



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Tuesday, January 17, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

- Jan 17-20: World Economic Forum in Davos

US

- Jan 17: Emire State Survey (Jan)
- Jan 18
 - CPI (Dec)
 - Industrial production (Dec)
 - NAHB index (Jan)
- Jan 19
 - Initial claims (weekly)
 - Philly Fed (Jan)
 - Housing starts (Dec)
 - Housing permits (Dec)
- Jan 20
 - President elect Trump's inauguration
 - Fed Chair Yellen speaks

UK

- Jan 17: PM May to speak on Brexit

EUROZONE

- Jan 17
 - DE: ZEW index (Jan)
 - ECB Bank lending survey
- Jan 18: HICP (Dec)
- Jan 19: ECB meeting decision

GREECE

- Jan 16: Building Activity (Oct)
- Jan 17: Turnover Index in Industry (Nov)
- Jan 20
 - Current account (Nov)
 - Rating review by S&P

SEE

BULGARIA

- Jan 19: Current account (Nov)
- Jan 20: Rating review by Moody's

ROMANIA

- Jan 16: T-Bonds auction
- Jan 20: Rating review by Fitch

SERBIA

- Jan 20: Current account (Nov)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Major European equity markets moved lower in early trade on market woes that UK Prime Minister Theresa May will likely point at a keynote speech later today (11:45 GMT) that the UK is set for hard Brexit in order to regain control of immigration and end the jurisdiction of the European Court of Justice for UK law. Major government bonds gained with UK sovereign paper outperforming. In FX markets, JPY was among the main outperformers favored by its safe-haven appeal.

GREECE: Both German FinMin Wolfgang Shaueble and ESM Managing Director Klaus Regling stated in separate interviews that if the IMF were to depart from Greece's bailout programme, a new programme would have to be designed which would require the approval of the Bundestag. Following the green light by the Court of Audit yesterday, the sale agreement of the 100% stake of the state-run Trainose to Ferrovie dello Stato Italiane S.p.A. for €45mn is expected to be signed tomorrow.

SOUTH EASTERN EUROPE

BULGARIA: Inflation entered in December in a positive territory for the first time since September 2015. In more detail, consumer prices rose by 0.6% MoM/0.1% YoY from 0.0% MoM/-0.5% YoY in November.

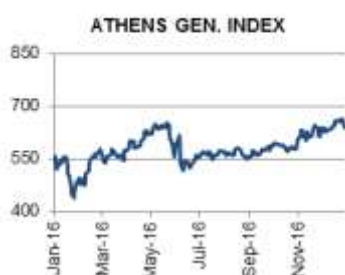
CESEE MARKETS: Most emerging market assets were modestly weaker earlier today as caution prevailed ahead of a speech by British Prime Minister Theresa May on Brexit. On the other hand, the Turkish lira received some respite following additional Central Bank action this week.

DISCLAIMER

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Taking their lead from the negative tone in the majority of Asian bourses, major European equity markets moved lower in early trade today on market woes that UK Prime Minister Theresa May will likely point at a keynote speech later today (11:45 GMT) that the UK is set for hard Brexit, in order to regain control of immigration and end the jurisdiction of the European Court of Justice for UK law. According to international press reports, the UK Premier is expected to set out 12 negotiating priorities plan for upcoming Brexit discussions, seeking a deal that does not leave the country “half in and half out” from the EU, effectively ruling out maintaining access to the single market and customs unions. Against this background, major government bonds gained with UK sovereign paper outperforming. The 10-yr Gilt was yielding levels around 1.27% in European trade at the time of writing, the lowest in nearly two weeks with the spread against its German counterpart narrowing to levels around 97.5bps earlier today, the lowest in about three months. Lingering market uncertainty over the economic policies that will be adopted by the administration of US President-elect Donald Trump, also had an impact. Favored by increased risk aversion, gold also gained with the spot price rising to \$1,215 an ounce earlier today, the highest since mid-November. In FX markets, JPY was among the main outperformers favored by its safe-haven appeal. Awaiting Donald Trump’s inauguration speech on Friday, USD/JPY remained under pressure marking an intraday session low near 113.00 earlier today, the lowest since early December. Elsewhere, GBP/USD gained some ground hovering around 1.2120/25 at the time of writing, around 0.7% higher on a daily basis compared to yesterday’s three-month closing through with market participants eagerly awaiting whether the UK Premier will point to a preference for a transitional arrangement between the UK and the EU.

