



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Wednesday, January 18, 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: In her much anticipated speech yesterday, UK Premier Theresa May set out the government's 12 negotiating priorities plan for upcoming Brexit negotiations, including, among others, gaining control over immigration from the EU, taking the country out of the jurisdiction of the European Court of Justice and signing major free trade deals. She also confirmed that the UK parliament will vote on the final Brexit agreement before it enters into force, providing some relief for sterling. With the deflation theme continuing to exert an impact on market sentiment, focus today is on US December CPI.

GREECE: According to press reports, the Greek Deputy Finance Minister George Chouliarakis is planning to present to the institutions at the 26 January Eurogroup a proposal of a revised, more reliable and automatic contingent fiscal mechanism. On the same wavelength the Greek government spokesman Dimitris Tzanakopoulos stated yesterday that Greece is willing to adopt a reinforced contingent fiscal mechanism that will remain in effect even beyond 2018 and will include provisions for pension and wage cuts, a VAT increase and a tax-free threshold decrease. In exchange, European institutions are asked to specify now the medium term debt relief measures and explicitly commit to implementing them upon completion of the current bailout programme, sometime in H2 2018.

SOUTH EASTERN EUROPE

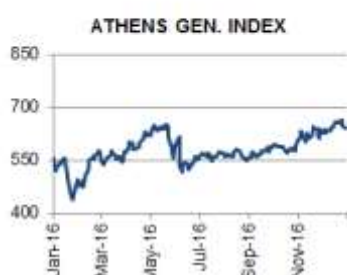
CESEE MARKETS: Emerging market assets were little changed earlier on Wednesday as caution prevailed ahead of the ECB meeting decision tomorrow.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

In her much anticipated speech yesterday, UK Premier Theresa May set out the government's 12 negotiating priorities plan for upcoming Brexit negotiations, including, among others, gaining control over immigration from the EU, taking the country out of the jurisdiction of the European Court of Justice and signing major free trade deals. She pledged a "bold and ambitious" free trade deal with the EU that would preserve as much access as possible to the single market, she did not rule out a financial contribution to the EU budget once the UK exits the EU and she expressed her desire for partial customs union membership in the form of sector-by-sector arrangement. Overall, she adopted a rather conciliatory tone emphasizing her intention to avoid a 'cliff risk' of a large discontinuous change in trading arrangements through a "phased process of implementation". As she had indicated on previous occasions, the UK Prime Minister confirmed that the UK parliament will vote on the final Brexit agreement before it enters into force, providing some relief for sterling. Recording the biggest daily increase in nearly two decades, GBP/USD hit a two-week high of 1.2415 on Tuesday soon after the UK Premier's remarks before retreating to levels around 1.2320/25 in European trade on Wednesday amid lingering uncertainty about the terms of the final Brexit agreement. While the UK Premier gave the impression that she does not want the UK to be bound by the rules of the single market and the customs union, she expressed her intention to retain some access. However, EU high level officials have repeatedly made clear that there will be no "cherry-picking" for the UK in Brexit talks. Looking ahead, with the reflation theme continuing to exert an impact on market sentiment, focus today is on US December CPI which is expected to accelerate, supporting expectations for higher Fed interest rates in the course of the year. The USD is likely to benefit especially if Fed Chair Janet Yellen who delivers a speech today turns more hawkish.

