



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 13, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL US

- Feb 14: Fed Chair Yellen delivers semi-annual testimony to the Senate Banking Panel
- Feb 15
 - Empire State Index (Feb)
 - CPI (Jan)
 - Retail sales (Jan)
 - Industrial production (Jan)
 - NAHB Index (Feb)
 - Fed Chair Yellen delivers semi-annual testimony to Congress' House Financial Services Committee
- Feb 16
 - Housing starts (Jan)
 - Housing permits (Jan)
 - Initial claims (weekly)
 - Philly Fed (Feb)

EUROZONE

- Feb 14: GDP (p, Q4 2016)
- Feb 16: ECB Jan 19 minutes

GREECE

- Feb 14: GDP (A, Q4 2016)
- Feb 15: HICP/CPI (Jan)

SEE

BULGARIA

- Feb 14: GDP (p, Q4 2016)
- Feb 15
 - CPI (Jan)
 - U/E rate (Jan)
- Feb 13: Current account balance (Dec)

ROMANIA

- Feb 13: Current account deficit (Dec)
- Feb 14
 - GDP (A, Q4 2016)
 - NBR meeting minutes
- Feb 15: CPI (Jan)
- Feb 16: 3.25% 2024 T-bonds auction

SERBIA

- Feb 13: 3.50% 2019 T-bonds auction
- Feb 14
 - 1.00% 2019 T-Bonds auction
 - MPC meeting announcement

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Global equity markets extended recent gains on increased risk appetite on Monday, following US President Donald Trump's recent declaration about a "phenomenal tax plan" in the next few weeks. Donald Trump's meeting with the Japanese Prime Minister Shinzo Abe during the latter's two-day US visit late last week also had an impact. The improved tone in global markets dented the safe-haven appeal of major government bonds, with the 10-yr Treasury yield rising to a one-week high of 2.43% in European trade and the 10-yr Bund yield hitting a multi-session high of 0.34%. In FX markets, the US dollar strengthened against its major currency peers, with the DXY dollar index rising to a three-week high of 101.02 in Asian trade on Monday, following cumulative gains of roughly 1.0% last week. Dented by prevailing European political woes, the EUR/USD slipped near Friday's three week low of 1.0608, while the USD/JPY rose to a two-week high of 114.17 in late Asian trade. Looking at this week's calendar, Fed Chair Janet Yellen's semi-annual testimony to Congress on Tuesday and Wednesday takes centre stage.

GREECE: In a meeting in Brussels on Friday, the institutions asked from the Greek Government the legislation of measures of €3.6 bn or 2% of GDP for 2018 and 2019 that will be activated if and only if the country will fail to meet the 3.5% primary surplus target for the said period. The EC Commissioner for Economic and Financial Affairs Pierre Moscovici is expected in Athens on Wednesday in an effort to reach an agreement with the Greek government.

SOUTH EASTERN EUROPE

BULGARIA: The domestic stock market treaded water last week, with the benchmark SOFIX index closing modestly higher on a weekly basis to end at 604.47 points on Friday. Meanwhile, both the local and Eurobond markets remained quiet.

ROMANIA: Romanian assets staged a relief rally last week after the government announced its intention to repeal controversial changes to the criminal offenses code.

SERBIA: The EUR/RSD remained range bound last week, with any up-move attempts above 124.00 being capped by renewed Central Bank intervention in the FX markets.

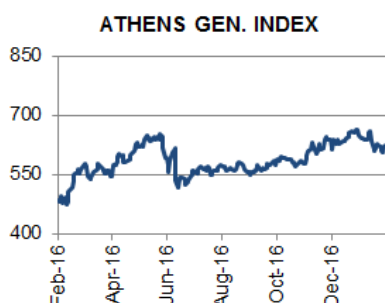
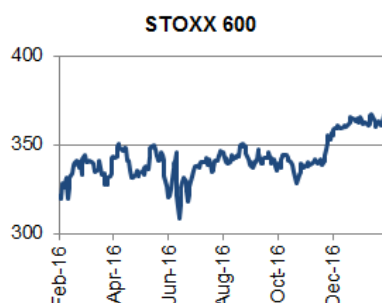
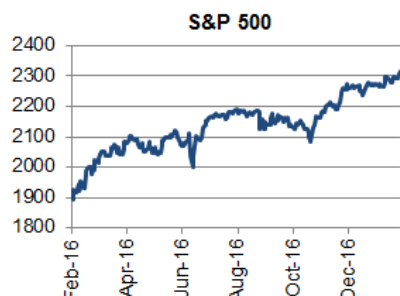
CESEE MARKETS: Emerging market stock markets kicked off the week on a mostly positive footing, extending their recent gains amid improved risk appetite. In FX markets, gains in currencies were capped as the US dollar retained a firm tone. Meanwhile, in the CESEE local debt markets government bonds were mostly weaker earlier today.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets extended recent gains on increased risk appetite on Monday, following US President Donald Trump's recent declaration about a "phenomenal tax plan" in the next few weeks. Donald Trump's meeting with the Japanese Prime Minister Shinzo Abe during the latter's two-day US visit late last week also had an impact, as they highlighted that they both remain totally engaged to strengthening the economic relationships between the two countries and across the region, based on "free and fair trade" rules. The improved tone in global markets dented the safe-haven appeal of major government bonds, with the 10-yr Treasury yield rising to a one-week high of 2.43% in European trade and the 10-yr Bund yield hitting a multi-session high 0.34%. In FX markets, the US dollar strengthened against its major currency peers, on increased optimism over tax reform plans as well as Trump's change of tack to honor the so called "one China" policy, according to which Beijing represents China's national government and the island of Taiwan is a breakaway province that belongs to China. Against this background, the DXY dollar index rose to a three-week high of 101.02 in Asian trade on Monday, following cumulative gains of roughly 1.0% last week. Dented by prevailing European political woes, the EUR/USD slipped near Friday's three week low of 1.0608, while the USD/JPY rose to a two-week high of 114.17 in late Asian trade. Looking at this week's calendar, Fed Chair Janet Yellen's semi-annual testimony to Congress on Tuesday and Wednesday takes centre stage, while US January retail sales and CPI inflation figures on Wednesday are also expected to lure market attention. In the euro area, December industrial production, German ZWE expectations and Q4 German GDP growth are due on Tuesday.