ppetropoulou@eurobank.gr

GREECE

German FinMin Wolfgang Schaeuble stated in an interview that if the IMF were to bow out of Greece’s bailout programme then a new programme would have to be designed which the German parliament would have to approve. Given the pre-election period, such a process would be difficult and as a result he would not recommend this course of action to Greece. On the same wavelength, Klaus Regling, Managing Director of ESM, stated in a TV interview that the departure of the IMF from Greece’s bailout programme would constitute a fundamental change to the programme which would consequently have to be approved by the Bundestag. He also spoke about the disagreement between the IMF and the European institutions regarding Greece’s debt claiming that the debt level in terms of GDP is relatively high for Greece but the actual debt service payments are low and this is why there is no real debt servicing problem for Greece in the next decade or so. For this purpose, Europeans are willing to commit that more will be done regarding debt relief when it is needed whereas the IMF – in line with its traditional framework – wants decisions to be made earlier. On short term debt relief measures, ESM Head stated that they have been unfrozen and some of them will start being implemented in January while others will need more time – probably until the end of the year – to be fully implemented. In other news, following the green light by the Court of Audit yesterday, the sale agreement of the 100% stake of the state-run Trainose to Ferrovie dello Stato Italiane S.p.A. for €45mn is expected to be signed tomorrow.

andimitriadou@eurobank.gr

January 17, 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

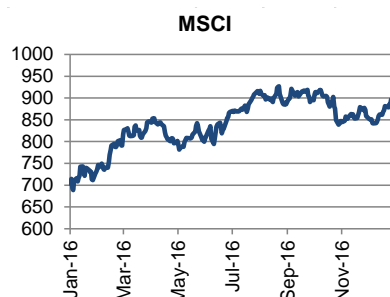
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

Inflation entered in December in a positive territory for the first time since September 2015. In more detail, consumer prices rose by 0.6% MoM/0.1% YoY from 0.0% MoM/-0.5% YoY in November and +0.2% MoM/-0.6% YoY in October. As a result, the average annual inflation came in at -0.8% YoY in 2016 compared to -0.1% YoY in 2015. Food prices, both the largest as well as the most volatile component of CPI, jumped to +0.9% MoM/+1.3% YoY in December up from -0.1% MoM/-0.2% YoY in November compared to -0.3% MoM/-0.3% YoY in October. The main upward driver was the rise in the prices of vegetables and fruits. Reflecting the normalization of global energy prices in Q4-2016, the deflation in transportation prices narrowed down to only +1.9% MoM/-0.6% YoY in December vs. -0.2% MoM/-1.3% YoY in November compared to a year low of +1.2% MoM/-11.5% YoY last May. Looking ahead, inflation is expected to continue its gradual recovery in the coming months reflecting the impact of rising energy prices and the recovering domestic demand dynamics.

igkionis@eurobank.gr

CESEE MARKETS

Most emerging market assets were modestly weaker earlier today as caution prevailed ahead of a speech by British Prime Minister Theresa May on Brexit. Market anxiety in view of US President-elect Trump's inauguration later in the week also continued to weigh on risk sentiment. On the other hand, Turkish assets broadly bucked the negative trend to stand firmer in European trade following additional Central Bank (CBRT) action to support the domestic currency. Adding to initial measures announced on January 10th, CBRT did not open earlier today a 1-week repo auction for the 4th session running and, as of yesterday, it lowered further banks' borrowing limits at the Central Bank Interbank Money Market to TRY 11bn. It also reduced this week the amount of funding provided through Borsa Istanbul repo market, compelling banks to meet additional liquidity needs via the more expensive late liquidity window (10.00% vs. 8.50% which is the o/n lending rate). Against this backdrop, the USD/TRY stood 0.6% lower at 3.7805 in European trade, having eased further from a record high just above 3.94 hit last week.

