



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Monday, December 12, 2016

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- Dec 14
  - Retail Sales (Nov)
  - Industrial Production (Nov)
  - FOMC policy meeting
- Dec 15
  - Empire State Index (Dec)
  - Initial claims
  - Philly Fed Index (Dec)
  - CPI (Nov)
  - NAHB Index (Dec)
- Dec 16 Housing starts & permits (Nov)

#### EUROZONE

- Dec 13: German ZEW Index (Dec)
- Dec 14: Industrial Production (Oct)
- Dec 15: PMI Manufacturing & Services (Dec)
- Dec 16: CPI (Nov)

#### GREECE

- Dec 13
  - Technical teams representing official lenders are expected to return to Athens to resume discussions with Greek authorities in the context of the 2<sup>nd</sup> programme review
  - Building Activity (Sep)
- Dec 15: Labor Force Survey (Q3 2016)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Oil prices were higher in European trade on Monday after non-OPEC members, including Russia, agreed in a meeting held with OPEC members on Saturday to join forces and cut production by 558k/bbl as of January 1, 2017, the first deal in the last 15 years. In FX markets, the JPY was among the main underperformers while, on the flipside, the CAD was among the top outperformers supported by higher oil prices. Elsewhere, the Treasury yield curve steepened with the spread between the 2-yr and 10-yr yield widening to the widest in a year. Focus this week is on the December 13-14 FOMC policy meeting where market consensus is for a 25bps rate hike.

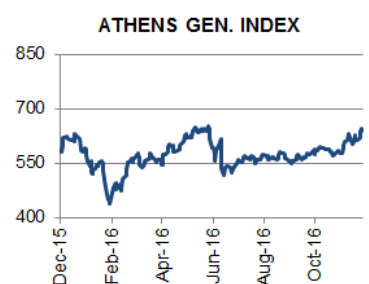
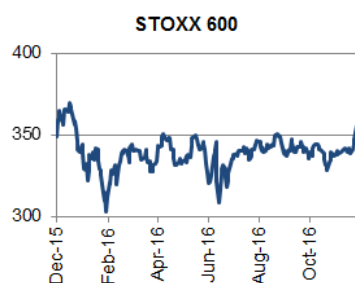
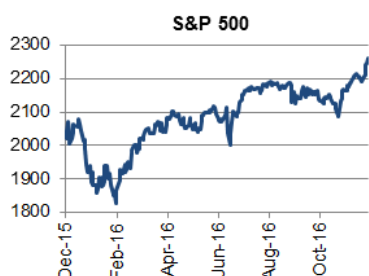
**GREECE:** The recent announcement of the Greek PM Alexis Tsipras for a one-off payout to low income pensioners and the postponement of the VAT increase to refugee crisis – hit islands seems to have perplexed official lenders as it had not reportedly been discussed with them first. Deliberations for the conclusion of the 2nd programme review are expected to be resumed later than previously expected with the return of the institutions' technical staff to Athens possibly on Tuesday. Meanwhile, the differences between Greece's official lenders, primarily the IMF and Germany, remain. The Greek PM Alexis Tsipras will reportedly pursue a political agreement for the completion of the review in his meetings with Francois Hollande and Angela Merkel later this week.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Oil prices were higher in European trade on Monday after non-OPEC members, including Russia, agreed in a meeting held with OPEC members on Saturday to join forces and cut production by 558k/bbl as of January 1, 2017, the first deal in the last 15 years. In addition, Saudi Arabia, the world's top oil producer, signaled its readiness to cut daily production by more than 486k/bbl announced at the November 30th OPEC meeting. Reacting to the above developments, Brent crude oil price was testing levels slightly above \$57/bbl on Monday for the first time since July 2015, marking gains of c. 5.0% compared to the settlement in the prior session. Meanwhile, the majority of European bourses were modestly firmer in early trade on Monday mainly supported by higher oil prices. In FX markets, the USD retained a firm tone against most of its major G10 FX currency peers ahead of the two-day FOMC monetary policy meeting that concludes on Wednesday, December 14th. Market consensus is for a 25bps rate hike as US economic data point to a solid growth outlook and the ongoing improvement in labor market conditions support expectations for a gradual rise in inflationary pressures in the foreseeable future. Following a short-lived drop to a multi-week low of 99.430 late last week, the DXY index was standing close to 101.410 at the time of writing, not too far from a multi-year peak of 102.050 recorded in mid-November. The JPY was among the main underperformers in view of the improved tone in the majority of global equity markets while, on the flipside, the CAD was among the top outperformers supported by higher oil prices. Elsewhere, the Treasury yield curve steepened with the spread between the 2-yr and 10-yr yield widening to 135bps, the widest in a year. Taking their cue from long-dated Bunds in response to the ECB's decision last week for a reduced pace of monthly asset purchases, the 10-yr US Treasury yield hit levels slightly above 2.50% earlier today for the first time since mid-2015.

