



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Thursday, December 15, 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 for the 2nd programme review
 - Building Activity (Sep)
- Dec 15: Labor Force Survey (Q3 2016)

SEE

BULGARIA

- Dec 14-15: U/E rate (Nov)
- Dec 16: CAD (Oct)

ROMANIA

- Dec 14
 - Industrial production (Oct)
 - Current account (Oct)
- Dec 15: 1.35% 2019 T-Bonds auction

SERBIA

- Dec 15: RSD 6% 2019 T-bonds auction
- Dec 16: Credit rating review by S&P and Fitch

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: In line with market expectations, at its two-day monetary policy meeting that concluded late yesterday, the Fed decided to raise the federal funds rate by 25bps to 0.50%-0.75%. According to the Summary of Economic Projections (SEP), the "dots", policy makers now pencil in three rate hikes in 2017, up from two in September. In reaction to above, the USD firmed across the board and US Treasury yields moved higher with short-dated notes underperforming.

GREECE: Greece's official lenders were caught unawares last week when the Greek PM Alexis Tsipras announced a Christmas bonus entailing a one-off payout to low income pensioners and the postponement of a VAT increase in the refugee-hit islands. Although according to the Greek government the funds for these measures would be derived from the over-performance of this year's budget, this decision was regarded as a unilateral action, contrary to the procedure provided for by the 3rd Economic Adjustment Programme. As a result, the ESM announced yesterday the temporary freeze of the short-term debt relief measures that were agreed at the December 5 Eurogroup until January 2017.

SOUTH EASTERN EUROPE

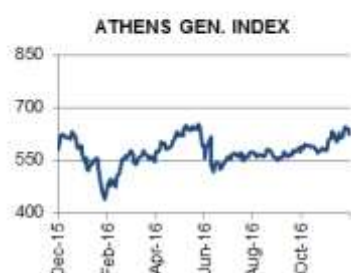
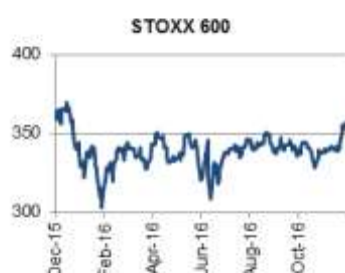
CESEE MARKETS: Emerging market assets came under pressure earlier on Thursday, after the Fed delivered yesterday a much anticipated 25bps hike, but signaled a more aggressive tightening pace next year.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In line with market expectations, at its two-day monetary policy meeting that concluded yesterday, the Fed decided to raise the federal funds rate by 25bps to 0.50%-0.75% on the back of “realized and expected labor market conditions and inflation”. In the accompanying statement, the committee maintained its assessment that “near-term risks to the economic outlook appear roughly balanced” noting that “job gains have been solid in recent months” and “market-based measures of compensation have moved up considerably”. However, according to the Summary of Economic Projections (SEP), the “dots” for 2017 were unexpectedly pushed higher compared to policy makers’ assessment of appropriate monetary policy in September, with market participants interpreting this change as an unexpected hawkish surprise. In more detail, policy makers now pencil in three rate hikes in 2017, up from two in September, suggesting that the committee has probably decided to factor in some assumptions about the projected impact from the incoming Trump administration’s proposed fiscal policy. The median dot for 2018 indicates three additional hikes, unchanged compared to September. At the press conference following the conclusion of the meeting, Chair Janet Yellen adopted a somewhat more hawkish than expected tone. She sounded more upbeat on the economic growth prospects than on recent occasions noting that the labour market now looks similar to that before the 2007/2009 Great Recession. In reaction to the FOMC monetary policy outcome and the Chair’s comments, the USD firmed across the board. The USD/JPY hit a new post-US election high of 117.86 earlier today while the EUR/USD recorded a new year-to-date trough of 1.0467. Elsewhere, US Treasury yields moved higher with short-dated notes underperforming triggering some curve flattening. The 2-yr note was hovering around 1.28% at the time of writing, the highest since September 2009 compared to levels around 1.17% before the announcement of the FOMC monetary policy outcome while the 10-yr yield rose close to 2.61% for the first time in nearly two years.

