



# DAILY OVERVIEW

## OF GLOBAL MARKETS & THE SEE REGION

Thursday, February 16, 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 17: 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:** In the wake of the semi-annual testimony before the Senate Banking Committee earlier this week where the Fed Chair adopted a more hawkish than expected tone, a string of US data surprised positively yesterday reinforcing expectations for higher Fed interest rates in the coming months. Major European equity markets opened modestly lower probably due to investors' appetite for profit taking following recent hefty gains. US Treasuries remained under some pressure while the USD weakened particularly against commodity related currencies.

**GREECE:** The European Commissioner for Economic and Financial Affairs Pierre Moscovici met yesterday in Athens with the Greek PM Alexis Tsipras and FinMin Euclid Tsakalotos to discuss and promote the conclusion of the 2nd programme review. Following the meeting Mr. Moscovici acknowledged that the results of the Greek economy are encouraging, both in terms of growth and fiscal targets and claimed that decisions should be based on these figures which are the right ones. He added that an agreement is doable at the February 20th Eurogroup.

### SOUTH EASTERN EUROPE

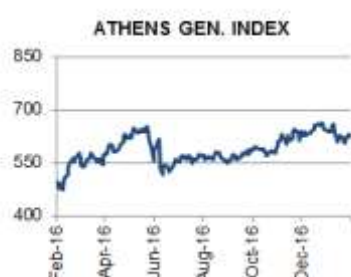
**CYPRUS:** GDP growth expanded by 2.8% YoY in FY2016, above any initial official forecast, up from 1.7% in 2015.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In the wake of the semi-annual testimony before the Senate Banking Committee earlier this week where the Fed Chair adopted a more hawkish than expected tone, a string of US data surprised positively yesterday reinforcing expectations for higher Fed interest rates in the coming months. US retail sales increased by a higher than expected 0.4% mom in January following an upward revised 1.0% mom gain in the prior month. Adding to the above, January's US CPI rose by 0.6% mom, the largest increase since February 2013 mainly due to higher oil prices taking the annual rate to 2.5%, the highest in nearly five years. Meanwhile, backing the positive tone in Wall Street overnight, major European equity markets opened modestly lower probably due to investors' appetite for profit taking. US Treasuries remained under pressure with the 10-yr yield hovering around 2.48% in European trade after recording a two-week high slightly above 2.52% in the prior session and levels around 2.40% early this week. In FX markets, the USD weakened particularly against the commodity related currencies, failing to capitalize on Wednesday's positive US data. After marking a five-week high of 101.760 in the prior session, the DXY index was standing close to 100.710 at the time of writing, still 1.2% higher so far this month. Market uncertainty over the US administration's trade policies as well as the timing and size of fiscal stimulus, may also had an impact. The AUD was among the main outperformers with the AUD/USD testing levels slightly above 0.7700 earlier today for the first time in nearly three months supported by recent positive data from China and Australian labor data showing a lower than expected January unemployment rate. Elsewhere, the GBP/USD was hovering around 1.2500/10 in European trade after marking a session low of 1.2380 on Tuesday in the wake of January's UK labor market data which dented somewhat expectations for a BoE rate hike by the end of this year.

