



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 11, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Jan 11: President-elect Trump's first official press conference
- Jan 12
 - Initial claims (weekly)
 - Fed Chair Yellen speaks
- Jan 13
 - Retail sales (Dec)
 - Producer prices (Dec)
 - UoM consumer sentiment (Jan, p)

EUROZONE

- Jan 9: U/E rate (Nov)
- Jan 12: ECB meeting minutes (Dec)

GREECE

- Jan 9: Industrial production (Nov)
- Jan 11: CPI/HICP (Dec)
- Jan 12: U/E rate (Oct)

SEE

BULGARIA

- Jan 10
 - Industrial production (Nov)
 - Retail sales (Nov)
- Jan 12: Trade balance (Nov)
- Jan 13: CPI (Dec)

ROMANIA

- Jan 9
 - Trade balance (Nov)
 - ILO U/E rate (Nov)
- Jan 12
 - Industrial production (Nov)
 - T-Bonds auction
- Jan 13
 - Net wages (Nov)
 - CPI (Dec)
 - GDP (Q3, f)
 - MPC meeting minutes
 - Current account (Nov)

SERBIA

- Jan 10: 3.5% 2018 T-Bonds auction
- Jan 11: 2% 2019 T-Bonds auction
- Jan 12
 - CPI (Dec)
 - MPC meeting

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major currency pairs held within recent narrow ranges in early European trade on Wednesday on the back of market uncertainty ahead of US President-elect Donald Trump's news conference at 4pm GMT for clues over his policy on taxes, international trade, immigration and infrastructure during his administration. Meanwhile, oil prices remained under pressure on Wednesday amid market uncertainty over whether the recent agreement among OPEC and non-OPEC member countries of a production cut could be effectively implemented amid different interests.

GREECE: In his meetings with the French FinMin Michel Sapin and the Commissioner for Economic Affairs Pierre Moscovici, the Greek FinMin Euclid Tskalotos will reportedly seek to gain their support ahead of the Euroworking Group (EWG) tomorrow, so that Greece will not need to adopt too heavy additional measures in order for the negotiations of the 2nd programme review to advance. According to press reports, the Greek government is planning to submit a proposal regarding the duration, content and activation procedure of the contingent fiscal mechanism, in order to curb the institutions' concerns regarding the potential fiscal gap in 2018 and beyond. According to the ESM Management Board Member Kalin Anev Janse the short-term debt relief measures for Greece, are expected to be implemented by end of January while the ESM has increased by 14% its target for long-term financing in 2017, to meet additional liquidity needs for the relief of Greek debt.

SOUTH EASTERN EUROPE

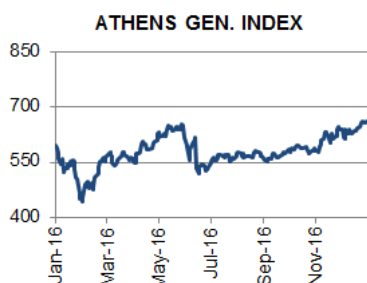
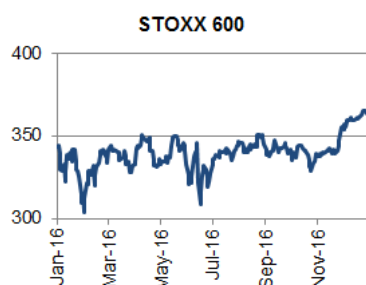
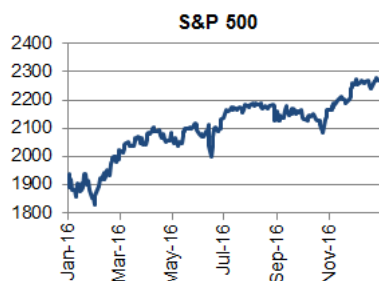
CESEE MARKETS: Emerging market assets were mixed earlier on Wednesday amid caution ahead of President-elect Trump's first official press conference due later on the day. Meanwhile, the Turkish lira eased to new historical lows despite measures announced by the Central Bank yesterday to halt the currency's steep depreciation trend.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Major currency pairs held within recent narrow ranges in early European trade on Wednesday on the back of market uncertainty ahead of US President-elect Donald Trump's news conference at 4pm GMT for clues over his policy on taxes, international trade, immigration and infrastructure during his administration. The DXY index was hovering around 102.080 at the time of writing after recording a session low of 101.510 on Tuesday, remaining within the 101.300-103.820 recent range. The EUR/USD was standing close to 1.0550/55, having gained 0.2% so far this week while the USD/JPY was trading at 115.85/90, not far from a three-week low of 115.04 touched in the first trading week of the year. Elsewhere, US bond yields were little changed over the last few sessions as much of the expected impact of Donald Trump's tax plans is already priced in. Awaiting his first press conference since the presidential election, the 10-yr US Treasury yield was standing close to 2.38%, not far from last week's multi-week trough of 2.33% after marking a 2 ½ year peak of 2.64% in mid-December. Meanwhile, oil prices remained under pressure on Wednesday amid market uncertainty over whether the recent agreement among OPEC and non-OPEC member countries of a production cut could be effectively implemented amid different interests. After hitting a multi-year peak of \$58.37 per barrel last week, Brent crude oil was hovering around \$53.86 per barrel at the time of writing, within distance from Tuesday's three-week low of \$53.58 per barrel. In the absence of major data releases on Wednesday and Thursday, focus is on US retail sales for December due on Friday.

