



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, February 14, 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: The recent uptrend in global equity markets, which sent US equity indices to new all-time highs overnight, was disrupted on Tuesday as Japanese stocks led Asian bourses lower following the resignation of Michael Flynn, U.S President Donald Trump's national security adviser, late on Monday. In Europe, Stoxx600 opened modestly lower, shrugging off European Commission's upwardly revised euro area growth and inflation forecasts. In FX markets, the US dollar gave back some of its recent gains after US national security adviser quit, with the DXY dollar index trading around levels of 100.75 in European trade and the EUR/USD rising close to 1.0630 at the time of writing, up from yesterday's one month low of 1.0590. Focus today centers on Fed Chair Janet Yellen's semi-annual testimony to the Senate Banking Committee.

GREECE: The Hellenic Statistical Authority announced today the flash estimate for the Q4:2016. Seasonally adjusted real GDP growth in Q4:2016 was at -0.4% on a quarterly basis and at 0.3% on an annual basis. On an annual basis real GDP growth was at 0.3% in 2016 in line with the respective European Commission reading published yesterday.

SOUTH EASTERN EUROPE

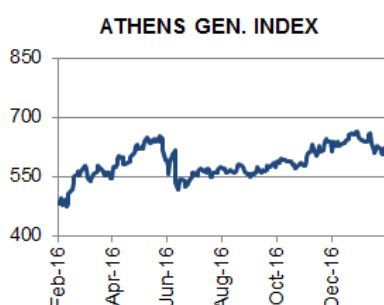
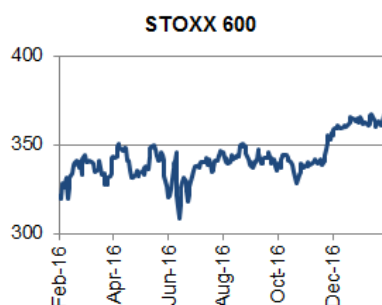
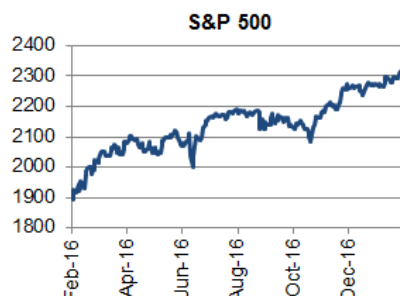
ROMANIA: According to the flash estimate release, real GDP on an unadjusted basis expanded by 4.7% YoY in Q4-2016 bringing the FY estimate at 4.8%.

CESEE MARKETS: Trailing losses in major Asian and European stock markets earlier today, the majority of CESEE bourses stood in the red in morning trade, while regional currencies and government bonds were modestly firmer. Market caution ahead of Fed Chair Yellen's speeches on Tuesday and Wednesday also prevailed. Against this backdrop, preliminary GDP data for Q4 2016 released in the region earlier today seemed to be largely shrugged off.

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Latest world economic & market developments



Source: Reuters, Bloomberg, Eurobank Research

GLOBAL MARKETS

The recent uptrend in global equity markets, which sent US equity indices to new all-time highs overnight, was disrupted on Tuesday as Japanese stocks led Asian bourses lower following the resignation of Michael Flynn, U.S. President Donald Trump's national security adviser, late on Monday. In particular, Michael Flynn is accused of having discussed US sanctions on Russia with the Russian ambassador to the United States, Sergey Kislyak, before Donald Trump took power on January 20th and misled Vice President Mike Pence about the said conversations. In Europe, Stoxx600 opened modestly lower, shrugging off European Commission's updated euro area growth forecast to 1.6% in 2017 from 1.5% previously, and inflation forecasts to 1.7% in 2017 from 1.4%. In FX markets, the US dollar gave back some of its recent gains after US national security adviser quit, with the DXY dollar index trading around levels of 100.75 in European trade, pulling back from Monday's intraday high of 101.11, its highest level in more than a month. Elsewhere, the EUR that has been under pressure on heightened political woes recovered some of its earlier losses, rising close to 1.0630 against the USD at the time of writing, up from yesterday's one month low of 1.0590. Focus today centers on Fed Chair Janet Yellen's semi-annual testimony to the Senate Banking Committee, expecting to highlight the Fed's intention for a gradual pace of tightening ahead. On the data front, Euro area industrial production for December and Chinese inflation data for January will likely gain investors' attention.

