euro rebounded slightly as peripheral spreads tightened on speculation that an accommodative monetary policy by the ECB will remain in place until 2019, with the EUR/USD trading around levels of 1.0705/06 at the time of writing, up from a one-week low of 1.0640 reached yesterday. In the rates markets, 10yr Bunds advanced on strong investor demand at a 10yr German auction held yesterday, coupled by media reports that ECB President Draghi said on Wednesday that he sees the ECB maintaining an accommodative policy until the end of his mandate in 2019.

**GREECE:** The Euroworking Group (EWG) that is scheduled to convene today may discuss the progress made in a number of pending issues such as labour and energy market reforms but is not expected to significantly influence the progress of the 2<sup>nd</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme. Meanwhile, difference of opinions between the European institutions and the IMF remain while Greece is reportedly on a standby mode.

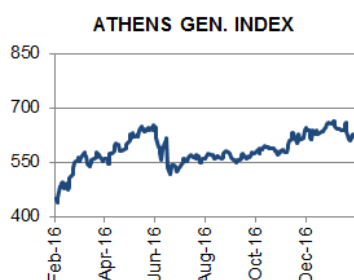
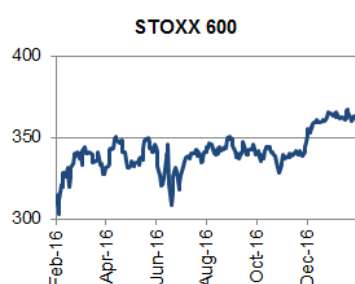
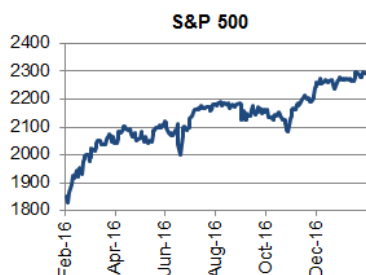
### SOUTH EASTERN EUROPE

**CESEE MARKETS:** CESEE assets traded mixed in early European trade on Thursday. In FX markets, the Romanian leu consolidated near yesterday's levels, having sharply rebounded from recent multi-month lows after the government repealed an emergency decree it adopted last week that would ease anti-corruption legislation. Separately, the Polish zloty remained under pressure after the Central Bank meeting yesterday, where the Committee maintained a wait-and-see stance.

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## Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

### GLOBAL MARKETS

Most Asian equities extended their recent gains on Thursday, boosted by an upsurge in global commodity prices. In China, automakers and financial shares led the rise amid an improved outlook for Chinese corporate earnings. Mirroring the positive tone in Asia, major European equity indices advanced in early trade for the third consecutive session, supported by better-than-expected corporate earnings' results. In FX markets, the DXY dollar index consolidated around levels of 100.20 in early European trade, away from a 14-year high of 103.82 in early January hit on expectations of large fiscal stimulus under US President Donald Trump that would boost real economic activity. Elsewhere, the euro rebounded slightly as peripheral spreads tightened on speculation that an accommodative monetary policy by the ECB will remain in place until 2019, with the EUR/USD trading around levels of 1.0705/06 at the time of writing, up from a one-week low of 1.0640 reached yesterday. In the rates markets, 10yr Bunds advanced on strong investor demand at a 10yr German auction held yesterday, coupled by media reports that ECB President Draghi said on Wednesday that he sees the ECB maintaining an accommodative policy until the end of his mandate in 2019. As a result, government bonds firmed in the European periphery and in France, with the French 10-yr corresponding yield falling to a two-week low of 0.965% earlier today. In the commodities markets, crude oil prices firmed as gasoline inventories fell unexpectedly, with the Brent hovering around levels of \$55.75/bbl at the time of writing below last week's almost one-month high of \$57.45/bbl.