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GREECE

In his meetings with the French FinMin Michel Sapin and the Commissioner for Economic Affairs Pierre Moscovici, the Greek FinMin Euclid Tskalotos will reportedly seek to gain their support ahead of the Euroworking Group (EWG) tomorrow, so that Greece will not need to adopt too heavy additional measures in order for the negotiations of the 2nd programme review to advance. According to press reports, the Greek government is in fact planning to submit a proposal to curb the institutions' concerns regarding the potential fiscal gap in 2018 and beyond. This proposal reportedly entails the following: 1) extension of the contingent fiscal mechanism beyond 2018, 2) explicit commitment that the contingent fiscal mechanism will also include the cutting of expenses such as pensions and wages as well as the decrease of the tax-free threshold (it currently stands between €8.636 and €9.550 depending on the taxpayer's family status), 3) inclusion in the measures of contingent fiscal mechanism the increase of taxation, e.g. through an increase in the VAT rates, and 4) an easier process for the activation of the contingent fiscal mechanism. Nevertheless, the Greek government refuses to legislate in advance the above measures on the grounds that such conditional legislation contradicts the Constitution of Greece. Furthermore, the Greek government would wish to tie any additional measures to a firm commitment by the institutions that the medium term debt relief measures will be specified upfront and automatically implemented upon completion of the 2nd bailout programme in mid-2018, a commitment that the German government is, however, reluctant to make on the grounds that it is too premature. As things stand, though a positive outcome at the January 26th Eurogroup cannot be ruled out completely, the 2nd programme review is more likely to be concluded at the next scheduled Eurogroup of February 20th and will to a large extent depend on an agreement between the institutions and the Greek side on the primary surplus targets beyond 2018 as well as on the stance of the IMF. Meanwhile, according to the ESM Management Board Member Kalin Anev Janse the short-term debt relief measures for Greece are expected to be implemented by end of January while the ESM has increased by 14% its target for long-term financing in 2017, to meet additional liquidity needs for the relief of Greek debt.

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January 11, 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

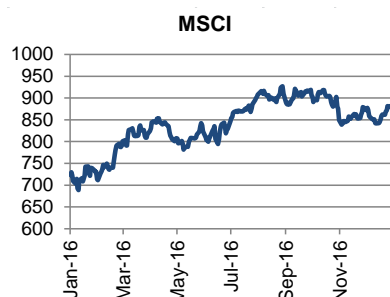
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Emerging market assets were mixed earlier on Wednesday amid caution ahead of President-elect Trump's first official press conference due later on the day. Meanwhile, the Turkish lira eased to new historical lows as USD-liquidity boosting measures announced by the Central Bank yesterday failed to halt the currency's steep depreciation trend. In a statement released in its website on Tuesday, CBT announced that it lowered the interbank money market limits to TRY22bn. It also reduced the foreign exchange reserve requirement ratios by 50bps across all maturities, which will release additional liquidity of ca. USD 1.5bn to the financial system. Additionally, the Central Bank intervened verbally highlighting that it "closely monitors the excessive volatility in the markets", leaving the door open for further action "against unhealthy price formations that are inconsistent with economic fundamentals".

In spite of the said measures, the lira slid to a record lows near 3.8925/\$ and 4.1090/€ in Asian trade. Against the US dollar the currency has lost more than 9% of its value in the first few days of the year and more than a quarter since the July 2016 coup attempt. The lira's ongoing depreciation pressures over recent months come on the back of worries over the country's economic growth prospects, security concerns and heightened domestic political jitters. Downside pressures on the currency have been lately exacerbated by the lack of an aggressive response by the Central Bank. At the same time, high level politicians remain vocal on their calls for monetary easing to support the weakening economic activity, which is anticipated to have slowed down to 2.5% in 2016 from 4.0% a year earlier. Despite persistently above target inflation and the lira's steep depreciation trend, the Central Bank has yet to respond aggressively, having delivered just one 50bps rate hike in November last year. Market participants seem to expect cumulative tightening of 150bps, or more, in the coming months.