Recall that, the lira has faced significant downside pressures lately, having lost ca 10% of its value against the US dollar so far this year. The Turkish currency has been weighed down by the USD's appreciation over recent months as well as domestic political and economic worries. Security concerns have also mounted following a string of bombings last year, the July 2016 coup attempt and a mass shooting in a nightclub in Istanbul on New Year's Day. Meanwhile, government-backed constitutional changes, envisioning the transition to a presidential system that will effectively give the President executive powers, have stirred concerns over power concentration and weighed additionally on the lira. Consequently, these developments have taken a toll on sentiment. The tourism sector, one of the main pillars of the economy, has been hit hard. In this context, real GDP is now anticipated to have slowed down to 2.5% in 2016 from 4.0% a year earlier.

In the local currency debt markets, Romania sold on Monday RON 730mn in a re-tap of 2022 T-bonds, more than double an amount of RON 300mn initially planned. The tender's average accepted yield came in at 3.14%, nearly in line with 3.5% achieved at a prior auction of the same paper held in December last year. The issue bears a coupon of 3.5% and expires on December 19, 2022.

gphoka@eurobank.gr

January 17, 2017

GLOBAL MARKETS

Stock markets	FOREX	Government Bonds	Commodities																																																																
<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>S&P 500</td> <td>2274.64</td> <td>0.2%</td> <td>1.6%</td> </tr> <tr> <td>Nikkei 225</td> <td>18813.53</td> <td>-1.5%</td> <td>-1.6%</td> </tr> <tr> <td>STOXX 600</td> <td>361.76</td> <td>-0.3%</td> <td>0.1%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	S&P 500	2274.64	0.2%	1.6%	Nikkei 225	18813.53	-1.5%	-1.6%	STOXX 600	361.76	-0.3%	0.1%	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>EUR/USD</td> <td>1.0676</td> <td>0.7%</td> <td>1.5%</td> </tr> <tr> <td>GBP/USD</td> <td>1.2169</td> <td>1.0%</td> <td>-1.5%</td> </tr> <tr> <td>USD/JPY</td> <td>113.06</td> <td>1.0%</td> <td>3.5%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	EUR/USD	1.0676	0.7%	1.5%	GBP/USD	1.2169	1.0%	-1.5%	USD/JPY	113.06	1.0%	3.5%	<table border="1"> <thead> <tr> <th>(yields)</th> <th>Last</th> <th>ΔDbps</th> <th>ΔYTD bps</th> </tr> </thead> <tbody> <tr> <td>UST - 10yr</td> <td>2.33</td> <td>-7</td> <td>-12</td> </tr> <tr> <td>Bund-10yr</td> <td>0.28</td> <td>-4</td> <td>7</td> </tr> <tr> <td>JGB - 10yr</td> <td>0.05</td> <td>-1</td> <td>0</td> </tr> </tbody> </table>	(yields)	Last	ΔDbps	ΔYTD bps	UST - 10yr	2.33	-7	-12	Bund-10yr	0.28	-4	7	JGB - 10yr	0.05	-1	0	<table border="1"> <thead> <tr> <th></th> <th>Last</th> <th>ΔD</th> <th>ΔYTD</th> </tr> </thead> <tbody> <tr> <td>GOLD</td> <td>1217</td> <td>1.2%</td> <td>5.6%</td> </tr> <tr> <td>BRENT CRUDE</td> <td>56</td> <td>1.0%</td> <td>-0.7%</td> </tr> <tr> <td>LMEX</td> <td>2812</td> <td>-1.0%</td> <td>5.7%</td> </tr> </tbody> </table>		Last	ΔD	ΔYTD	GOLD	1217	1.2%	5.6%	BRENT CRUDE	56	1.0%	-0.7%	LMEX	2812	-1.0%	5.7%
	Last	ΔD	ΔYTD																																																																
S&P 500	2274.64	0.2%	1.6%																																																																
Nikkei 225	18813.53	-1.5%	-1.6%																																																																
STOXX 600	361.76	-0.3%	0.1%																																																																
	Last	ΔD	ΔYTD																																																																
EUR/USD	1.0676	0.7%	1.5%																																																																
GBP/USD	1.2169	1.0%	-1.5%																																																																
USD/JPY	113.06	1.0%	3.5%																																																																
(yields)	Last	ΔDbps	ΔYTD bps																																																																
UST - 10yr	2.33	-7	-12																																																																
Bund-10yr	0.28	-4	7																																																																
JGB - 10yr	0.05	-1	0																																																																
	Last	ΔD	ΔYTD																																																																
GOLD	1217	1.2%	5.6%																																																																
BRENT CRUDE	56	1.0%	-0.7%																																																																
LMEX	2812	-1.0%	5.7%																																																																