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### GREECE

The Euroworking Group (EWG) that is scheduled to convene today may discuss the progress made in a number of pending issues such as labour and energy market reforms but is not expected to significantly influence the progress of the 2<sup>nd</sup> review of the 3<sup>rd</sup> Economic Adjustment Programme. Meanwhile, difference of opinions between the European institutions and the IMF remain while Greece is reportedly on a standby mode. Dutch FinMin and Eurogroup President Jeroen Dijsselbloem stated yesterday at the Parliament in The Hague that the IMF's participation in Greece's 3<sup>rd</sup> programme is necessary for the Netherlands to continue their support. At the same time, the German FinMin Wolfgang Shaeuble insisted that Greece's main problem is its competitiveness and not its debt burden and that in any case under the EU treaties a debt "haircut" is prohibited. Meanwhile, on the back of criticism against the IMF's recent debt sustainability analysis on Greece, its Managing Director Christine Lagarde defended the Fund's findings and insisted that although some reforms have been made, more are needed to free the economy's potential. It is not by coincidence that the IMF in its Article IV Consultation stressed that debt relief needs to be complemented with strong policy implementation to restore growth and sustainability. The IMF's Managing Director also argued that Greece will not be able to sustain primary surpluses of 3.5% of GDP and stressed the importance of a broader tax base for income tax that would allow a fairer distribution of tax burdens.

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February 9, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2015	current	2016
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

\* ESA 2010

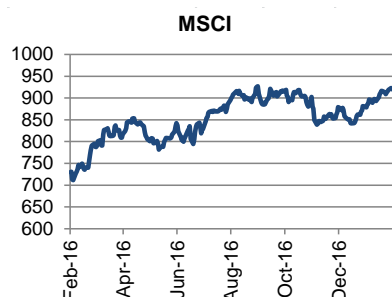
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2015	current	2016
Policy Rate (eop)	1.75	1.75	1.75

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.4	1.0	2.1
Budget Balance/GDP	-3.7	-2.1	-1.7
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2015	current	2016
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Research

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

CESEE assets traded mixed in early European trade on Thursday. Regional stocks moved broadly higher, with Poland's WIG index leading the gains, registering a daily advance of 1.2%. Meanwhile, regional currencies and government bonds were mixed. In FX markets, the Romanian leu consolidated near yesterday's levels, having sharply rebounded from recent multi-month lows after the government repealed an emergency decree it adopted last week that would ease anti-corruption legislation. The decree would decriminalize some corruption offences and would effectively protect several public officials from graft prosecution. The center-left coalition government argued it would assist in easing prison overcrowding and aligning the criminal code with that of the constitutional court. However, it triggered massive street protests and stirred negative reaction from the US, the European Commission and domestic authorities over backtracking the country's anti-corruption progress since becoming an EU member. Yesterday, the Social Democrat-led cabinet survived a no-confidence motion in parliament called by opposition parties last week in the aftermath of the adoption of the decree. In view of somewhat easing political jitters domestically, the EUR/RON was trading near 4.4865 in European markets today, remaining within distance from Wednesday's 4-month trough of 4.4790 and staying below a 7 ½ month high of 4.5530 reached last week.

Separately, the Polish zloty remained under pressure after the Central Bank meeting yesterday, where the Committee maintained a wait-and-see stance. As was broadly anticipated the Central Bank of Poland (NBP) stayed put on its monetary policy, leaving the key policy (reference) rate at the current record low level of 1.50%. In the accompanying statement, the Monetary Policy Council noted that the recent rise in inflation is mostly attributed to external factors, such as higher global commodity prices. In the press conference that followed the announcement of the MPC decision, NBP Governor Adam Glapinski acknowledged that inflation may temporarily exceed the 2.5% target in mid-2017. In line with the aforementioned, the statement also acknowledged that higher inflation is anticipated in the first months of the year, but noted that price growth is expected to stabilize in the coming quarters. Taking into account the external and temporary nature of the aforementioned factors behind the rise in inflation along with low domestic demand dynamics the Committee argued that the current level of policy rates is appropriate. Looking into the coming months, interest rates will likely remain unchanged throughout 2017, against a backdrop of heightened external risks and potential headwinds to the country's economic growth prospects. Higher interest rates may be considered in the event that inflation rises sustainably above target, possibly as a result of, among others, zloty weakening on the back of deteriorating risk appetite or a commodity price shock. Along these lines, the EUR/PLN was hovering around levels of 4.3140 at the time of writing, not too far from yesterday's 1-week peak just above 4.32. The pair pulled back from a 4-month high of 4.27 hit earlier in the week amid upbeat macroeconomic data and position squaring.

Looking into the remainder of the week, the CESEE calendar is relatively light. Government bond auctions are planned today in Hungary and Romania. Tomorrow, the only macroeconomic data release scheduled is the industrial output for December in Romania, which is expected to increase by 2.0% on an annual basis and pick up pace from a 1.5%YoY increase in November.