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GREECE

According to press reports, the Greek Deputy Finance Minister George Chouliarakis is planning to present to the institutions at the 26 January Eurogroup a proposal of a revised, more reliable and automatic contingent fiscal mechanism. On the same wavelength the Greek government spokesman Dimitris Tzanakopoulos stated yesterday that Greece is willing to adopt a reinforced contingent fiscal mechanism that will remain in effect even beyond 2018 and will include provisions for pension and wage cuts, a VAT increase and a tax-free threshold decrease. In exchange, European institutions are asked to specify now the medium term debt relief measures and explicitly commit to implementing them upon completion of the current bailout programme, sometime in H2 2018. On the privatisations front, four creditor banks reached an in principle agreement with the Public Power Corporation (PPC) that will allow the unbundling of the Independent Power Transmission Operator (ADMIE) from the latter in line with the provisions of the bailout programme. A complication had arisen in the previous days on that matter as the four creditor banks that have issued a syndicated loan to PPC argued that the unbundling of ADMIE from PPC without an economic benefit for the latter alters the status of the borrower and raises concerns for its lenders. The in principle deal reached yesterday is said to contain additional guarantees that address the banks' concerns allowing the ADMIE unbundling deal to go forward. With regard to other privatisations, the Undersecretary of the Ministry of Economy Stergios Pitsiorlas stated that binding offers for the Port of Thessaloniki (OLTH) are expected by end of March while construction works at Hellinikon are likely to begin before year end conditional on the issuance of a Presidential Decree on spatial planning and a casino operating license.

January 18, 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

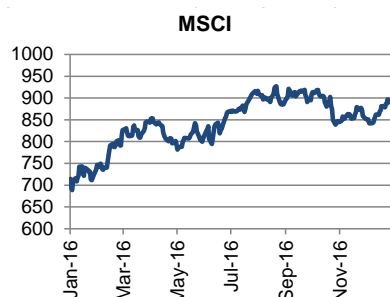
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

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

CESEE MARKETS

Emerging market assets were little changed earlier on Wednesday as caution prevailed ahead of the ECB meeting decision tomorrow. Turkish assets broadly fell, giving back a large part of yesterday's gains recorded following additional Central Bank (CBRT) action to support the domestic currency. The USD/TRY hovered around levels of 3.7835 at the time of writing, within distance from a peak of 3.7920 hit earlier today. The pair remains not too far from a record high just above 3.94 reached last week in view of a stronger US dollar over recent months, mounting domestic political and macroeconomic concerns as well as security worries following the July 2016 coup attempt and a recent streak of terror attacks. In a further effort to support the domestic currency, the Central Bank did not open earlier today a 1-week repo auction for the 5th session running compelling banks to meet additional liquidity needs via the late liquidity window. Additionally, the CBRT announced at its website yesterday its decision to open FX deposits against the TRY deposits market, allocating today \$500mn in a forex depo auction at interest rates of 8.0% for the lira and 0.75% for the USD. Despite the latest TRY-liquidity measures taken today, Turkish assets seemed to receive little respite. In the local currency debt markets, 2- and 10-year Turkish bond yields rose by 8bps and 12bps in European trade today, to 11.14% and 11.08%, respectively.

Looking into the calendar for the remainder of the week, the Turkish Parliament is expected to start a second round of voting on constitutional changes today. A final vote is reportedly expected by the end of the week. If the bill receives 3/5's of parliamentary support, then it can be put into a national referendum. Recall that the government-backed plans received a vote of approval in the first round ballot last week. Among the changes proposed is a transition to a presidential system, which will effectively give the President executive powers, having stirred skepticism over power concentration. The proponents of the changes argue that the change will bring to an end fragmented parliaments and fragile coalition governments, which in the past have increased domestic political uncertainty. Any news on the issue will likely dominate headlines in the near future. However, it is worth noting that the bill's parliamentary endorsement will most likely send these changes to a national plebiscite in spring 2017 and, if the referendum passes, the amendments will probably come into effect in 2019 when local, presidential and parliamentary elections are due. Elsewhere, the CESEE calendar is relatively light, with sovereign credit ratings by Moody's on Bulgaria and Fitch on Romania, being amongst the most notable in the coming days.

