



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Friday, January 13, 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: USD gained some ground in European trade on Friday, recovering part of the prior session's losses mainly due to the lack of details from US President-elect at his first news conference over his incoming administration's policies on income taxation and infrastructure spending. JPY was among the main underperformers while GBP came under renewed pressure on mounting woes over a "hard Brexit". On the data front, focus today is on US December's retail sales which are expected to indicate that private consumption remains an important driver of the US economic activity.

GREECE: The Euroworking Group (EWG) that convened yesterday did not determine the timing of the return of the ECB/EC/IMF/ESM mission heads to Athens on the grounds that more progress needs to be made on the contentious issues of the negotiations. The Greek FinMin Euclid Tsakalotos expressed confidence that "there is positive momentum, all parties are looking for a solution and not many are looking to create problem". Greece's general government gross financing needs are projected to reach €16.9bn in 2017 and €9.6bn over the period January-August 2018 with the most challenging month of 2017 in terms of debt service costs being July, with respective amortization and interest payments expected to amount to c. €7.4bn.

SOUTH EASTERN EUROPE

CYPRUS: According to Central Bank of Cyprus data, banks have demonstrated mixed performance in the achievement of their respective NPFs restructuring targets in Q3-2016.

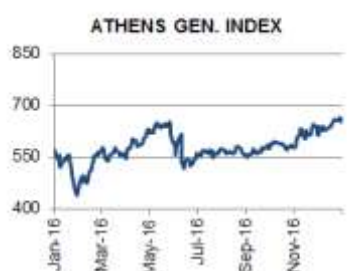
CESEE MARKETS: Emerging market assets treaded water earlier today, consolidating near recent levels, with most poised to end the week in the black. In the FX markets, the Turkish lira retreated anew in morning European trade, giving up part of yesterday's gains. In other news, the National Bank of Serbia stayed put on its monetary policy and maintained the benchmark rate at the current record low level of 4.00% on Thursday.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

USD gained some ground in European trade on Friday, recovering part of the prior session's losses mainly due to the lack of details from US President-elect at his first news conference over his incoming administration's policies on income taxation and infrastructure spending. After marking a five-week low of 100.720 on Thursday, the DXY index moved higher hovering around 101.280 at the time of writing, some way off a 14-year peak of 103.820 in the first trading week of the year. As long as we do not witness a significant deterioration in risk sentiment in the coming sessions/weeks and upcoming US macroeconomic data do not deliver major negative surprises, the USD's positive momentum is likely to remain intact short-term. Pressured by a broadly firmer USD, EUR/USD weakened trading close to 1.0630/35 at the time of writing, having retreated from a multi-week high of 1.0684 in the prior session. The ECB's account of the December monetary policy meeting downplayed the significance of the Central Bank's decision to reduce the pace of asset purchases in the context of the QE programme from April and revealed a cautious outlook on growth and underlying inflation. Focus is on next week's meeting where the ECB President is expected to downplay tapering speculation following an increase in the euro area inflation to a 3 1/2 year high in December. Elsewhere, GBP came under pressure on mounting woes over a "hard Brexit" following news that UK Prime Minister Theresa May will set out her vision for Brexit in a speech scheduled for January 17th. Market focus is on the verdict of the UK Supreme Court in the coming sessions on whether to uphold a High Court ruling last year suggesting that the UK government needs parliamentary approval before triggering Article 50.

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GREECE

The Euroworking Group (EWG) that convened yesterday did not determine the timing of the return of the ECB/EC/IMF/ESM mission heads to Athens on the grounds that more progress needs to be made on the contentious issues of the negotiations, namely the labour market reform, the medium term fiscal strategy and the energy market reform. On his part, after a meeting with the European Commissioner for Economic Affairs Pierre Moasovicci, the Greek FinMin Euclid Tsakalotos expressed confidence that "there is positive momentum, all parties are looking for a solution and not many are looking to create problem". Meanwhile, in an interview in a German newspaper, German FinMin Wolfgang Schaeuble stated that if the IMF were to decide not to participate in the Greek bailout programme for any reason, then the European monetary system could find its own solution to support Greece. But in this case, the Europeans themselves would have to "significantly improve" the conditions agreed in a new aid programme. The ESM could be employed for this purpose but it would have to get the approval of the German parliament first. The IMF's spokesperson Gerry Rice stated at a press conference that the Fund remains fully involved in the ongoing deliberations on the Greek bailout programme in order for it to be able to respond to the invitation extended to it by the Greek government to fully participate in the programme. However, Mr. Rice reiterated the IMF's position that the primary surplus targets for 2018 and beyond should be lowered to 1.5%-of-GDP (from 3.5% currently) or else new measures would be required, including pension cuts and the decrease of the tax-free threshold. In the following weeks the IMF article IV mission statement will be released, which will incorporate the Fund's debt sustainability analysis (DSA) on Greece's public debt. Meanwhile, Greece's general government gross financing needs are projected to reach €16.9bn in 2017 and €9.6bn over the period January-August 2018 with the most challenging month of 2017 in terms of debt service costs being July, with respective amortization and interest payments expected to amount to c. €7.4bn.