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### GREECE

The European Commissioner for Economic and Financial Affairs Pierre Moscovici met yesterday in Athens with the Greek PM Alexis Tsipras and FinMin Euclid Tsakalotos to discuss and promote the conclusion of the 2nd programme review. Following the meeting Mr. Moscovici acknowledged that the results of the Greek economy are encouraging, both in terms of growth and fiscal targets and claimed that decisions should be based on these figures which are the right ones. He added that a balance needs to be found between the imperative for fiscal sustainability and the need for the Greek people to see a light at the end of the tunnel of austerity. Furthermore, the Commissioner stated that it is up to the Greek government now to make the next step and possibly bring forward its own counter-proposal and appeared confident that an agreement is doable at the February 20th Eurogroup. Meanwhile, speaking before the Dutch Parliament Eurogroup President Jeroen Dijsselbloem stated that stabilizing the situation on Greece is best from both an economic and political standpoint and this is what all involved sides are trying to do but added that a reduction of Greece's nominal debt was not on the agenda. On the data front, the Hellenic Statistical Authority released yesterday its reading on the January 2017 Consumer Price Index, which increases by 1.2% on an annual basis while in January 2016 the annual rate of change of the CPI was -0.7%. The CPI in January 2017 compared with December 2016 decreased by 0.8%. In January 2016, the monthly rate of change of the CPI was -1.9%. In the twelve-month period from February 2016 to January 2017, compared with the period from February 2015 to January 2016, the annual average rate of change of the CPI was -0.7%. The corresponding annual average rate of the CPI in the previous year (February 2015 to January 2016) was -1.6%.

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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

## Latest economic & market developments in the CESEE region

### CYPRUS

The flash estimate demonstrated that GDP growth remained strong in the last quarter of 2016. On a seasonally adjusted basis, growth expanded by +0.5% QoQ/+2.8% YoY in Q4, up an inch down from +0.8% QoQ/+2.9% YoY in Q3 compared to +0.6% QoQ/+2.9% YoY in Q4-2015. Although the components of growth have not been known yet, it is highly likely that the consumption rebound has continued in Q4-2016. The consumption rebound so far has been driven by the strong sentiment improvement mirroring the lasting progress within the expired economic adjustment program, a flourishing tourism sector (+19.8% YoY in tourist arrivals in FY2016, an all-time record high in the history of the Republic), lower energy prices on an annual basis, lower unemployment (down for a third consecutive year to 13.3% in 2016 from 15.0% in 2015), expectations of the announced fiscal relaxation and a rise in real incomes.

After a three year recession in 2012-2014 and a cumulative drop of 10.5% of GDP, the economy expanded by +1.7% YoY in 2015 and further increased to +2.8% YoY in 2016 above any initial official forecasts. The FY2016 growth rate of Cyprus is the highest since 2008, among the highest growth rates among Euro area members and 1.6 times higher than that of the Euroarea. In our view, solid real GDP growth performance-on average 3% per year- is expected to continue in 2017-2018, mirroring the sustained strong tourism revenues, the envisaged fiscal relaxation at the expense of reducing public debt faster, further banking sector conditions normalization. On the other hand, the risk of complacency is looming as the reform momentum seems to have stalled ahead of the Presidential elections in 2018. Still, a handful of unfinished structural reforms need to progress in the areas of privatizations, public and health sectors, while addressing the challenges of a still high NPLs stock. The banking system-wide NPEs ratio- a more conservative asset quality EBA methodology, which inflates NPLs numbers by including restructured loans for a probation period of at least 12 months- edged up to 49.5% in October 2016, up from 45.8% in December 2015, compared to 47.8% in December 2014.

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MSCI



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

February 16, 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	2349.25	0.5%	4.9%	EUR/USD	1.0628	0.3%	1.0%	UST - 10yr	2.48	-2	3	GOLD	1237	0.3%	7.3%
Nikkei 225	19347.53	-0.5%	1.2%	GBP/USD	1.2517	0.4%	1.3%	Bund-10yr	0.37	0	16	BRENT CRUDE	56	0.1%	-1.8%
STOXX 600	370.28	-0.3%	2.5%	USD/JPY	113.64	0.5%	3.0%	JGB - 10yr	0.10	1	5	LMEX	2921	0.6%	9.8%

## CESEE MARKETS

### SERBIA

#### Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	294	1	-6
1-week	3.05	4	-12
1-month	3.33	1	-2
3-month	3.46	4	-1
6-month	3.69	9	3

#### RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	0
5Y RSD	5.46	0	11
7Y RSD	5.79	1	11

#### RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.07	-4	-26
USD Nov-24	6.50	0	8

#### CDS

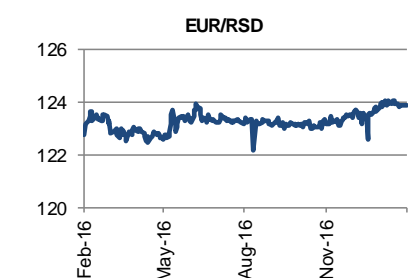
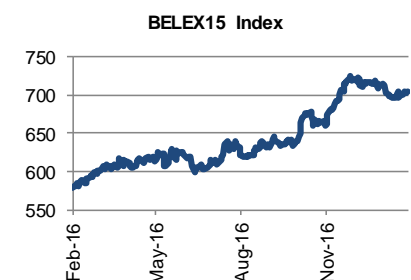
	Last	ΔDbps	ΔYTD bps
5-year	204	0	-3
10-year	247	-1	-9

#### STOCKS

	Last	ΔD	ΔYTD
BELEX15	708.8	0.75%	-1.19%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.86	0.01%	-0.32%



### ROMANIA

#### Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.43	0	-13
1-month	0.61	-1	-15
3-month	0.82	0	-8
6-month	1.05	1	-6
12-month	1.22	0	-3

#### RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.66	1	4
5Y RON	2.65	1	13
10Y RON	3.68	2	3

#### RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.14	5	1
USD Jan-24	3.67	-2	-19

#### CDS

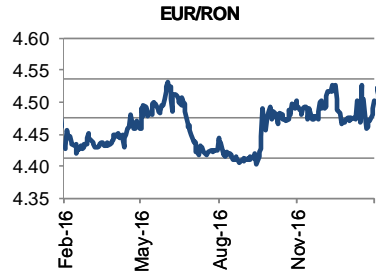
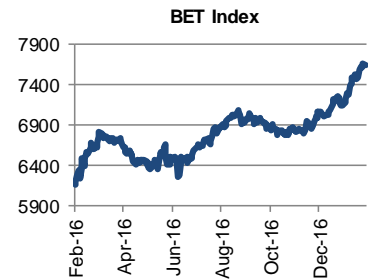
	Last	ΔDbps	ΔYTD bps
5-year	96	-2	-14
10-year	138	-3	-15

#### STOCKS

	Last	ΔD	ΔYTD
BET	7679.8	0.05%	8.39%

#### FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5228	-0.09%	0.36%



### BULGARIA

#### Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.08	0	-8
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.06	0	-2
12-month	0.40	0	-1

#### BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.09	1	-6
5Y BGN	0.41	-2	-9
10Y BGN	1.75	0	-16

#### BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.58	-5	-26
EUR Sep-24	1.66	-6	-2

#### CDS

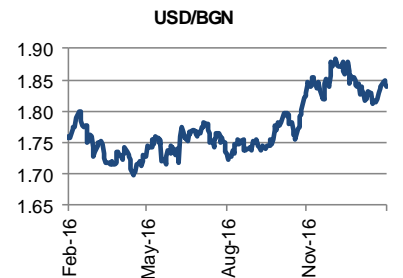
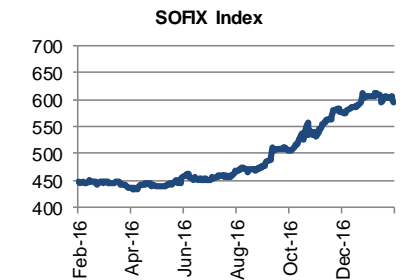
	Last	ΔDbps	ΔYTD bps
5-year	116	1	-36
10-year	157	1	-37

#### STOCKS

	Last	ΔD	ΔYTD
SOFIX	593.3	-0.04%	1.17%

#### FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8403	0.26%	0.98%



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

Data updated as of 12:40 EET

February 16, 2017

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