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GREECE

Greece’s official lenders were caught unawares last week when the Greek PM Alexis Tsipras announced a Christmas bonus entailing a one-off payout to low income pensioners and the postponement of a VAT increase in the refugee-hit islands. Although according to the Greek government the funds for these measures would be derived from the over-performance of this year’s budget, this decision was regarded as a unilateral action, contrary to the procedure provided for by the 3rd Economic Adjustment Programme. As a result, the ESM announced yesterday the temporary freeze of the short-term debt relief measures that were agreed at the December 5 Eurogroup, in order for the institutions to assess the fiscal impact of the announced measures, a process which is expected to be concluded in January 2017. This decision led the Greek government to bring the Christmas bonus for vote in Parliament in an attempt to secure the opposition’s support on the issue. The vote is reportedly scheduled to take place today at 13:00 hours. Against this background, the Greek PM is meeting today in Brussels the President of the European Parliament Martin Schulz and the French President Francois Hollande, while tomorrow he is scheduled to meet in Berlin the German Chancellor Angela Merkel. Meanwhile, the negotiations in the context of the 2nd programme review are continuing in Athens with the issues on the agenda today being the product markets and the energy sector reforms. Progress has reportedly been made with regard to the new Privatisation and Investment Fund and the out-of-court workout for indebted companies that were discussed yesterday.

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December 15, 2016

BULGARIA: Indicators	2014	2015	2016f
Real GDP growth %	1.6	3.0	2.6
CPI (pa, yoy %)	-1.4	-0.1	-0.5
Budget Balance/GDP*	-3.7	-2.9	-2.0
Current Account/GDP	0.9	1.4	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2014	2015	2016f
Real GDP growth %	-2.5	1.6	2.5
HICP (pa, yoy %)	-0.3	-1.5	-0.7
Budget Balance/GDP*	-0.2	0.0	-0.4
Current Account/GDP	-4.6	-3.6	-4.2

* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2014	2015	2016f
Real GDP growth %	2.9	3.8	4.2
CPI (pa, yoy %)	1.1	-0.6	-1.5
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.1	-3.0
EUR/RON (eop)	4.48	4.52	4.60
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2014	2015	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-4.1	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.00	4.00

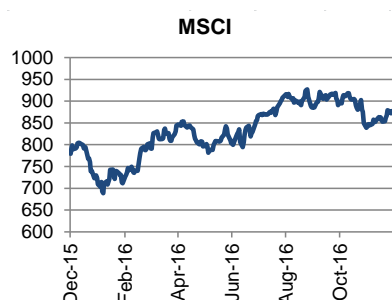
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Latest economic & market developments in the CESEE region

CESEE MARKETS

Emerging market assets came under pressure earlier on Thursday, after the Fed delivered yesterday a much anticipated 25bps hike, but signaled a more aggressive tightening pace next year. Reacting to the FOMC's upward revision in the 2017 rate forecasts, the MSCI Emerging Markets index slid by 1.4% in Asian trade, giving back all of this month's earlier gains. CESEE assets appeared to fare better with regional stock markets and currencies standing modestly firmer in morning European trade, while government bonds fell tracking a rise in major global yields. Indicatively, the Polish 2 and 10-year benchmark bond yield rose by ca 6bps to 2.025% and 3.524%, respectively, while the corresponding Turkish advanced by 8 and 18bps to 10.89% and 11.30%.

The macroeconomic data and events calendar for the CESEE region is relatively light for the remainder of the week. Focus today is on government bond auctions in Serbia, Poland, Hungary and Romania, budget data from Poland and unemployment data from Bulgaria. Meanwhile, labour market data from Poland and current account data from Bulgaria are due on Friday. Attention tomorrow also turns on the sovereign credit rating review for Serbia S&P by and Fitch. Following a wave of rating downgrades in 2012-2014, all three major rating agencies appear to be acknowledging over recent months the ongoing improvement in Serbia's domestic macroeconomic fundamentals witnessed over the last couple of years. S&P revised higher in January the country's outlook to Stable from Negative, while affirming its "BB-" rating in July 2016. Furthermore, Moody's changed its outlook on Serbia to Positive from Stable in mid-March, also affirming the country's "B1" rating. Fitch was the first agency to proceed with an upgrade on Serbia's sovereign rating, revising in June one notch higher its Long-Term Foreign and Local Currency Issuer Default Ratings (IDR) to "BB-" from "B+" with Stable outlook. Provided that the current drive for structural reforms and fiscal consolidation is maintained, further credit rating moves should not be excluded in the foreseeable future.