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### GREECE

According to the Supplemental MoU of June 2016, the fiscal space arising from fiscal over-performance vis-à-vis the programme targets could potentially be used to strengthen social protection (in particular the Guaranteed Minimum Income programme) as long as this is in agreement with the institutions, while the reduction of tax burdens is possible provided that the achievement of the fiscal targets is assured. The recent announcement of the Greek PM Alexis Tsipras for a one-off payout to low income pensioners and the postponement of the VAT increase to refugee crisis – hit islands seems to have perplexed official lenders as it had not reportedly been discussed with them first. Deliberations on the 2nd programme review are expected to be resumed possibly on Tuesday with the return of the institutions' technical staff to Athens. Meanwhile, the differences between Greece's official lenders, primarily the IMF and Germany, remain. In order for the IMF to participate financially in the programme, the Fund requires either lower primary surpluses for 2018 and beyond or further measures – such as the decrease of the tax-free threshold and further pension cuts – that would make the current primary surplus targets attainable. Germany, on the other hand, strongly opposes any decrease in the primary surplus targets while at the same time it requires the participation of the IMF in the programme as a prerequisite for the Bundestag to approve the disbursement of any additional funds to Greece. Against this background, the Greek PM Alexis Tsipras will reportedly pursue a political agreement that will bypass the current deadlock between creditors and to this end is scheduled to meet Francois Hollande and Angela Merkel as well as a number of other high-ranking officials towards the end of the week. In other news, the 2017 Budget was voted by 152 lawmakers in the 300-seat Parliament. The Medium Term Fiscal Strategy for 2017-2020, a pending item in the current programme review, has not yet been agreed.

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December 12, 2016

## 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       | 2259.53  | 0.6%  | 10.5% | EUR/USD | 1.0576 | 0.1%  | -2.6%            | UST - 10yr | 2.52 | 5     | 25          | GOLD        | 1153 | -0.6% | 8.7%  |
| Nikkei 225    | 19155.03 | 0.8%  | 0.6%  | GBP/USD | 1.2599 | 0.2%  | -14.5%           | Bund-10yr  | 0.40 | 3     | -23         | BRENT CRUDE | 57   | 5.0%  | 53.0% |
| STOXX 600     | 354.94   | -0.1% | -3.0% | USD/JPY | 115.9  | -0.5% | 3.6%             | JGB - 10yr | 0.09 | 3     | -18         | LMEX        | 2806 | 1.1%  | 27.4% |