Elsewhere, the Mexican peso also fell to record lows of 21.8450 against the USD on growing concerns about the impact of president-elect Trump's policies on the country's trade relations with the US. In the local debt markets, Serbia's finance ministry sold on Tuesday RSD 5.81bn (~€50mn) of 2-year T-bonds. The issue matures on January 12, 2019 and bears a coupon of 3.5%, while the tender's average accepted yield came in at 4.74% yesterday. Today's focus is on the MPC meeting decision in Poland and a T-bonds auction of 2019 paper in Serbia. Also later on the day, Hungary's Central Bank releases the minutes from its last MPC meeting.

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January 11, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
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CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	301	0	1
1-week	3.15	0	-2
1-month	3.35	1	0
3-month	3.49	1	2
6-month	3.72	1	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.35	0	-1
7Y RSD	5.63	0	0

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.23	-1	-9
USD Nov-24	6.46	2	5

CDS

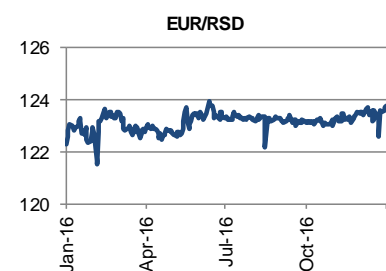
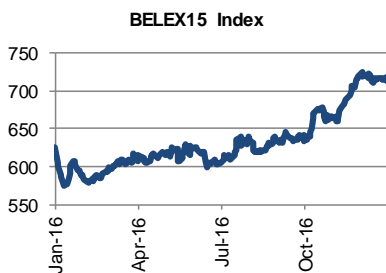
	Last	ΔDbps	ΔYTD bps
5-year	208	1	0
10-year	255	0	-1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	707.3	-0.76%	-1.41%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.77	-0.06%	-0.25%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	-1	-13
1-month	0.59	0	-17
3-month	0.82	0	-8
6-month	1.07	0	-4
12-month	1.22	0	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.53	1	-9
5Y RON	2.42	2	-10
10Y RON	3.45	4	-20

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.99	#N/A	N/A
USD Jan-24	3.62	0	-23

CDS

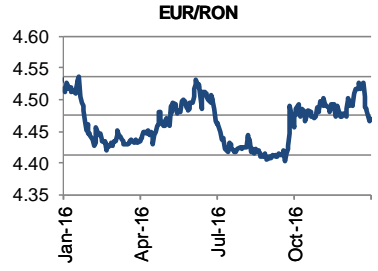
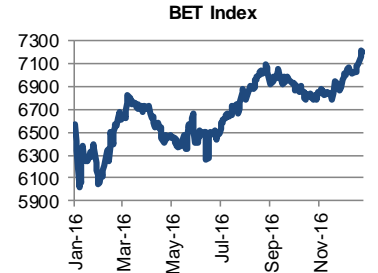
	Last	ΔDbps	ΔYTD bps
5-year	100	-3	-9
10-year	143	-3	-9

STOCKS

	Last	ΔD	ΔYTD
BET	7234.7	-0.13%	2.11%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.494	0.08%	1.00%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.10	0	-10
1-month	-0.17	0	0
3-month	-0.07	0	0
6-month	0.07	0	0
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.13	-1	-2
5Y BGN	0.56	3	5
10Y BGN	1.84	0	-7

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.47	0	-15
EUR Sep-24	1.53	-22	-15

CDS

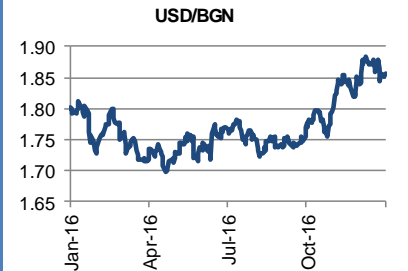
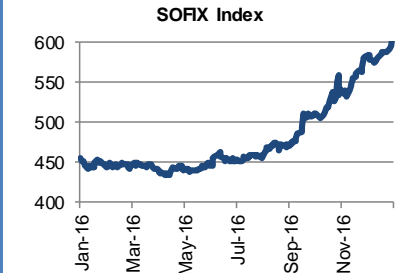
	Last	ΔDbps	ΔYTD bps
5-year	123	-2	-29
10-year	164	-2	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	613.1	0.66%	4.55%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8574	-0.22%	0.05%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 11:40 EET

January 11, 2017

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