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GREECE

The Hellenic Statistical Authority announced today the flash GDP estimate for the Q4:2016. Seasonally adjusted real GDP growth in Q4:2016 was at -0.4% on a quarterly basis and at 0.3% on an annual basis. On an annual basis, real GDP growth was at 0.3% in 2016, in line with the respective European Commission reading published yesterday. According to the European Commission's Winter 2017 forecast real GDP forecast is expected at 0.3%, 2.7% and 3.1% for 2016, 2017 and 2018 respectively. In addition, the primary surplus forecast for 2016 is expected at ca 2.0% of GDP in programme terms. The primary surplus forecast for 2017 is at 1.75% and considered well within reach for Greece. However, the achievement of the respective 2018 forecast of 3.5% is closely related to the adoption of the additional fiscal measures currently under discussion in the context of the Medium Term Fiscal Strategy for 2018-2021. On the back of these announcements, according to press reports, a reply is expected later today by the Greek government regarding the acceptance of the February 10th institutions' proposal (fiscal measures amounting to 2% of GDP for 2018 and 2019). Further delays will diminish the prospects for a conclusion of the 2nd review on the February 20th Eurogroup. However, a conclusion of the review in the time span between February 20th and March 5th, in an extraordinary Eurogroup ahead of the March 15th general elections in the Netherlands, cannot be ruled out at the moment. The EC Commissioner for Economic and Financial Affairs Pierre Moscovici is expected in Athens on Wednesday in an effort to reach an agreement on the open issues of the review.

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February 14, 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

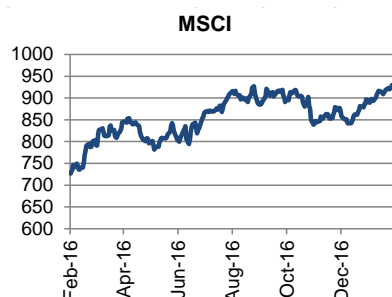
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

ROMANIA

The flash estimate of Q4 2016 National Accounts data validated analysts' expectations on FY2016 real GDP growth projection. According to the release, economic activity expanded by 4.7% YoY on an unadjusted basis in Q4-2016, bringing the FY estimate at 4.8%. On a seasonally adjusted basis, growth stepped up to +1.3% QoQ/+4.8% YoY in Q4-2016 - above a market consensus of +1.0% QoQ/+4.3% YoY - compared to +0.5% QoQ/ +4.4% YoY in Q3-2016 and +1.5% QoQ/+5.8% YoY in Q2-2016, up from +0.9% QoQ/+4.5% YoY in Q4-2015.

Although the components are yet to be known, growth was once again domestic demand-driven. Growth is largely driven by private consumption, financed by an overly expansionary fiscal policy, which leads to a revival of macroeconomic imbalances. Hence, the economy is driven close to, if not above, its potential growth rate at the expense of pushing government finances off the consolidation track and resulting in a deterioration of the country's external position. In support of the aforementioned, the current account deficit (as % of GDP) jumped to 2.4% in 2016 up from only 1.1% in 2015 and 0.4% in 2014.

Looking ahead, a soft landing scenario is the most likely outcome in 2017. Although the government - which came into office after last December's parliamentary elections - has already vowed in the budget of 2017 to provide additional stimulus on top of that provided in the past year, it will most probably need to adopt a more conservative stance in order to bring the projected fiscal deficit below 3% (assuming no policy change the deficit is expected to surpass the 3% of GDP threshold in 2017), which will have a decelerating impact on the economy in H2. Given the size of additional stimulus (1.1% of GDP in 2017), risks to our earlier growth forecast of 3.8% in 2017 now lie to the upside. At this point, the growth forecast of EU Commission stands at 4.4% vs. a government budget forecast of 5.2%.