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February 9, 2017

**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	2294.67	0.1%	2.5%	EUR/USD	1.0693	0.0%	1.6%	UST - 10yr	2.36	2	-9	GOLD	1242	0.0%	7.8%
Nikkei 225	18907.67	-0.5%	-1.1%	GBP/USD	1.257	0.2%	1.7%	Bund-10yr	0.31	1	10	BRENT CRUDE	56	1.1%	-1.9%
STOXX 600	364.71	0.2%	0.9%	USD/JPY	112.26	-0.3%	4.2%	JGB - 10yr	0.10	0	5	LMEX	2842	1.5%	6.9%

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	-1	-2
1-week	3.10	-1	-7
1-month	3.35	1	0
3-month	3.46	0	-1
6-month	3.68	0	2

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	-1	-1
5Y RSD	5.46	-1	10
7Y RSD	5.69	0	6

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.04	-6	-28
USD Nov-24	6.47	1	6

**CDS**

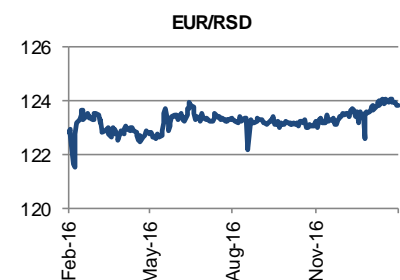
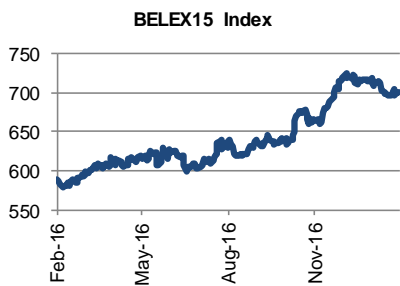
	Last	ΔDbps	ΔYTD bps
5-year	200	-5	-8
10-year	247	0	-8

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	701.5	0.26%	-2.22%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.80	0.02%	-0.27%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.45	-1	-11
1-month	0.63	0	-13
3-month	0.81	0	-9
6-month	1.05	0	-6
12-month	1.22	0	-3

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	-3	4
5Y RON	2.64	-2	12
10Y RON	3.55	-3	-10

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.11	-2	-2
USD Jan-24	3.61	0	-24

**CDS**

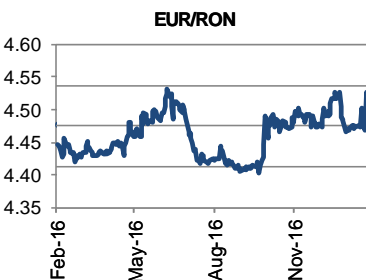
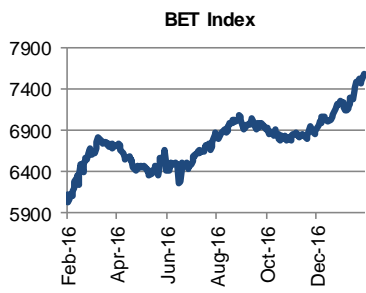
	Last	ΔDbps	ΔYTD bps
5-year	97	1	-12
10-year	141	1	-12

**STOCKS**

	Last	ΔD	ΔYTD
BET	7633.1	0.37%	7.73%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4958	-0.16%	0.96%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	24	-9
1-month	-0.17	0	-1
3-month	-0.08	0	-1
6-month	0.06	0	-2
12-month	0.40	0	-1

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.12	3	-4
5Y BGN	0.40	-1	-10
10Y BGN	1.71	0	-20

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.84	0	-51
EUR Sep-24	1.64	0	-4

**CDS**

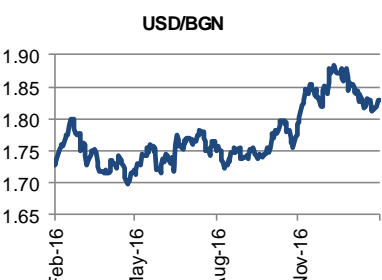
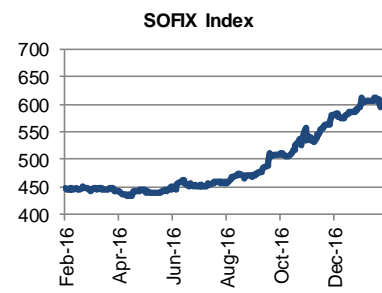
	Last	ΔDbps	ΔYTD bps
5-year	120	1	-32
10-year	164	1	-29

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	601.5	-0.36%	2.56%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.8292	-0.04%	1.60%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 13:00 EET

February 9, 2017

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