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	296	0	-4
1-week	3.08	-1	-9
1-month	3.34	0	-1
3-month	3.48	-1	1
6-month	3.71	-1	5

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.11	0	3
5Y RSD	5.37	0	2
7Y RSD	5.66	-1	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.14	#N/A	N/A
USD Nov-24	6.46	2	5

CDS

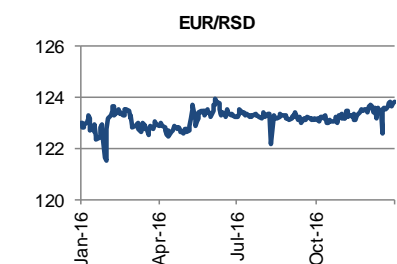
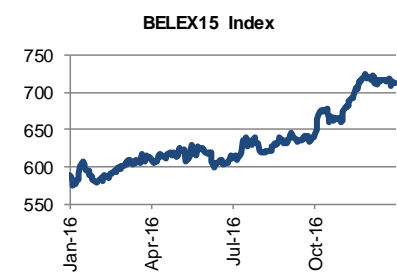
	Last	ΔDbps	ΔYTD bps
5-year	208	0	0
10-year	255	-1	-1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	712.6	0.05%	-0.67%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.84	-0.01%	-0.30%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	-1	-14
1-month	0.61	-1	-15
3-month	0.82	0	-8
6-month	1.09	1	-2
12-month	1.24	1	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.59	2	-3
5Y RON	2.48	-2	-4
10Y RON	3.41	-1	-24

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.97	0	-16
USD Jan-24	3.55	-2	-30

CDS

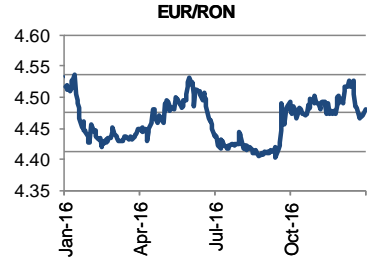
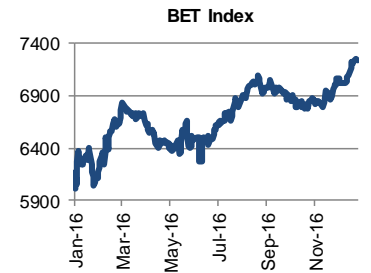
	Last	ΔDbps	ΔYTD bps
5-year	101	3	-9
10-year	145	5	-7