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January 18, 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	2267.89	-0.3%	1.3%	EUR/USD	1.0685	-0.3%	1.6%	UST - 10yr	2.36	3	-9	GOLD	1213	-0.4%	5.2%
Nikkei 225	18894.37	0.4%	-1.2%	GBP/USD	1.2311	-0.8%	-0.4%	Bund-10yr	0.33	1	13	BRENT CRUDE	55	-1.3%	-3.7%
STOXX 600	361.76	-0.2%	0.1%	USD/JPY	113.37	-0.7%	3.2%	JGB - 10yr	0.06	1	1	LMEX	2784	-1.0%	4.7%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	299	4	-1
1-week	3.10	-1	-7
1-month	3.34	0	-1
3-month	3.47	1	0
6-month	3.68	1	2

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	0
5Y RSD	5.37	0	2
7Y RSD	5.66	0	3

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.13	-1	-19
USD Nov-24	6.45	0	3

CDS

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

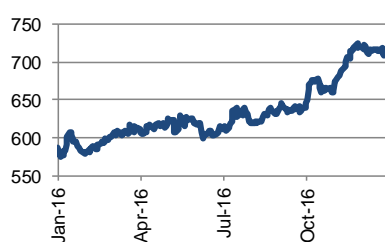
STOCKS

	Last	ΔD	ΔYTD
BELEX15	718.0	0.40%	0.09%

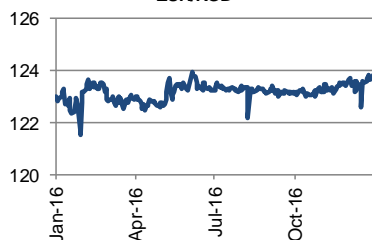
FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.74	0.08%	-0.22%

BELEX15 Index



EUR/RSD



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.41	-1	-15
1-month	0.62	1	-14
3-month	0.82	0	-8
6-month	1.08	-1	-3
12-month	1.23	-1	-2

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.57	-2	-5
5Y RON	2.47	-1	-5
10Y RON	3.37	-2	-28

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.97	0	-16
USD Jan-24	3.51	0	-34

CDS

	Last	ΔDbps	ΔYTD bps
5-year	95	-6	-14
10-year	138	-7	-14

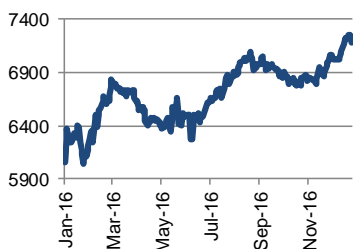
STOCKS

	Last	ΔD	ΔYTD
BET	7180.4	0.25%	1.35%

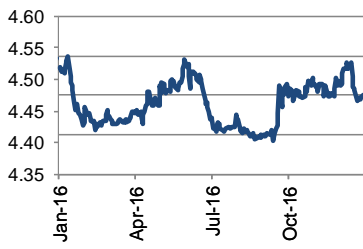
FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.4995	0.08%	0.88%

BET Index



EUR/RON



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.05	0	-5
1-month	-0.16	0	0
3-month	-0.07	0	0
6-month	0.07	0	0
12-month	0.41	0	0

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.11	0	-5
5Y BGN	0.52	1	1
10Y BGN	1.82	0	-9

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.35	0	-3
EUR Sep-24	1.60	82	-8

CDS

	Last	ΔDbps	ΔYTD bps
5-year	120	-3	-32
10-year	161	-3	-33

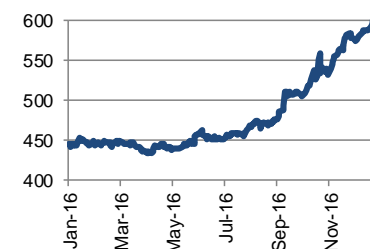
STOCKS

	Last	ΔD	ΔYTD
SOFIX	605.3	-0.20%	3.21%

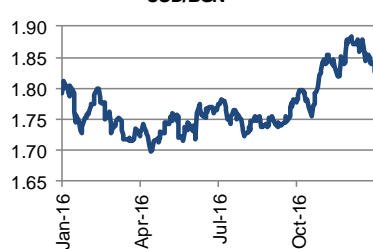
FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8306	-0.26%	1.52%

SOFIX Index



USD/BGN



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

Data updated as of 12:30 EET

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