## CESEE MARKETS

| SERBIA                |        |       |          | ROMANIA               |        |        |          | BULGARIA              |        |       |          |  |  |  |
|-----------------------|--------|-------|----------|-----------------------|--------|--------|----------|-----------------------|--------|-------|----------|--|--|--|
| <b>Money Market</b>   |        |       |          | <b>Money Market</b>   |        |        |          | <b>Money Market</b>   |        |       |          |  |  |  |
| <b>BELIBOR</b>        | Last   | ΔDbps | ΔYTD bps | <b>ROBOR</b>          | Last   | ΔDbps  | ΔYTD bps | <b>SOFIBOR</b>        | Last   | ΔDbps | ΔYTD bps |  |  |  |
| T/N                   | 297    | -4    | -6       | O/N                   | 0.48   | 0      | -5       | LEONIA                | -0.13  | 0     | -14      |  |  |  |
| 1-week                | 3.11   | -2    | -8       | 1-month               | 0.62   | 0      | -7       | 1-month               | -0.17  | 0     | -32      |  |  |  |
| 1-month               | 3.29   | 0     | -22      | 3-month               | 0.8    | 0      | -22      | 3-month               | -0.08  | 0     | -34      |  |  |  |
| 3-month               | 3.46   | 2     | -37      | 6-month               | 1.05   | 0      | -29      | 6-month               | 0.08   | 0     | -45      |  |  |  |
| 6-month               | 3.64   | 2     | -39      | 12-month              | 1.16   | 0      | -36      | 12-month              | 0.40   | 0     | -57      |  |  |  |
| <b>RS Local Bonds</b> |        |       |          | <b>RO Local Bonds</b> |        |        |          | <b>BG Local Bonds</b> |        |       |          |  |  |  |
|                       | Last   | ΔDbps | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps | (yields)              | Last   | ΔDbps | ΔYTD bps |  |  |  |
| 3Y RSD                | 5.07   | 0     | -34      | 3Y RON                | 1.53   | 2      | -40      | 3Y BGN                | 0.23   | 0     | -37      |  |  |  |
| 5Y RSD                | 5.67   | 0     | -143     | 5Y RON                | 2.43   | 4      | -37      | 5Y BGN                | 0.66   | 0     | -61      |  |  |  |
| 7Y RSD                | 5.73   | 0     | -5       | 10Y RON               | 3.58   | 6      | -20      | 10Y BGN               | 2.01   | 0     | -65      |  |  |  |
| <b>RS Eurobonds</b>   |        |       |          | <b>RO Eurobonds</b>   |        |        |          | <b>BG Eurobonds</b>   |        |       |          |  |  |  |
|                       | Last   | ΔDbps | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps | ΔYTD bps |  |  |  |
| USD Nov-17            | 2.43   | 1     | -73      | EUR Oct-25            | 2.34   | 3      | -23      | EUR Jul-17            | -0.24  | 0     | -30      |  |  |  |
| USD Nov-24            | 6.47   | 3     | 6        | USD Jan-24            | 3.93   | 6      | 15       | EUR Sep-24            | 1.89   | -27   | -53      |  |  |  |
| <b>CDS</b>            |        |       |          | <b>CDS</b>            |        |        |          | <b>CDS</b>            |        |       |          |  |  |  |
|                       | Last   | ΔDbps | ΔYTD bps |                       | Last   | ΔDbps  | ΔYTD bps |                       | Last   | ΔDbps | ΔYTD bps |  |  |  |
| 5-year                | 208    | 0     | -67      | 5-year                | 121    | 1      | -12      | 5-year                | 157    | 1     | -15      |  |  |  |
| 10-year               | 254    | -1    | -85      | 10-year               | 167    | 1      | -5       | 10-year               | 189    | 0     | -27      |  |  |  |
| <b>STOCKS</b>         |        |       |          | <b>STOCKS</b>         |        |        |          | <b>STOCKS</b>         |        |       |          |  |  |  |
|                       | Last   | ΔD    | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD    | ΔYTD     |  |  |  |
| BELEX15               | 719.5  | 0.34% | 11.71%   | BET                   | 6944.6 | 0.72%  | -0.85%   | SOFIX                 | 584.5  | 0.51% | 26.81%   |  |  |  |
| <b>FOREX</b>          |        |       |          | <b>FOREX</b>          |        |        |          | <b>FOREX</b>          |        |       |          |  |  |  |
|                       | Last   | ΔD    | ΔYTD     |                       | Last   | ΔD     | ΔYTD     |                       | Last   | ΔD    | ΔYTD     |  |  |  |
| EUR/RSD               | 123.41 | 0.10% | -1.48%   | EUR/RON               | 4.5055 | -0.06% | 0.19%    | USD/BGN               | 1.8493 | 0.14% | -2.65%   |  |  |  |
| <b>BELEX15 Index</b>  |        |       |          | <b>BET Index</b>      |        |        |          | <b>SOFIX Index</b>    |        |       |          |  |  |  |
|                       |        |       |          |                       |        |        |          |                       |        |       |          |  |  |  |
| <b>EUR/RSD</b>        |        |       |          | <b>EUR/RON</b>        |        |        |          | <b>USD/BGN</b>        |        |       |          |  |  |  |
|                       |        |       |          |                       |        |        |          |                       |        |       |          |  |  |  |

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

Data updated as of 11:00 EET

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