January 13, 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

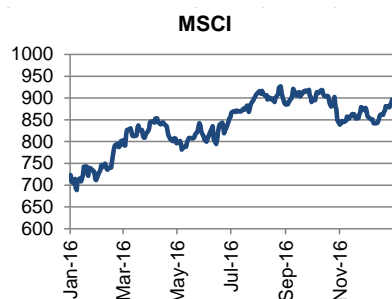
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CYPRUS

Overall banks have demonstrated mixed performance in the achievement of their restructuring targets in Q3. The Central Bank uses a set of four indicators to monitor the compliance of the banks in the NPFs restructuring process. According to the data released by the Central Bank of Cyprus, the stock of non-performing facilities (NPFs) declined by only €0.6bn in Q3-2016, bringing the stock of NPFs down by 11.7% in the period between December 2014-September 2016. The decline in NPFs reflects three main factors: increased repayments, the migration of successful restructurings to performing facilities after the completion of the observance period plus write-offs and settlements through immovable property exchange. Total facilities decreased by €0.4bn during the same period, resulting in a small decline in the ratio of NPFs to total facilities, from 48.6% in September to 49.5% in June. Based on the EBA conservative definition a restructured NPF is still classified as an NPF for a probation period of at least 12 months, even if it is serviced without incurring new arrears. As a result, a large fraction of the restructured loans are still classified in NPFs (€10bn out of €13.6bn in September 2016).

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CESEE MARKETS

Emerging market assets treaded water earlier today, consolidating near recent levels, with most poised to end the week in the black. Despite being in a marginally negative territory in Asian trade, the MSCI Emerging Markets index is braced to register weekly gains to the tune of 1.7%. In the FX markets, the Turkish lira retreated anew in morning European trade, giving up part of yesterday's gains. After reaching historical lows against hard currencies earlier in the week, the TRY has recovered some ground following Central Bank action. In more detail, CBT announced on Tuesday USD-liquidity boosting measures and intervened verbally to prop up the domestic currency. Additionally, it tightened TRY liquidity conditions yesterday by deciding not to open a 1-week repo auction. Albeit the aforementioned measures undertaken so far are not as aggressive as the market might have hoped, they do indicate some CBT uneasiness about the currency's ongoing weakness which provided some support to the lira over the previous two sessions. Against this backdrop, the USD/TRY hovered around levels of 3.7960, ca 1% higher compared to Thursday's settlement, though below a record peak of 3.9407 hit on Wednesday.

In other news, the National Bank of Serbia (NBS) stayed put on its monetary policy and maintained the benchmark rate at the current record low level of 4.00% for the 6th month running on Thursday. NBS delivered in July last year the latest cut under the current monetary easing cycle which started in May 2013. Since then, the amount of cumulative rate easing rendered totals 775bps, with the cycle appearing to have already reached a trough. Headline inflation for December, also released yesterday, came in at 1.6%YoY, confirming that CPI remained below the 2.5-5.5% official target. However, the Central Bank's target has been set at 1.5-4.5% as of this year and CPI is anticipated to move higher on the back of increasing aggregate demand and base effects and remain within the said target throughout the year. At the same time, several key risk events lie ahead, domestically as well as internationally. Albeit the impact from December's Fed rate hike on Serbia's financial assets seems to have been rather limited, further US monetary tightening, that is likely to be delivered this year, may dent the higher yield allure of emerging market assets. The looming presidential election in spring is a key risk event domestically, that may prove a source of heightened volatility in Serbian markets.