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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

December 15, 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	2271.72	0.7%	11.1%	EUR/USD	1.0639	0.1%	-2.0%	UST - 10yr	2.44	-3	17	GOLD	1162	0.3%	9.5%
Nikkei 225	19253.61	0.0%	1.2%	GBP/USD	1.2648	-0.1%	-14.2%	Bund-10yr	0.32	-4	-31	BRENT CRUDE	55	-1.0%	47.9%
STOXX 600	356.29	-0.5%	-2.8%	USD/JPY	115.04	0.1%	4.4%	JGB - 10yr	0.06	-3	-21	LMEX	2771	-0.6%	25.8%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	2	-5
1-week	3.12	4	-7
1-month	3.29	0	-22
3-month	3.45	2	-38
6-month	3.60	-3	-43

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.07	0	-35
5Y RSD	5.27	0	-184
7Y RSD	5.73	0	-5

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.38	0	-79
USD Nov-24	6.49	3	8

CDS

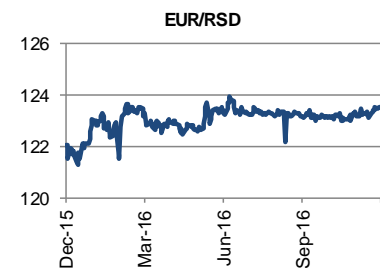
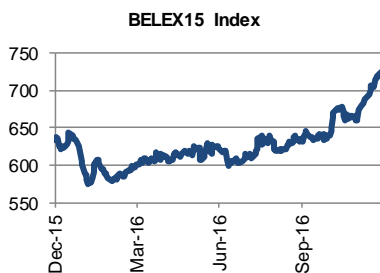
	Last	ΔDbps	ΔYTD bps
5-year	208	0	-67
10-year	254	0	-85

STOCKS

	Last	ΔD	ΔYTD
BELEX15	717.0	-0.95%	11.59%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.51	0.00%	-1.56%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.47	0	-6
1-month	0.62	0	-7
3-month	0.8	0	-22
6-month	1.04	-2	-30
12-month	1.17	0	-35

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.57	1	-36
5Y RON	2.47	1	-33
10Y RON	3.56	0	-22

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.30	-1	-27
USD Jan-24	3.94	1	16

CDS

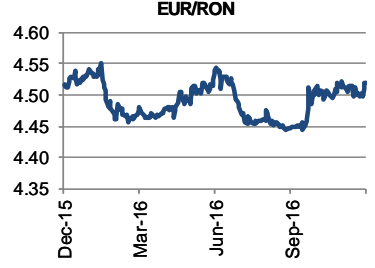
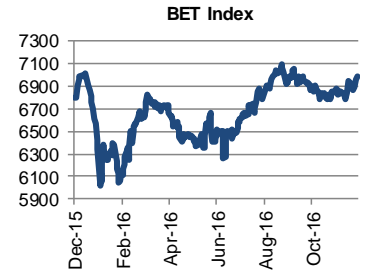
	Last	ΔDbps	ΔYTD bps
5-year	120	1	-13
10-year	165	0	-6

STOCKS

	Last	ΔD	ΔYTD
BET	6991.8	0.37%	0.09%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5195	-0.24%	-0.12%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.13	0	-14
1-month	-0.17	0	-32
3-month	-0.07	0	-33
6-month	0.08	0	-45
12-month	0.40	0	-57

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.22	-1	-38
5Y BGN	0.60	-4	-67
10Y BGN	2.01	0	-65

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.11	-1	-18
EUR Sep-24	1.81	23	-62

CDS

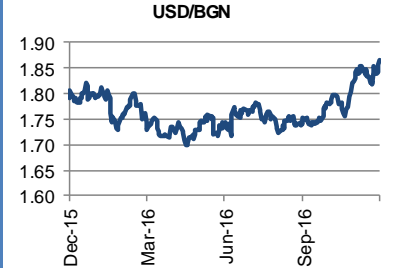
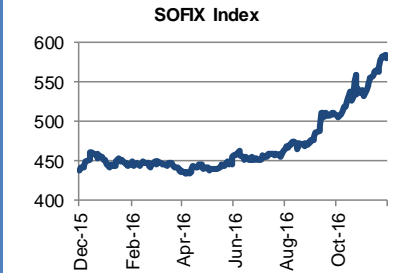
	Last	ΔDbps	ΔYTD bps
5-year	155	0	-17
10-year	188	0	-29

STOCKS

	Last	ΔD	ΔYTD
SOFIX	578.9	-0.05%	25.97%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8384	0.12%	-2.07%



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

Data updated as of 13:10 EET

December 15, 2016

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