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GREECE

The Heads of the institutions - the European Commission, the European Central Bank, the European Stability Mechanism and the IMF - met in Brussels on Friday with the Greek Minister of Finance Euclid Tsakalotos and the Alternate Minister of Finance George Chouliarakis. The main purpose of the meeting was to achieve an agreement on a minimum set of requirements that will permit the return of the institutions in Athens in the following days. The return of the institutions is a necessary condition for the conclusion of the 2nd review of the 3rd Economic Adjustment Programme on the Eurogroup of February 20th. According to a statement by the Eurogroup's President Jeroen Dijsselbloem, substantial progress was achieved and the return of the institutions missions might take place during this week. According to press reports the institutions asked for the legislation of measures of €3.6 bn or 2% of GDP for 2018 and 2019. Part of the measures will be legislated upfront while others will be activated if and only if the country will fail to meet the 3.5% primary surplus target for the said period. The Eurogroup's president also stated that the institutions will take stock of the further progress of the 2nd review during the next Eurogroup. According to press reports, a response from the Greek government on the institutions proposal is expected by late Tuesday in order not to miss the window of the February 20th Eurogroup for the conclusion of the review ahead of the general elections in the Netherlands (March 15th). The EC Commissioner for Economic and Financial Affairs Pierre Moscovici is expected in Athens on Wednesday in an effort to reach an agreement with the Greek government. In other news, the European Commission published today its Winter 2017 forecast for Greece. Real GDP forecast is expected at 0.3%, 2.7% and 3.1% for 2016, 2018 and 2018 respectively. The real GDP forecast for 2016 is significantly improved compared with the respective Autumn 2016 forecast of -0.3%. The primary surplus forecast for 2016 is expected at ca 2.0% of GDP in programme terms, significantly improved compared to the Autumn 2016 forecast of 0.5%. Finally, according to the Ministry of Finance the total stock of arrears of the public sector (including tax arrears) at end December was at €4.5 bn registering a decrease of 19.0% mom.

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February 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

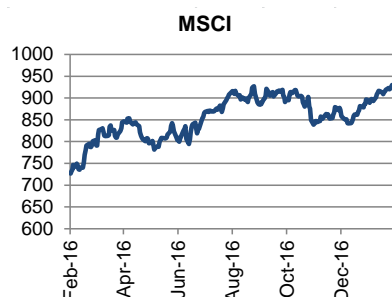
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

BULGARIA

The domestic stock market treaded water last week, with the benchmark SOFIX index closing modestly higher to end at 604.47 points on Friday. Meanwhile, both the local and Eurobond markets closed little changed. Focus in Bulgaria now turns on the upcoming BGN 60mn placement in 4-year T-Bond paper scheduled for Monday, February 20th.

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ROMANIA

Romanian markets staged a relief rally last week after the Government announced over the weekend its intention to repeal controversial changes to the criminal offenses code. Along these lines, the EUR/RON dropped from the previous Friday's close of 4.5240 to a low of 4.4800 touched on Tuesday, before climbing back to 4.5000 by the end of the week on Central Bank comments that there is no space for additional RON appreciation. Near-term RON rates remained close to the Central Bank's deposit facility of 0.25%. The 1W implied rate from swaps decreased 10bps on the week to 0.25%, the 3M rate fell by 5bps to 0.60% while the 12M rate dropped from 1.15% to 1.08%. Local currency government bonds continued the recovery that started at the end of the previous week, with the 3Y yield decreasing from 2.25% to 2.18%, while the 10Y Jul 2027 closed the week unchanged around 3.92%.