STOCKS

	Last	ΔD	ΔYTD
BET	7137.5	-0.07%	0.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5045	-0.09%	0.77%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	2	-5
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.07	0	-1
12-month	0.40	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.12	1	-4
5Y BGN	0.53	1	3
10Y BGN	1.82	0	-9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.32	0	0
EUR Sep-24	1.51	27	-17

CDS

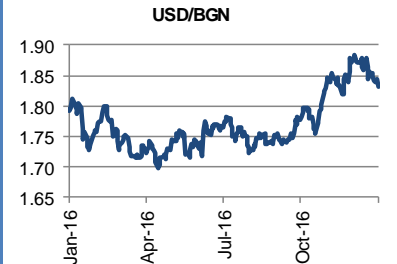
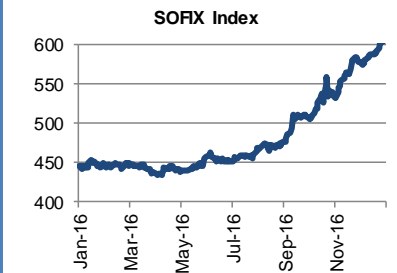
	Last	ΔDbps	ΔYTD bps
5-year	123	1	-29
10-year	164	0	-30

STOCKS

	Last	ΔD	ΔYTD
SOFIX	605.8	-0.25%	3.31%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8322	0.72%	1.43%



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

Data updated as of 11:50 EET

January 17, 2017

Contributors

Paraskevi Petropoulou
Economic Analyst, Eurobank Ergasias
+30 210 3718991
ppetropoulou@eurobank.gr

Galatia Phoka
Research Economist, Eurobank Ergasias
+30 210 3718922
gphoka@eurobank.gr

Ioannis Gkionis (Special Contributor)
Research Economist, Eurobank Ergasias
30 210 3337305
igkionis@eurobank.gr

Anna Dimitriadou (Special Contributor)
Economic Analyst, Eurobank Ergasias
+30 210 3718793
andimitriadou@eurobank.gr

Olga Kosma (Special Contributor)
Research Economist, Eurobank Ergasias
+30 210 3371227
okosma@eurobank.gr

Theodoros Stamatiou (Special Contributor)
Senior Economist, Eurobank Ergasias
30 210 3371228
tstamatiou@eurobank.gr

Regional Contributors

Vessela Boteva
Expert, trading desk, Eurobank Bulgaria
+359 (2) 8166 491
vboteva@postbank.bg

Zoran Korac
FX dealer, Eurobank ad Beograd
+381 11 206 5821
zoran.korac@eurobank.rs

Bogdan Radulescu, CFA
Senior Trader, Bancpost
+40 21 3656291
bogdan.radulescu@bancpost.ro

Eurobank Economic Analysis and Financial Markets Research

Dr. Platon Monokroussos: Group Chief Economist
pmonokrousos@eurobank.gr, +30 210 37 18 903

Dr. Tassos Anastasatos: Deputy Chief Economist
tanastasatos@eurobank.gr, +30 210 33 71 178

Research Team

Anna Dimitriadou: Economic Analyst
andimitriadou@eurobank.gr, +30 210 3718 793

Ioannis Gkionis: Research Economist
igkionis@eurobank.gr +30 210 33 71 225

Stylios Gogos: Economic Analyst
sgogos@eurobank.gr +30 210 33 71 226

Olga Kosma: Research Economist
okosma@eurobank.gr +30 210 33 71 227

Arkadia Konstantopoulou: Research Assistant
arkonstantopoulou@eurobank.gr +30 210 33 71 224

Paraskevi Petropoulou: G10 Markets Analyst
ppetropoulou@eurobank.gr, +30 210 37 18 991

Galatia Phoka: Research Economist
gphoka@eurobank.gr, +30 210 37 18 922

Theodoros Stamatiou: Senior Economist
tstamatiou@eurobank.gr, +30 210 3371228

Eurobank Ergasias S.A., 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