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January 13, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities													
Last	ΔD	ΔYTD	Last	ΔD	ΔYTD	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD					
S&P 500	2270.44	-0.2%	1.4%	EUR/USD	1.0644	0.3%	1.2%	(yields)	UST - 10yr	2.35	-1	-9	GOLD	1197	0.2%	3.9%
Nikkei 225	19287.28	0.8%	0.9%	GBP/USD	1.2204	0.4%	-1.2%	Bund-10yr	0.32	0	11	BRENT CRUDE	56	-0.1%	-1.5%	
STOXX 600	363.89	0.4%	0.7%	USD/JPY	114.63	0.1%	2.1%	JGB - 10yr	0.05	1	0	LMEX	2799	1.9%	5.2%	

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	-1	-1
1-week	3.12	-3	-5
1-month	3.35	1	0
3-month	3.49	1	2
6-month	3.72	0	6

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.35	0	-1
7Y RSD	5.60	-3	-3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.16	-3	-17
USD Nov-24	6.46	2	4

CDS

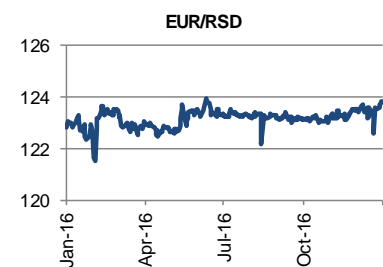
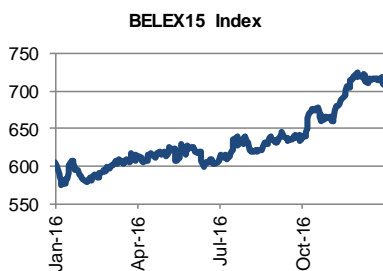
	Last	ΔDbps	ΔYTD bps
5-year	208	0	0
10-year	255	0	-1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	710.4	-0.57%	-0.97%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.81	-0.02%	-0.28%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-13
1-month	0.6	0	-16
3-month	0.82	1	-8
6-month	1.08	1	-3
12-month	1.24	2	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.60	3	-2
5Y RON	2.50	2	-2
10Y RON	3.50	3	-15

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.95	0	-18
USD Jan-24	3.53	-1	-33

CDS

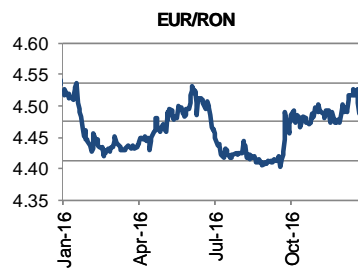
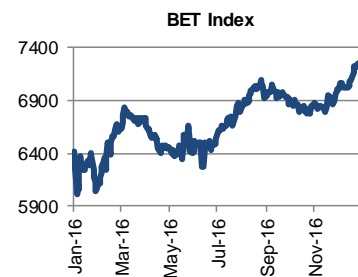
	Last	ΔDbps	ΔYTD bps
5-year	98	0	-11
10-year	141	0	-11

STOCKS

	Last	ΔD	ΔYTD
BET	7139.8	-0.54%	0.77%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4951	-0.02%	0.98%



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	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.13	-1	-2
5Y BGN	0.50	-3	0
10Y BGN	1.83	0	-8

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.58	15	-25
EUR Sep-24	1.51	25	-17

CDS

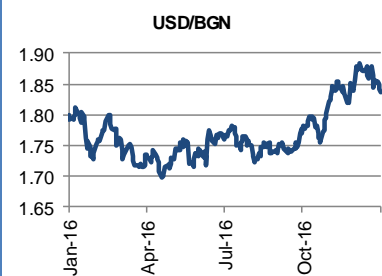
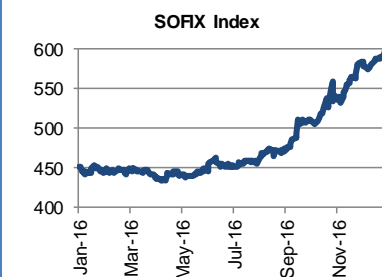
	Last	ΔDbps	ΔYTD bps
5-year	123	-3	-29
10-year	164	-3	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	603.3	-0.66%	2.88%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8376	0.30%	1.13%



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

Data updated as of 11:45 EET

January 13, 2017

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