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CESEE MARKETS

Trailing losses in major Asian and European stock markets earlier today, the majority of CESEE bourses stood in the red in morning trade, while regional currencies and government bonds were modestly firmer. Market caution ahead of Fed Chair Yellen's speeches on Tuesday and Wednesday also prevailed. Against this backdrop, preliminary GDP data for Q4 2016 released in the region earlier today seemed to be largely shrugged off by regional equities. In more detail, economic activity came in at 4.7%YoY in Romania in the last quarter of 2016, exceeding a market consensus and the prior quarter's print, both at 4.3%. Similarly, real GDP growth of 4.7%YoY in Ukraine outpaced significantly the Q3 2016 2.0%YoY print as well as expectations for a modest acceleration to 2.5%YoY. Poland's economic activity also surprised to the upside coming in at 2.7%YoY in Q4 2016 vs. expectations for an increase of 2.5% in line with that registered a quarter earlier. In Hungary, economic output grew by 1.6% in Q4 2016, marking a higher than expected slowdown from 2.2% in Q3 2016. Finally, in Bulgaria, output stood at 3.4%YoY last quarter, matching the advance marked in Q3 2016 and coming in nearly in line with a market median forecast of 3.5%YoY. The focus today now turns to the Central Bank meeting in Serbia, where 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. Despite currently weak inflation pressures CPI is anticipated to return within the new official tolerance band of 1.5-4.5% early this year on the back of higher global oil prices, recovering domestic demand and rising inflation internationally. At the same time risk events lie ahead, domestically as well as internationally. Namely, higher Fed rates and the looming presidential election in spring.

February 14, 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	2324.09	0.3%	3.8%	EUR/USD	1.06	-0.4%	0.8%	UST - 10yr	2.44	3	0	GOLD	1222	-0.9%	6.1%
Nikkei 225	19459.15	0.4%	1.8%	GBP/USD	1.2493	0.1%	1.1%	Bund-10yr	0.33	1	13	BRENT CRUDE	56	-1.6%	-1.8%
STOXX 600	370.62	0.9%	2.5%	USD/JPY	113.97	-0.7%	2.7%	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	5.08	0	0
5Y RSD	5.46	0	11
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

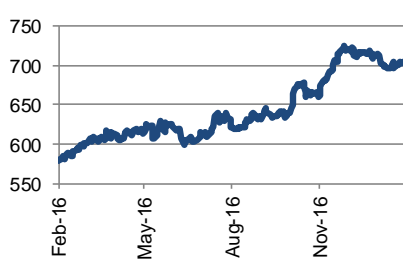
STOCKS

	Last	ΔD	ΔYTD
BELEX15	703.5	0.13%	-1.93%

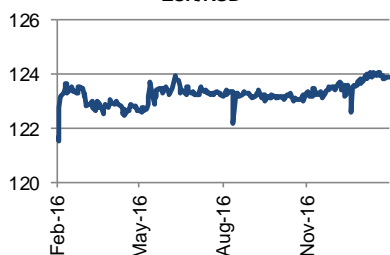
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.89	0.06%	-0.34%

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	1.63	-2	1
5Y RON	2.62	0	10
10Y RON	3.57	4	-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

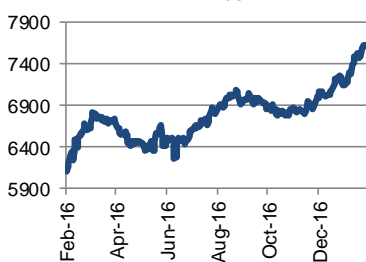
STOCKS

	Last	ΔD	ΔYTD
BET	7642.6	-0.34%	7.87%

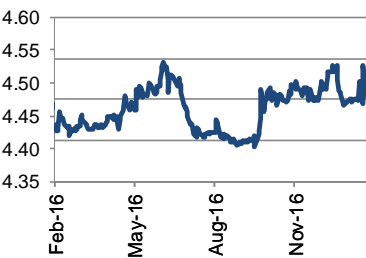
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5007	-0.08%	0.85%

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	0.10	2	-6
5Y BGN	0.42	-2	-8
10Y BGN	1.76	0	-15

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.66	-10	-34
EUR Sep-24	1.64	0	-4

CDS

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

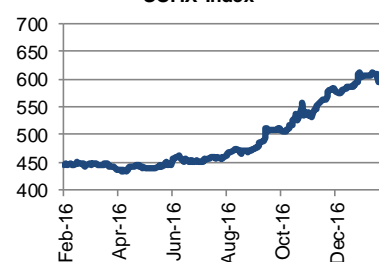
STOCKS

	Last	ΔD	ΔYTD
SOFIX	605.5	0.17%	3.26%

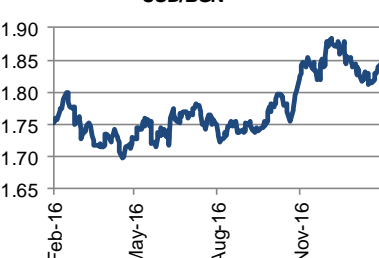
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8454	-0.24%	0.70%

SOFIX Index



USD/BGN



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

Data updated as of 17:00 EET of previous session

February 14, 2017

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