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SERBIA

The EUR/RSD remained range bound last week, with any up-move attempts above 124.00 being capped by renewed Central Bank intervention in the FX markets. In more detail NBS sold near 124.00 approximately €160mn last week in order to support the dinar. Furthermore, a downward move towards 123.70/90, proved short lived as EUR buying interest reemerged.

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CESEE MARKETS

Emerging market stock markets kicked off the week on a mostly positive footing, extending their recent gains amid improved risk appetite. In FX markets, gains in currencies were capped as the US dollar retained a firm tone. Meanwhile, in the CESEE local debt markets government bonds were mostly weaker earlier today, with yields trailing the rise in major global yields.

This week's focus in the CESEE region is mostly on the preliminary GDP data for Q4 2016 and inflation figures for January in Poland (Monday), Hungary (Tuesday) and Romania (Thursday). The Central Bank meeting in Serbia also lures market attention on Tuesday. The monetary policy council is anticipated to stay put on its monetary policy and keep the key policy rate unchanged at 4.00% for the 7th month running.

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February 13, 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	2316.10	0.4%	3.5%	EUR/USD	1.0644	0.0%	1.2%	UST - 10yr	2.43	2	-2	GOLD	1231	-0.2%	6.8%
Nikkei 225	19459.15	0.4%	1.8%	GBP/USD	1.2524	0.3%	1.4%	Bund-10yr	0.33	1	12	BRENT CRUDE	56	-0.5%	-0.7%
STOXX 600	368.77	0.4%	2.0%	USD/JPY	113.71	-0.5%	2.9%	JGB - 10yr	0.09	0	5	LMEX	2919	3.5%	9.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	293	-5	-7
1-week	3.01	-9	-16
1-month	3.32	-2	-3
3-month	3.42	-4	-5
6-month	3.60	-7	-6

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	2.13	10	-19
USD Nov-24	6.47	1	5

CDS

	Last	ΔDbps	ΔYTD bps
5-year	204	-1	-3
10-year	247	-1	-9

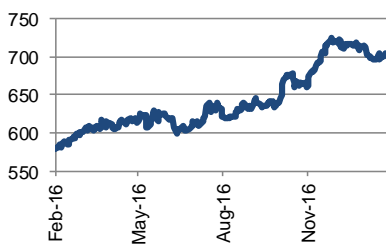
STOCKS

	Last	ΔD	ΔYTD
BELEX15	703.3	0.10%	-1.96%

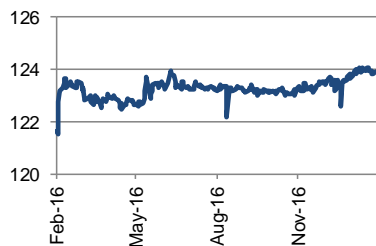
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.67	0.24%	-0.17%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.44	-1	-12
1-month	0.62	-1	-14
3-month	0.81	0	-9
6-month	1.04	-1	-7
12-month	1.22	0	-3

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	0	3
5Y RON	2.62	0	10
10Y RON	3.57	3	-8

RO Eurobonds

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

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-14
10-year	140	-1	-13

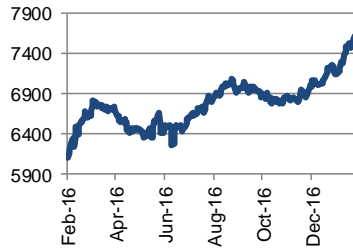
STOCKS

	Last	ΔD	ΔYTD
BET	7638.2	-0.40%	7.81%

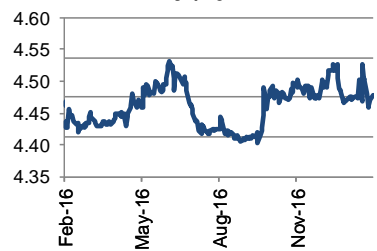
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5023	-0.11%	0.82%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	1	-8
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	0.12	4	-4
5Y BGN	0.42	-2	-9
10Y BGN	1.75	0	-16

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.78	-5	-46
EUR Sep-24	1.64	0	-4

CDS

	Last	ΔDbps	ΔYTD bps
5-year	118	-1	-34
10-year	160	-1	-34

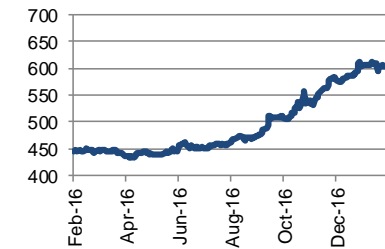
STOCKS

	Last	ΔD	ΔYTD
SOFIX	604.6	0.01%	3.09%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8377	0.18%	1.13%

SOFIX Index



USD/BGN



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

Data updated as of 12:00 EET

February 13, 2017

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